

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No. 197501003884 (25583-W)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF SARAWAK CONSOLIDATED INDUSTRIES BERHAD ("SCIB") PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser

UOBKayHian

UOB KAY HIAN SECURITIES (M) SDN BHD

Registration No. 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting of SCIB ("**EGM**"), which will be conducted fully virtually through the online meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via its website at <https://tjih.online> on Wednesday, 30 June 2021 at 2.30 p.m. and at any adjournment thereof and the Form of Proxy are enclosed in this Circular.

A member entitled to attend, participate and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate and vote on his/ her behalf remotely via the Remote Participation and Voting facilities provided. In such event, the member should complete and deposit the Form of Proxy at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or by electronic lodgement via TIIH Online Website at <https://tjih.online> not later than forty-eight (48) hours before the time set for our EGM or any adjournment thereof. If you have lodged the Form of Proxy, you may still attend, participate and vote at our EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Monday, 28 June 2021 at 2.30 p.m.

Date and time of the EGM : Wednesday, 30 June 2021 at 2.30 p.m.

This Circular is dated 8 June 2021

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

| | |
|-------------------------------|---|
| "Act" | : The Companies Act 2016 |
| "Board" | : The Board of Directors of SCIB |
| "Bursa Securities" | : Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)) |
| "Circular" | : This circular to shareholders of SCIB dated 8 June 2021 in relation to the Proposed Capital Reduction |
| "Director(s)" | : The director(s) of SCIB having the meaning in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act 2007 |
| "EGM" | : Extraordinary general meeting of SCIB |
| "EPS/ (LPS)" | : Earnings per Share/ (Loss) per Share |
| "FPE" | : Financial period ended/ ending |
| "FYE" | : Financial year ended/ ending |
| "Listing Requirements" | : The Main Market Listing Requirements of Bursa Securities |
| "LPD" | : 28 May 2021, being the latest practicable date prior to the printing and despatch of this Circular |
| "NA" | : Net assets attributable to the owners of the Company |
| "Proposed Capital Reduction" | : Proposed reduction of the issued share capital of SCIB pursuant to Section 116 of the Act |
| "RM" and "sen" | : Ringgit Malaysia and sen, respectively |
| "SCIB" or the "Company" | : Sarawak Consolidated Industries Berhad (Registration No. 197501003884 (25583-W)) |
| "SCIB Group" or the "Group" | : SCIB and its subsidiaries, collectively |
| "SCIB Share(s)" or "Share(s)" | : Ordinary share(s) of SCIB |
| "UOBKH" or the "Adviser" | : UOB Kay Hian Securities (M) Sdn Bhd (Registration No. 199001003423 (194990-K)) |
| "Warrant(s) B" | : 245,184,997 outstanding Warrants B in SCIB as at the LPD as constituted by the deed poll B dated 14 January 2021. Each Warrant B provides the right to warrant holders to subscribe for 1 new SCIB Share during the 3-year exercise period of the Warrants B up to 8 February 2024 at an exercise price of RM1.77 per Warrant B |

DEFINITIONS (CONT'D)

All references to "we", "us", "our" and "ourselves" are to SCIB or SCIB Group. All references to "you" in this Circular are to the shareholders of SCIB. Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified. Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company's plans and objectives will be achieved.

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SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No.: 197501003884 (25583-W)
(Incorporated in Malaysia)

Registered Office:

Lot 1258, Jalan Utama
Pending Industrial Estate
93450 Kuching
Sarawak

8 June 2021

Board of Directors

YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah (*Non-Independent Non-Executive Chairman*)
YBhg. Datu Ir. Haji Mohidden Bin Haji Ishak (*Independent Non-Executive Director*)
YBhg. Datu Haji Soedirman Bin Haji Aini (*Independent Non-Executive Director*)
Encik Shamsul Anuar Bin Ahamad Ibrahim (*Independent Non-Executive Director*)
Tuan Haji Abdul Hadi Bin Datuk Abdul Kadir (*Non-Independent Non-Executive Director*)
Encik Sr. Mohd Nazri Bin Mat Noor (*Independent Non-Executive Director*)
Encik Rosland Bin Othman (*Group Managing Director/ Chief Executive Officer/ Executive Director*)

To: Our Shareholders

Dear Sir/ Madam,

PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF SARAWAK CONSOLIDATED INDUSTRIES BERHAD PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016

1. INTRODUCTION

On 26 April 2021, UOBKH had, on behalf of our Board, announced that the Company proposed to undertake the Proposed Capital Reduction.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS, THE RATIONALE AND THE EFFECTS OF THE PROPOSED CAPITAL REDUCTION AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION, WHICH IS TO BE TABLED AS A SPECIAL RESOLUTION AT THE FORTHCOMING EGM. THE NOTICE OF THE FORTHCOMING EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER IN THIS CIRCULAR.

