

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused this Circular prior to its issuance as it is an exempt circular.

Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

The Notice of the AGM, which will be conducted entirely through live streaming from the broadcast venue at the Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Thursday, 18 June 2020 at 11.30 a.m. and at any adjournment thereof together with the Form of Proxy are enclosed together with the 2019 Annual Report. You are entitled to attend and vote at our meeting or to appoint a proxy or proxies to attend and vote on your behalf remotely via the Remote Participation and Voting facilities provided. You 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 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 or by electronic lodgement via TIIH Online Website at <https://tiih.online> not later than forty-eight (48) hours before the time set for our AGM or any adjournment thereof. If you have lodged the Form of Proxy, you may also attend and vote at our AGM should you subsequently wish to do so.



**SARAWAK CONSOLIDATED INDUSTRIES BERHAD**

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

**CIRCULAR TO SHAREHOLDERS  
in relation to**

**PROPOSED RENEWAL OF SHAREHOLDER MANDATE FOR RECURRENT RELATED  
PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

**IMPORTANT DATES AND TIMES:-**

Last day and time for lodging the Form of Proxy	: Tuesday, 16 June 2020 at 11.30 a.m.
Date and time of the Annual General Meeting	: Thursday, 18 June 2020 at 11.30 a.m.

This Circular is dated 18 May 2020

## DEFINITIONS

This table sets out the definitions used throughout this Circular:

Act	:	Companies Act 2016 (as may be amended, modified or re-enacted from time to time)
AGM	:	Annual General Meeting
Audit Committee	:	Audit Committee of SCIB
Board	:	The Board of Directors of SCIB
Bursa Securities	:	Bursa Malaysia Securities Berhad
Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah	:	Dato' Dr. Karim
Directors	:	<p>The Directors for the time being of SCIB and shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes the following person who is or was within the preceding six (6) months from the date on which the terms of the transaction were agreed upon:-</p> <p>(i) a director of the Company or its subsidiary or holding company; or</p> <p>(ii) a chief executive of the Company, its subsidiary or holding company.</p>
LPD	:	23 April 2020, being the latest practicable date prior to printing of the Circular
Listing Requirements	:	The Main Market Listing Requirements of Bursa Securities (as may be amended or modified from time to time) and any enactment thereof.
Major Shareholder(s)	:	<p>A person, including any person who is or was within the preceding six (6) months of the date on which the terms of the transactions were agreed upon, who has an interest or interests in one (1) or more voting shares in the Company (or any other company which is its subsidiary or holding company) and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is:-</p> <p>(a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the Company; or</p> <p>(b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company.</p> <p>For the purpose of this definition, "interest in shares" shall have the same meaning given in Section 8 of the Act.</p>
Person(s) Connected	:	This shall have the same meaning given in Chapter 1, Paragraph 1.01 of the Listing Requirements
Proposed Shareholder Mandate	:	Proposed Shareholder Mandate for the existing RRPT
Related Party(ies)	:	A Director, Major Shareholder or Person Connected with such director or major shareholder of the Group. For the purpose of this definition, 'Director', 'Major Shareholder' and their Persons Connected shall have the same meanings given in Paragraph 10.02 of the Listing Requirements
Related Party Transaction	:	A transaction entered into by SCIB Group which involves the interest, direct or indirect, of a Related Party
RM	:	Ringgit Malaysia

***DEFINITIONS (Cont'd)***

RRPTs	:	A Related Party Transaction which is recurrent, of a revenue or trading nature and which is necessary for the day-to-day operations of SCIB Group and which has been made or will be made by SCIB Group at least once in three (3) years in the ordinary course of business of SCIB Group
SCIB or the Company	:	Sarawak Consolidated Industries Berhad
SCIB Group or the Group	:	SCIB and its subsidiaries
Share(s)	:	Ordinary share(s) in the capital of SCIB
Shareholder Mandate	:	Shareholder Mandate pursuant to Paragraph 10.09 of the Listing Requirements for the RRPT
SDHB	:	Serba Dinamik Holdings Berhad
SDHB Group	:	Serba Dinamik Holdings Berhad and its subsidiaries, collectively

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. Words importing persons include corporations.

Any reference to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act and used in this Circular shall have the meaning assigned to it under the Companies Act.

Any reference to a time of day shall be a reference to Malaysian time.