WE ADVISE YOU TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THIS PROPOSED CAPITAL REDUCTION AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction entails the reduction of RM40.00 million of the issued share capital of the Company which is lost and unrepresented by available assets pursuant to Section 116(1)(b) of the Act. The corresponding credit of RM40.00 million arising from the Proposed Capital Reduction will be utilised to eliminate the accumulated losses of the Company while the balance, if any, will be credited to the retained earnings account of the Company which may be utilised in such manner as the Board deems fit, as permitted by the relevant and applicable laws, the Listing Requirements as well as the Company's Constitution. For information purpose, the credit reduction of RM40.00 million was derived based on the accumulated losses recorded at the Company level as at the latest audited FYE 31 December 2019 of approximately RM37.14 million, of which will be eliminated in its entirety by the proposed credit reduction amount, achieving the rationale of the Proposed Capital Reduction as highlighted in **Section 3** of this Circular.

As at the LPD, the total issued share capital of the Company is approximately RM152.27 million comprising 490,610,000 ordinary shares in SCIB.

The Company does not have any treasury shares as at the LPD. In addition, as at the LPD, the Company has 245,184,997 outstanding Warrants B which are exercisable into 245,184,997 new SCIB Shares at the exercise price of RM1.77 per Warrant B.

For illustrative purposes, the pro forma effects of the Proposed Capital Reduction on the accumulated losses of the Company, and SCIB Group based on the latest audited consolidated financial statements for the FYE 31 December 2019 and the unaudited financial results for the 12-month FPE 31 December 2020 are set out below:-

| | Audited FYE 31 December 2019 | | Unaudited 12-month FPE 31 December 2020 | |
|---|---------------------------------|-------------------|--|-------------------|
| | Company (RM'000) | Group (RM'000) | Company (RM'000) | Group (RM'000) |
| Retained earnings/ (Accumulated losses) | (37,136) | (33,913) | (15,758) | 14,351 |
| Add: Credit arising from the Proposed Capital Reduction | 40,000 | 40,000 | 40,000 | 40,000 |
| Less: Estimated expenses for the Proposed Capital Reduction | (265) | (265) | (265) | (265) |
| Resultant retained earnings/ (accumulated losses) | 2,599 | 5,822 | 23,977 | 54,086 |
| | | | | |

An order by the court will be sought to confirm the Proposed Capital Reduction pursuant to Section 116 of the Act after the receipt of approval from the shareholders of the Company for the Proposed Capital Reduction at the EGM.

The effective date of the Proposed Capital Reduction will be the date of lodgement of the sealed court order of the High Court confirming the Proposed Capital Reduction with the Registrar of Companies pursuant to Section 116(6) of the Act.

3. RATIONALE FOR THE PROPOSED CAPITAL REDUCTION

The losses of the Group were accumulated since the financial year of 2006 as a result of the net loss incurred by the Group from its operating business and such net losses were continuously reported since then up to the FYE 31 December 2018. The Group had, during its financial year of 2019 recorded net profit of RM3.15 million and had, during the 12-month cumulative financial period of 2020 recorded unaudited net profit of RM52.17 million. However, such net profit were not able to offset the accumulated losses at the Company level up to the unaudited 12-month FPE 31 December 2020.

The Proposed Capital Reduction is expected to eliminate SCIB's accumulated losses via reduction and cancellation of the current issued share capital of our Company (in RM value) and enable our Group to start afresh of its capital position by the new management team who came on board since September 2019, reflecting the improved business and financial performance of our Group, and in accordance with the Board and new management team's strategy to strengthen the capital position of our Group, which would solidify our Group's competitiveness in the industry. The breakdown of the financial contribution from each business segments under the Group for the latest 2 audited financial years up to the FYE 31 December 2019 and the latest unaudited 12-month FPE 31 December 2020 is set out as follows:-

| Business segment | Audited | | | | | | | |
|--|-------------------------------|-----------------|------------------------------------|-----------------|-------------------|---------------|------------------------------------|---------------|
| | 12-month FYE 31 December 2019 | | 12-month FYE 31 December 2018 | | | | | |
| | Revenue RM'000 | % | Operating profit/ (loss) RM'000 | % | Revenue RM'000 | % | Operating profit/ (loss) RM'000 | % |
| Manufacturing/ Corporate Property trading | 77,511 (365) | 90.08 (0.42) | 10,738 (74) | 87.71 (0.60) | 75,957 | 100.00 | (6,276) (79) | 35.68 0.45 |
| Construction/ Engineering, procurement, construction and commissioning ("EPCC") | 8,902 | 10.35 | 1,578 | 12.89 | - | - | (11,234) | 63.87 |
| Others | - | - | - | - | - | - | - | - |
| Total | 86,048 | 100.00 | 12,242 | 100.00 | 75,957 | 100.00 | (17,589) | 100.00 |

| Business segment | Unaudited | | | |
|--|-------------------------------|---------------|------------------------------------|-----------------|
| | 12-month FPE 31 December 2020 | | | |
| | Revenue RM'000 | % | Operating profit/ (loss) RM'000 | % |
| Manufacturing/ Corporate Property trading | 66,168 | 12.82 | 14,383 (798) | 23.45 (1.30) |
| Construction/ EPCC | 449,853 | 87.18 | 47,779 | 77.88 |
| Others | - | - | (17) | (0.03) |
| Total | 516,021 | 100.00 | 61,347 | 100.00 |

Additionally, the elimination of the accumulated losses pursuant to the Proposed Capital Reduction would reflect the current value of the underlying assets and the financial position of our Company and enhance the financial profile of SCIB Group with its bankers, customers, suppliers, investors, and other stakeholders of SCIB Group following the elimination of the accumulated losses.

4. EFFECTS OF THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction will not result in:

- (i) any adjustment to the Share price of SCIB;
- (ii) any change in the total number of SCIB Shares in issue or the number of SCIB Shares held by the shareholders of SCIB;
- (iii) any change to the exercise price and number of the outstanding Warrants B held by Warrants B holders of our Company;
- (iv) any payment to the shareholders of SCIB; and
- (v) any outflow of cash or change in the NA of our Group, save for the estimated expenses to be incurred in relation to the Proposed Capital Reduction.

The pro forma effects of the Proposed Capital Reduction on our Company's issued share capital, NA, gearing level of our Group, substantial shareholder, earnings and EPS and convertible securities are based on the following scenarios:-

| | | |
|-------------------------|---|---|
| Minimum Scenario | : | Assuming none of the outstanding Warrants B is exercised prior to the completion of the Proposed Capital Reduction. |
| Maximum Scenario | : | Assuming all of the outstanding Warrants B are exercised prior to the completion of the Proposed Capital Reduction. |

4.1 Issued share capital

The pro forma effects of the Proposed Capital Reduction on the issued share capital of our Company are set out below:-

| | Minimum Scenario | | Maximum Scenario | |
|--|---------------------------|----------------|---------------------------|----------------|
| | No. of SCIB Shares ('000) | (RM'000) | No. of SCIB Shares ('000) | (RM'000) |
| Share capital of SCIB as at the LPD | 490,610 | 152,269 | 490,610 | 152,269 |
| Assuming full exercise of the Warrants B ⁽¹⁾ | - | - | 245,185 | 433,977 |
| Reduction of the issued share capital pursuant to the Proposed Capital Reduction | 490,610 | 152,269 | 735,795 | 586,246 |
| After the Proposed Capital Reduction | 490,610 | 112,269 | 735,795 | 546,246 |

Note:-

- (1) Assuming all the 245,184,997 Warrants B are exercised at an exercise price of RM1.77 per Warrant B prior to the completion of the Proposed Capital Reduction.

4.2 Substantial shareholders' shareholdings

The Proposed Capital Reduction will not have any effect on the shareholdings of the substantial shareholders in our Company.

4.3 NA, NA per Share and gearing level

For illustration purposes, the pro forma effects of the Proposed Capital Reduction on the NA, NA per Share and gearing level of our Group based on its latest audited consolidated financial statement for the FYE 31 December 2019 are set out below:-

Minimum Scenario

| | Audited as at 31 December 2019 (RM'000) | Subsequent events up to the LPD ⁽¹⁾ (RM'000) | After the Proposed Capital Reduction (RM'000) |
|---|---|---|---|
| Share capital | 85,913 | 152,269 | 112,269 ⁽²⁾ |
| Retained earnings/ (Accumulated losses) | (33,913) | (33,913) | 5,822 ⁽²⁾⁽³⁾ |
| Shareholders' equity/NA | 52,000 | 118,356 | 118,091 |
| No. of SCIB Shares ('000) | 85,883 | 490,610 | 490,610 |
| NA per SCIB Share (RM) | 0.61 | 0.24 | 0.24 |
| Total borrowings ⁽⁴⁾ (RM'000) | 37,425 | 37,425 | 37,425 |
| Gearing level (times) | 0.72 | 0.32 | 0.32 |

Notes:-

- (1) After adjusting for the following:-
- i. issuance of 36,750,000 Shares at RM1.82 per Share pursuant to the Private Placement I and after deducting the expenses of approximately RM0.67 million in relation to the Private Placement I only;
 - ii. bonus issue of 367,897,500 new Shares ("**Bonus Shares**") on the basis of 3 Bonus Shares for every 1 existing Share held as at 5.00 p.m. on 31 December 2020 ("**Bonus Issue of Shares**"). The Bonus Issue of Shares was completed on 4 January 2021; and
 - iii. a total of 80,000 Warrants B were exercised at RM1.77 per Warrant B, and the converted Shares were listed on 19 March 2021.
- (2) After cancellation of approximately RM40.00 million from the share capital of our Company pursuant to the Proposed Capital Reduction.
- (3) After deducting estimated expenses pertaining to the Proposed Capital Reduction amounting to approximately RM0.27 million.
- (4) All interest bearings, bank borrowings and lease liabilities.