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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

18 May 2020

### Board of Directors:

YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim Bin Abdullah (*Chairman/ Non-Independent Non-Executive Director*)

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 RENEWAL OF SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

### 1. INTRODUCTION

At the Company's Annual General Meeting held on 30 May 2019, the Company obtained from its shareholders a mandate for the RRPT pursuant to Paragraph 10.09 of the Listing Requirements.

The mandate from the shareholders shall, in accordance with the Listing Requirements, lapse at the conclusion of the forthcoming AGM, which has been scheduled to be held on 18 June 2020, unless by a resolution passed at the forthcoming AGM, the mandate is renewed.

Accordingly, on 27 April 2020, the Company announced through Bursa Securities that the Board proposes to seek for renewal of Shareholder Mandate from its shareholders at the forthcoming AGM, for the existing RRPT as outlined in Sections 3.2 and 3.3 of this Circular.

The purpose of this Circular is to provide you with details, rationale and effects of the Proposed Shareholder Mandate and to seek your approval for the resolution, which is to be tabled as an ordinary resolution at the forthcoming AGM scheduled to be convened on 18 June 2020. The Notice of the AGM together with the Form of Proxy are enclosed with the 2019 Annual Report of the Company.

**We advise you to read and carefully consider the contents of this Circular before voting on the resolution pertaining to this Proposed Shareholder Mandate at the forthcoming AGM scheduled to be held on 18 June 2020.**

### 2. BACKGROUND INFORMATION OF PROVISIONS IN THE LISTING REQUIREMENTS

Paragraph 10.09(2) of the Listing Requirements states that with regard to related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations, the Company may seek a mandate from its shareholders, subject to the following:-

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the Shareholder Mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the Shareholder Mandate during the

- financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Listing Requirements;
- (c) the Company's circular to shareholders for the Shareholder Mandate includes the information as may be prescribed by Bursa Securities. The draft circular must be submitted to Bursa Securities together with a checklist showing compliance with such information;
  - (d) in a meeting to obtain Shareholder Mandate, the relevant related party must comply with the requirements set out in Paragraph 10.08(7) of the Listing Requirements; and
  - (e) the Company must immediately announce to Bursa Securities when the actual value of a RRPT entered into by the Company, exceeds the estimated value of the RRPT disclosed in the Circular by ten percent (10%) or more and the Company must include the information as may be prescribed by Bursa Securities in its announcement.

### 3. FEATURES OF THE PROPOSED SHAREHOLDER MANDATE

#### 3.1 Principal activities of SCIB Group

The principal activities of SCIB are that of investment holding, provision of management services to the subsidiaries and the provision of general construction activities. The principal activities of its subsidiaries are as follows:-

Name of Company	Effective Equity Interest (%)	Principal Activities
<b><u>Subsidiaries of SCIB</u></b>		
SCIB Holdings Sdn Bhd	100	Investment holding
SCIB Industrialised Building System Sdn. Bhd.	100	Supply and installation of industrialized building system components
<b><u>Subsidiaries of SCIB Holdings Sdn Bhd</u></b>		
SCIB Properties Sdn Bhd	100	Property investment and development, and engineering, procurement, construction and commissioning projects
SCIB Infracore Sdn Bhd	100	Infrastructure business and other related business- Dormant
SCIB Concrete Manufacturing Sdn Bhd	100	Investment holding, trading of construction materials, manufacturing and sale of precast concrete pipes, pre-stressed spun concrete pipes and other related concrete products
<b><u>Subsidiary of SCIB Concrete Manufacturing Sdn. Bhd.</u></b>		
SCIB International (Labuan) Ltd.	100	Engineering, procurement, construction and commissioning projects, general contractors for civil, structural, mechanical and electrical projects, and the provision of experimental, development and commercial works

#### 3.2 Classes of Related Parties

	Related Parties	Principal Activities	Names of Interested Directors, Interested Major Shareholders of SCIB and its subsidiaries and Interested Persons Connected and their relationships with the Related Parties
1	<b>SDHB Group</b>	Operations and maintenance (O&M), and engineering, procurement, construction and commissioning (EPCC), IT Solutions and Education & Training	Dato' Dr Karim, who is the common director and common major shareholder of SCIB and SDHB