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Maximum Scenario

| | Audited as at 31 December 2019 (RM'000) | Subsequent events up to the LPD⁽¹⁾ (RM'000) | I Assuming all outstanding Warrants B are exercised (RM'000) | II After I and after the Proposed Capital Reduction (RM'000) |
|---|--|---|---|---|
| Share capital | 85,913 | 152,269 | 586,246 ⁽²⁾ | 546,246 ⁽³⁾ |
| Retained earnings/ (Accumulated losses) | (33,913) | (33,913) | (33,913) | 5,822 ⁽³⁾⁽⁴⁾ |
| Shareholders' equity/NA | 52,000 | 118,356 | 552,333 | 552,068 |
| No. of SCIB Shares (^{'000}) | 85,883 | 490,610 | 735,795 | 735,795 |
| NA per SCIB Share (RM) | 0.61 | 0.24 | 0.75 | 0.75 |
| Total Borrowings ⁽⁵⁾ (RM'000) | 37,425 | 37,425 | 37,425 | 37,425 |
| Gearing level (times) | 0.72 | 0.32 | 0.07 | 0.07 |

Notes:-

- (1) *After adjusting for the following:-*
- i. *issuance of 36,750,000 Shares at RM1.82 per Share pursuant to the Private Placement I and after deducting the expenses of approximately RM0.67 million in relation to the Private Placement I only;*
 - ii. *bonus issue of 367,897,500 Bonus Shares on the basis of 3 Bonus Shares for every 1 existing Share held as at 5.00 p.m. on 31 December 2020. The Bonus Issue of Shares was completed on 4 January 2021; and*
 - iii. *a total of 80,000 Warrants B were exercised at RM1.77 per Warrant B, and the converted Shares were listed on 19 March 2021.*
- (2) *Assuming all the 245,184,997 outstanding Warrants B are exercised at an exercise price of RM1.77 per Warrant B prior to the completion of the Proposed Capital Reduction.*
- (3) *After cancellation of approximately RM40.00 million from the share capital of our Company pursuant to the Proposed Capital Reduction.*
- (4) *After deducting estimated expenses pertaining to the Proposed Capital Reduction amounting to approximately RM0.27 million.*
- (5) *All interest bearings, bank borrowings and lease liabilities.*

4.4 Earnings and earnings per Share

The Proposed Capital Reduction will not have any material effect on the consolidated earnings and EPS of SCIB for the upcoming audited 18-month FPE 30 June 2021.

4.5 Convertible securities

As at the LPD, save for 245,184,997 outstanding Warrants B, our Company does not have any outstanding convertible securities.

The Proposed Capital Reduction will not give rise to any adjustment to the exercise price and the number of the Warrants B.

5. APPROVALS REQUIRED

The Proposed Capital Reduction is subject to the following approvals being obtained:-

- (i) the approvals of the shareholders of our Company at the EGM;
- (ii) the sanction of the High Court pursuant to Section 116 of the Act; and
- (iii) the approval of any other relevant authorities and/ or parties, if applicable.

6. CONDITIONALITY

The Proposed Capital Reduction is not conditional upon any other corporate proposals undertaken or to be undertaken by our Company.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

None of the directors, major shareholders or chief executive of SCIB and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Capital Reduction.

8. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects of the Proposed Capital Reduction, including but not limited to the rationale and financial effects of the Proposed Capital Reduction, is of the opinion that the Proposed Capital Reduction is in the best interest of our Company. Accordingly, the Board recommends that you **VOTE IN FAVOUR** of the special resolution in respect of the Proposed Capital Reduction to be tabled at the forthcoming EGM.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Capital Reduction is expected to be completed in the 4th quarter of 2021.

10. ADVISER

UOBKH has been appointed as the Adviser for the Proposed Capital Reduction.

11. EGM

Our EGM will be conducted fully virtually through the online meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via its website at <https://tiih.online> on Wednesday, 30 June 2021 at 2.30 p.m. and any adjournment thereof for the purpose of considering and, if thought fit, passing the Special Resolution to give effect to the Proposed Capital Reduction, as set out under the notice of the forthcoming EGM.

A member entitled to attend, participate and vote remotely at the EGM via the Remote Participation and Voting facilities provided, is entitled to appoint a proxy or proxies to attend, participate and vote on his/ her behalf. As such, you are requested to complete, sign and deposit the enclosed Form of Proxy in accordance with the instructions contained therein, with our Poll Administrator at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or by electronic lodgement via TIIH Online website at <https://tiih.online> not later than forty-eight (48) hours before the time set for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy will not, however, preclude you from attending, participating and voting at our forthcoming EGM should you subsequently wish to do so.

12. FURTHER INFORMATION

Shareholders are advised to refer to the Appendix set out in this Circular for further information.