### 3.3 Nature of the RRPT and Estimated Value

#### 3.3.1 Existing RRPT

Name of Related Party	Nature of RRPT	Contract sum	Expected Contract Period	Existing Shareholder Mandate		Proposed Shareholder Mandate
				Estimated value for validity period of the mandate (Estimated Value) (i)	Actual value transacted during the validity period of the mandate (Actual Value) (ii)	Estimated value (iii)
SDHB Group	i. Provision of construction and project management services by SCIB Group for projects to be awarded by SDHB Group (predominantly in Malaysia).	RM550 million	March 2020 – March 2023	RM550 million	-	<b>RM550 million</b>
	ii. Provision of construction and project management services by SCIB Group for projects to be awarded by SDHB Group (in overseas market i.e. Middle East region).	RM820 million	March 2020 – March 2022	RM820 million	-	<b>RM820 million</b>
	<b>TOTAL</b>	<b>RM1,370 million</b>		<b>RM1,370 million</b>	<b>-</b>	<b>RM1,370 million</b>

Note:-

- (i) The estimated value is as disclosed in the Circular dated 18 May 2020 on the Proposed New Recurrent Related Party Transactions of a Revenue or Trading Nature;
- (ii) The actual value transacted from the date on which the existing mandate was obtained up to 23 April 2020, being the latest practicable date before the printing of this Circular;
- (iii) The proposed estimated value from the forthcoming AGM until the conclusion of the next AGM of the Company are based on management best estimates of the value of transactions. These estimates have been arrived by SCIB Group after taking into consideration both historical data and the best estimate for these transactions. The price of the Products and Services are conducted at market rate which is at arm's length and under normal commercial term on terms not more favourable to the Related Party than those generally available to the public and not to the detriment of our minority shareholders

There was no deviation of 10% or more where the Actual Value exceeds the Estimated Value of RRPT comprised under the existing Shareholder Mandate.

### 3.4 Ageing report for Recurrent Related Party Transactions

Name of Related Party	As at 23 April 2020	Normal Credit term	Outstanding RRPT Receivables as at 31 December 2019 which has exceeded the credit term for the following periods							
			Less than 1 year		More than 1 year less than 3 years		More than 3 years less than 5 years		More than 5 years	
	RM' million		Principal sum RM' million	Interest RM' million	Principal sum RM' million	Interest RM' million	Principal sum RM' million	Interest RM' million	Principal sum RM' million	Interest RM' million
<b>SDHB Group</b>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-

### 3.5 Rationale and benefit of the Proposed Shareholder Mandate

The transactions to be entered into with Related Parties by the Group are in the ordinary course of business and will enhance the revenue of the SCIB Group.

They are recurring transactions of revenue or trading nature which are likely to occur with some degree of frequency and arise at any time and from time to time. These transactions may be constrained by the time-sensitive nature and confidentiality of such transactions, and it may be impractical to seek shareholders' approval on a case to case basis before entering into such related party transactions.

The Proposed Shareholder Mandate would also reduce substantial administrative time, inconvenience and expense of having to frequently convene a separate general meeting for approval of each transaction while still maintaining the objective of keeping shareholders informed of the extent of the related party transactions occurring within the Group. This would have the benefit of reducing administrative time and costs to the Company, which could be better utilised towards pursuing our corporate objectives.

### 3.6 Review methods or procedures for RRPT

Our Group has in placed an internal control system, which includes review of methods or procedures to ensure that such RRPTs are conducted at arm's length and are on normal commercial terms consistent with our Group's usual business practices and policies, as well as on terms which are not more favourable to the related party than those generally available to the public and are not to the detriment of our minority shareholders.

Our Management will ensure that the RRPTs will only be entered into, after taking into consideration the pricing, level of service and quality of product. The review and procedures shall include the following:

- (a) Records of RRPT will be maintained and shall be made available to the external auditors, independent consultant and Audit Committee for their review;
- (b) The independent consultant will review the RRPTs as part of the internal audit programme and report their findings to the Audit Committee and the Board;
- (c) Terms of the RRPTs relating to the price or sales/ distribution margins shall not be subject to substantial change during the period that the Shareholder Mandate is in force. Where such change is deemed necessary, our Management and our Audit Committee shall review the new terms to ensure that they are consistent with a transaction conducted at arm's length and on normal commercial terms consistent with our Group's usual business practices and policies and will not be prejudicial to the shareholders. Our Management shall ensure that the new terms are not more favourable to the related party than those generally available to the public and are not to the detriment of our minority shareholders;
- (d) Wherever possible, at least 2 other contemporaneous transactions and/ or quotations with unrelated third parties for similar products/ services and/ or quantities will be used as comparison, to determine whether the price and terms offered to/ by the related parties are fair and reasonable and comparable to those offered to/ by other unrelated third parties for the same or substantially similar type of produces/ services and/ or quantities, if applicable;
- (e) In the event that quotation or comparative pricing from unrelated third parties cannot be obtained (for instance, if there are no unrelated third party vendors/ customers of similar products or services, or if the product/ service is a proprietary item), the transaction price will be determined and approved by the Board to ensure the RRPT is not detrimental to the SCIB Group, wherever applicable;
- (f) There are no specific thresholds for approval as all RRPTs are reviewed and approved by our Audit