Yours faithfully

for and on behalf of the Board

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

YBHG. DATO' DR. IR. TS. MOHD ABDUL KARIM BIN ABDULLAH

Non-Independent Non-Executive Chairman

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by our Board, and they individually and collectively accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements contained in this Circular or other facts, the omission of which would make any statements or information herein false or misleading.

2. CONSENT

UOBKH, being the Adviser for the Proposed Capital Reduction, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTEREST

UOBKH has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Adviser to our Company for the Proposed Capital Reduction.

4. MATERIAL CONTRACTS

As at LPD, saved as disclosed below, neither our Company nor our Group has entered into any contracts which are or may be material (not being contracts entered into in our ordinary course of business or any of our subsidiaries' businesses) during the 2 years preceding the date of this Circular:-

- (i) Settlement Agreement dated 10 December 2020 between Gaya Belian Sdn. Bhd ("**GBSB**"), Asgari bin Mohd Fuad Stephens ("**Asgari**"), Brian Francis Ticcioni ("**Brian**") and SCIB ("**Settlement Agreement**"). The salient terms of the Settlement Agreement are as follows:-

| Purpose | |
|---------|---|
| | The parties had entered into the Settlement Agreement to settle all the disputes arising from:- |
| | (a) the sub-contract between Carlton Gardens Sdn Bhd (" CGSB ") and Stone EPC (Sabah) Sdn Bhd (" SEPC ") dated 11 November 2016 in which SEPC agreed to supply building materials for a construction project in Beaufort, Sabah (" Project ") to CGSB (" Sub-Contract "); |
| | (b) the asset purchase agreement between GBSB and CGSB dated 25 November 2016 in which GBSB agreed to sell its clay block manufacturing business and dispose of the lease over a factory (" Factory ") to CGSB (" Asset Purchase Agreement "); |
| | (c) the management agreement between CGSB and SEPC dated 25 November 2016 in which SEPC agreed to provide management services for the Factory and employees of CGSB (" Management Agreement "); |
| | (d) the share sale agreement between the parties dated 28 December 2016 in which GBSB, Brian and Asgari as the owners of CGSB (" Owners ") agreed to sell all their shares in CGSB to SCIB for a consideration of RM5,266,000.00 in cash and 7,300,000 shares in SCIB (" SSA "); and |
| | (e) the supplemental agreement to the SSA between the parties dated 3 March 2017, |

FURTHER INFORMATION (CONT'D)

| | |
|----------------------------------|--|
| | <p>and towards the full and final settlement of all disputes including:</p> <p>(a) the action brought by SCIB against the Owners in Kota Kinabalu High Court, Originating Summons No.: BKI-24NCC(ARB)-2/7-2018;</p> <p>(b) the appeal by the Owners to the Court of Appeal, Civil Appeal No. S-02(IM)(NCVC)-2663-12/2018 against the restraining order pursuant to the SCIB Suit; and</p> <p>(c) the arbitration proceedings commenced by SCIB against the Owners on the alleged breach of the SSA.</p> <p>(collectively the "Suits")</p> <p>The parties had also agreed to the following terms:</p> <p>(a) a compromise agreement be entered into between Wong Ching Yong, the liquidator of CGSB (a company in creditor's voluntary liquidation) ("Liquidator"), SCIB, SCIB Concrete Manufacturing Sdn. Bhd. ("SCIBC"), SEPC and GBSB (see item 2(ii) below); and</p> <p>(b) a consent order be obtained from the High Court (see below).</p> |
| Full and final settlement | Upon fulfilment of all their obligations in the Settlement Agreement by the parties, the Settlement Agreement shall constitute full and final settlement of all disputes, conflicts, claims, allegations, actions, obligation, demands, suits and/or legal proceedings arising from or in connection with all matters relating to the Settlement Agreement and the Suits. |
| Settlement sum | SCIB shall pay RM9,500,000.00 (" Settlement Sum ") to GBSB as a full and final settlement, and on 15 December 2020, the sum of RM9,281,000.00, i.e. the Settlement Sum less SCIB Portion (as defined below), was duly paid to GBSB's solicitors. |
| Settlement of CGSB's debt | SCIB shall pay RM219,000.00 (" SCIB Portion ") to CGSB, which sum was duly released by SCIB's solicitors (" Solicitors ") to the Liquidator's solicitor on 14 December 2020. |
| Consent Order | <p>The parties obtained and recorded a consent order on 11 December 2020 at the High Court in Kota Kinabalu ("Consent Order") setting out the following terms:</p> <p>(a) the SSA be terminated as at the date of the Consent Order;</p> <p>(b) the Owner shall transfer 6,878,500 shares in SCIB to SCIB's named nominee and deliver a duly executed transfer form to give effect to the said transfer of shares; and</p> <p>(c) SCIB shall pay the Settlement Sum to GBSB as full and final settlement of the dispute in connection with the SSA.</p> |

FURTHER INFORMATION (CONT'D)

| | |
|---|---|
| Status | <p>As at the LPD, the Solicitors had confirmed the following via letter dated 7 May 2021:</p> <ul style="list-style-type: none"> (a) the parties have obtained the Consent Order; (b) SCIB has duly paid the Settlement Sum to GBSB's Solicitors; (c) SCIB, through the Solicitors, has duly released the SCIB Portion to the Liquidator's solicitors; (d) the Owners have duly effected the transfer of 6,878,500 shares in SCIB to SCIB's named nominee; and (e) the Liquidator, SCIB, SCIBC, SEPC and GBSB have entered into a compromise agreement (see item 2(ii) below), <p>in fulfilment of their obligations under the Settlement Agreement and as full and final settlement of the matters therein.</p> |
| (ii) | <p>Compromise Agreement dated 11 December 2020 between the Liquidator, SCIB, SCIB Concrete Manufacturing Sdn. Bhd ("SCIBC"), being the wholly-owned subsidiary of SCIB, Stone EPC (Sabah) Sdn. Bhd. ("SEPC") and GGSB ("Compromise Agreement"). The salient terms of the Compromise Agreement are as follows:-</p> |
| Purpose | <p>The Compromise Agreement is part of the terms of the Settlement Agreement, as CGSB is under creditors' voluntary winding up proceedings pursuant to Section 440(1) of the Companies Act 2016.</p> <p>The parties had entered into the Compromise Agreement to settle all the disputes and towards the full and final settlement of all disputes including:</p> <ul style="list-style-type: none"> (a) the appeal by SEPC to the Kota Kinabalu High Court in Originating Summons No. BKI-24NCvC-137/8-2019 (HC3) to appeal against the partial rejection of SEPC's proof of debt of RM25,555,904.19 by the Liquidator; and (b) the payment claim under Section 5 of the Construction Industry Payment and Adjudication Act 2012 against SEPC for payment of work done by CGSB under the Sub-Contract. <p>(collectively "Disputes")</p> |
| Full and final settlement | <p>The parties agree that upon the Liquidator's receipt of both RM219,000.00 from GBSB ("GBSB Portion") and the SCIB Portion, the Compromise Agreement shall constitute full and final settlement of all disputes, conflicts, claims, allegations, actions, obligations, demands, suits and/or legal proceeding arising from or in connection with all matters constituting the Disputes and the other proofs of debt by SCIB, GBSB and SCIBC.</p> |
| Parties' obligation upon execution | <p>SCIB and GBSB shall, through the Solicitors, release the SCIB Portion and the GBSB Portion respectively to the Liquidator's solicitors, which sums were duly released to Liquidator's solicitors on 14 December 2020.</p> |

FURTHER INFORMATION (CONT'D)

| | |
|------------------------------|---|
| Utilisation of monies | The Liquidator shall use the SCIB Portion, GBSB Portion and the remaining balance left standing in the Liquidator's account towards the full settlement of CGSB's debts. |
| Status | As at the LPD, the Solicitors had confirmed on 6 May 2021 that SCIB and GBSB have, through the Solicitors, duly released the SCIB Portion and the GBSB's Portion respectively to the Liquidator's solicitors in fulfilment of their obligations under the Compromise Agreement. |

- (iii) On 14 April 2021, the Company had entered into a conditional share sale agreement with Noorazylawati Binti Abdul Bakar, Mohd Khairil Bin Mohd Hatta and Ibrahim Bin Mohd Noor for the acquisition of 1,000,000 ordinary shares, representing 100.0% equity interest in Kencana Precast Concrete Sdn Bhd for a total cash consideration of RM4,980,000 in accordance with the terms and conditions thereof ("**Proposed Acquisition**"). As at the LPD, the conditional period of the aforesaid conditional share sale agreement has been extended to 30 June 2021 hence, the Proposed Acquisition has yet to be completed as at the LPD.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, neither our Company nor our Group is engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect of the financial position or the business of our Group, and our Board does not have any knowledge or any proceeding, pending or threatened against our Group, or of any fact likely to give rise to any proceeding, which may materially affect the business or financial position of our Group:-

- (i) the dispute between SCIB and Asgari, Brian and GBSB (collectively, the "**Vendors**") arising from the SSA in relation to the disposal of the entire equity shareholdings in CGSB by the Vendors to SCIB for a consideration of RM5,266,000.00 in cash and 7,300,000 shares in SCIB. The SSA is interlinked with other agreements entered into between the relevant parties, i.e. the Asset Purchase Agreement and the Management Agreement.

The Vendors and SCIB entered into the Settlement Agreement for the full and final settlement of all disputes, conflicts, claims, allegations, actions, obligation, demands, suits and/or legal proceedings arising from or in connection with all matters relating to the SSA, the other related agreements and the Suits.

On 14 December 2020 and 15 December 2020, the Solicitors released the SCIB Portion to the Liquidator's solicitors and the Settlement Sum to the GBSB's solicitors respectively. As at LPD, the Solicitors had confirmed via letter dated 7 May 2021 that the terms of the Settlement Agreement had been successfully completed and the case is now closed.

In the interim, there were several claims under Section 5 of the Construction Industry Payment & Adjudication Act 2012 made by and against CGSB. The Board of Directors of CGSB, having considered the affairs of CGSB and the legal advice by its solicitors, determined that CGSB could not by reasons of its liabilities, continue its business. Consequently, on 11 January 2019, an interim liquidator was appointed under section 440 of the Act, thereby marking the commencement of a voluntary winding up of CGSB. The appointment of the Liquidator was then resolved at the meeting of the creditors of CGSB on 31 January 2019 and a committee of inspection was set up to administer the liquidation process of CGSB. With the commencement of the voluntary winding up, no further legal actions or proceedings could be brought against CGSB except with the leave of court and upon such terms as the court may impose. The Liquidator then finalised the verification of the proofs of debts filed to determine the liabilities payable by CGSB and took steps to liquidate some of the assets of CGSB.

FURTHER INFORMATION (CONT'D)

Subsequently, the Liquidator, SCIB, SCIBC, GBSB and SEPC entered into the Compromise Agreement for full and final settlements of all disputes, conflicts, claims, allegations, actions, obligations, demands, suits and/or legal proceeding arising from or in connection with all matters constituting the Disputes and the other proofs of debt by SCIB, GBSB and SCIBC.

The Solicitors confirmed on 6 May 2021 that they have released the SCIB Portion and GBSB Portion respectively to the Liquidator's solicitors on 14 December 2020 in accordance with the Compromise Agreement. As at LPD, SCIB is still waiting for the confirmation from the Liquidator's solicitors on the completion of the Compromise Agreement.

6. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, our Board, is not aware of any material commitments incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on the financial results or position of our Group:-

| | RM'000 |
|--|---------------|
| Property, plant and equipment:- | |
| - Contracted but not provided for | 6,669 |
| Total capital expenditure commitments | 6,669 |

7. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred, which upon becoming enforceable, may have a material impact on the financial results or position of our Group:-

| | RM'000 |
|--|---------------|
| Unsecured: Corporate guarantee given to licensed banks for credit facilities granted to subsidiaries | 43,338 |
| Total contingent liabilities | 43,338 |

8. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at our registered office at Lot 1258, Jalan Utama, Pending Industrial Estate, 93450 Kuching, Sarawak during normal business hours from Monday to Friday (except for public holidays) from the date of this Circular up to and including the date of the EGM:-

- (i) the Constitution of SCIB;
- (ii) the latest 2 audited consolidated financial statements of our Group up to the FYE 31 December 2019 and the latest unaudited consolidated financial statements 12-month FPE 31 December 2020;
- (iii) the letter of consent and declaration of conflict of interest referred to in **Section 2** and **Section 3** above;
- (iv) the material contracts referred to in **Section 4** above; and
- (v) the relevant cause papers in respect of the material litigation referred to in **Section 5** above.



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No.: 197501003884 (25583-W)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Sarawak Consolidated Industries Berhad ("**SCIB**" or the "**Company**") ("**EGM**") will be conducted fully virtually through the online meeting platform of TIIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via its website at <https://tiih.online> on Wednesday, 30 June 2021 at 2.30 p.m. or at any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

SPECIAL RESOLUTION

PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF SCIB PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("PROPOSED CAPITAL REDUCTION")

"**THAT**, subject to all approvals being obtained from the relevant authorities and/ or parties, if applicable, and the confirmation by the High Court pursuant to Section 116 of the Companies Act 2016 ("**Act**"), approval be and is hereby given for the board of directors of SCIB ("**Board**") to implement the Proposed Capital Reduction and reduce the share capital of the Company via the cancellation of RM40.0 million of the issued share capital of the Company and that the credit arising from such share capital reduction shall be used to eliminate the accumulated losses of the Company;

THAT, the surplus after the elimination of the Company's accumulated losses pursuant to the Proposed Capital Reduction, if any, shall be credited to the retained earnings account of the Company, which may be utilised in such manner as the Board deems fit and in the best interest of the Company, as permitted by the relevant and applicable laws as well as the Constitution of the Company;

AND THAT, the Board be and is hereby authorised to approve, sign and execute all documents, do all things and acts as the Board may consider necessary or expedient to implement, finalise and give full effect to the Proposed Capital Reduction in the best interest of the Company with full power to assent to any conditions, variation, modifications, and/ or amendments in any manner as may be required by any relevant authorities, the relevant and applicable laws or deemed necessary or desirable by the Board."

By Order of the Board

LAU YEN HOON (MAICSA 7061368)
SSM Practicing Certificate No.: 202008002143
TAN SIEW HONG (MAICSA 7066226)
SSM Practicing Certificate No.: 201908001915
Company Secretaries

Kuching, Sarawak
8 June 2021

Notes:

- 1) *The Securities Commission Malaysia's revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers ("Revised Guidance Note") allows a listed issuer to conduct a fully virtual general meeting, where all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. According to the Revised Guidance Note, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of Companies Act 2016 provided that the online platform is located in Malaysia.*
- 2) *Members are to attend, speak (including posing questions via real time submission of typed texts) and vote (collectively, "participate") remotely at the EGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd. A member who has appointed a proxy or attorney or authorised representative to participate in this EGM via the RPV must request his/ her proxy or attorney or authorised representative to register himself/herself for RPV via TIH Online website at <https://tiah.online>. Please refer to the procedures set out in the Administrative Guide for the EGM to register, participate and vote remotely via the RPV.*
- 3) *For the purpose of determining a member who shall be entitled to attend and vote at the EGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at **23 June 2021** and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the EGM or appoint proxy(ies) to attend and vote on his/her behalf.*
- 4) *A member of the Company who is entitled to attend and vote at this EGM is entitled to appoint not more than 2 proxies to attend and vote on his/her behalf.*
- 5) *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991("SICDA"), it may appoint 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- 6) *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
- 7) *Where a member appoints more than 1 proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, otherwise the appointment shall not be valid.*
- 8) *A proxy may but need not be a member of the Company. A proxy appointed to attend and vote shall have the same rights as the member to move any resolution or amendment thereto and to participate at the EGM.*
- 9) *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company at least 48 hours before the time appointed for holding the EGM or any adjournment thereof:*
 - i) *In hard copy form*
The Form of Proxy must be deposited at the poll administrator's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - ii) *By electronic means*
The Form of Proxy can be electronically lodged with the poll administrator via TIH Online website at <https://tiah.online>. Please refer to the Administrative Guide for the EGM on the procedures for electronic lodgement of Form of Proxy.
- 10) *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the poll administrator's office at the above address not less than 48 hours before the time appointed for holding the EGM or adjourned EGM at which the persons named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/ or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*
- 11) *For a corporate member who has appointed an authorised representative, please deposit the ORIGINAL/ DULY CERTIFIED certificate of appointment of authorised representative with the poll administrator at the above address. The certificate of appointment of authorised representative should be executed under seal in accordance with the constitution of the corporate member. If the corporate member does not have a common seal, the certificate of appointment of authorised representative should be affixed with the rubber stamp of the corporate member (if any) and executed by at least 2 authorised officers, of whom 1 shall be a director; or any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.*

FORM OF PROXY

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No.: 197501003884 (25583-W)

| | |
|-------------------|--|
| CDS Account No. | |
| No of Shares Held | |

I/We _____ NRIC/Passport No. _____
(FULL NAME)

of _____ being a member/
(FULL ADDRESS)

members of **Sarawak Consolidated Industries Berhad (the "Company")** hereby appoint _____
(FULL NAME)

NRIC/Passport No. _____ of _____
(FULL ADDRESS)

_____ *and/ or failing whom _____ NRIC/Passport No.
(FULL NAME)

_____ of _____
(FULL ADDRESS)

*Or failing whom the Chairman of the Extraordinary General Meeting of the Company ("**EGM**") as *my/ our proxy to attend, speak and vote for *my/ our behalf at the EGM to be conducted fully virtually through the online meeting platform of TIH Online provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia via its website at <https://tjih.online> on Wednesday, 30 June 2021 at 2.30 p.m. and at any adjournment thereof.

*I / We direct *my / our proxy to vote for or against the resolution to be proposed at the EGM as indicated hereunder:-

| RESOLUTION | | FOR | AGAINST |
|--------------------|----------------------------|-----|---------|
| SPECIAL RESOLUTION | PROPOSED CAPITAL REDUCTION | | |

**Strike out whichever is not applicable*

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:

| | No. of Shares | Percentage (%) |
|----------------|---------------|----------------|
| Proxy 1 | | |
| Proxy 2 | | |
| Total | | 100% |

Dated this.....day of.....2021.

 Signature/ common seal of shareholder



Notes:

- 1) *The Securities Commission Malaysia's revised Guidance Note and Frequently Asked Questions on the Conduct of General Meetings for Listed Issuers ("Revised Guidance Note") allows a listed issuer to conduct a fully virtual general meeting, where all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. According to the Revised Guidance Note, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of Companies Act 2016 provided that the online platform is located in Malaysia.*
- 2) *Members are to attend, speak (including posing questions via real time submission of typed texts) and vote (collectively, "participate") remotely at the EGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd. A member who has appointed a proxy or attorney or authorised representative to participate in this EGM via the RPV must request his/ her proxy or attorney or authorised representative to register himself/herself for RPV via TIIH Online website at <https://tiih.online>. Please refer to the procedures set out in the Administrative Guide for the EGM to register, participate and vote remotely via the RPV.*
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- 6) *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
- 7) *Where a member appoints more than 1 proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, otherwise the appointment shall not be valid.*
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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Poll Administrator of
SARAWAK CONSOLIDATED INDUSTRIES BERHAD
Registration No.: 197501003884 (25583-W)
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A, Vertical Business Suite,
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.

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