Committee. Our Audit Committee together with our Board will review and approve the RRPTs that are required under the Listing Requirements;

- (g) Further, where any Directors or persons connected have an interest (direct or indirect) in the RRPTs, such Director (and his alternate) shall abstain from deliberation and voting on the matter. Where any member of our Audit Committee is interested in any transaction, that member shall abstain from deliberation and voting on any matter relating to any decisions to be taken by the Audit Committee with respect to such transactions; and
- (h) Disclosure will be made in the annual report of our Company of the aggregate value of the RRPTs conducted pursuant to the shareholder mandate during the financial year, amongst others, based on the type of the RRPTs and the names of the related parties involved in each type of the RRPT made and the relationship with SCIB. Disclosure will also be made in the annual reports for the subsequent financial years during which the shareholder mandate remain in force.

### 3.7 Statement by Audit Committee

The Audit Committee of SCIB has seen and reviewed the methods and/or procedures mentioned in Section 3.6 above and is of the view that the said procedures are sufficient to ensure that the RRPT are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders. The Audit Committee is of the view that the SCIB Group has in place adequate procedures, guidelines and processes to monitor, track and identify RRPT in a timely and orderly manner, and such procedures, guidelines and processes are reviewed on an annual basis and whenever the need arises.

### 3.8 Directors' and Major Shareholders' Interests

The direct and indirect interest of the interested Directors, interested Major Shareholders and/or Person Connected with them in SCIB as at 23 April 2020 are as follows:-

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
<b>Interested Director</b>				
Dato' Dr Karim	40,820,055	47.53	-	-
			-	-
<b>Interested Major Shareholder</b>				
Dato' Dr Karim	40,820,055	47.53	-	-

The abovementioned interested Director, Major Shareholder and Person Connected to the Director and Major Shareholder will abstain from voting on the resolution approving the Proposed Shareholder Mandate in the forthcoming AGM in respect of their shareholdings in SCIB. Dato' Dr Karim, being the Director interested in the Proposed Shareholder Mandate has abstained and will continue to abstain from all Board deliberation and voting on the Proposed Shareholder Mandate. Dato' Dr Karim will abstain from voting in respect of his direct and indirect shareholdings on the resolution pertaining to the Proposed Shareholder Mandate for RRPT.

In addition, the above interested Director and interested Major Shareholder undertake to ensure that their Persons Connected will also abstain from voting in respect of their direct and indirect shareholdings on the resolution deliberating or approving the Proposed Shareholder Mandate.

Save as disclosed above, none of the other Directors, Major Shareholders and/or Persons Connected with them have any interests (direct or indirect) in the Proposed Shareholder Mandate.

## 4. EFFECTS OF THE PROPOSED SHAREHOLDER MANDATE

The Proposed Shareholder Mandate will not have any effect on our issued and paid-up share capital and substantial shareholders' shareholdings and will not have any significant impact on the net assets per share and earnings per share of our Group for the year ending 31 December 2019.

However, the Proposed Shareholder Mandate is expected to contribute positively to the net assets and earnings of our Group during the period that the Proposed Shareholder Mandate is in force.

## 5. CONDITIONS OF THE PROPOSED SHAREHOLDER MANDATE

The Proposed Shareholder Mandate is conditional upon approval being obtained from the shareholders of SCIB at the forthcoming AGM and is subject to annual renewal and shall continue to be in force until:-

- a) the conclusion of the next AGM of SCIB at which the Proposed Shareholder Mandate was passed, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
  - b) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
  - c) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier.

A disclosure of a breakdown of the aggregate value of the RRPT conducted pursuant to the Proposed Shareholder Mandate during the financial year shall be made in the annual report where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1)(a) of the Listing Requirements, amongst others, based on the following information:-

- the type of the RRPT made; and
- the names of the related parties involved in each type of the RRPT made and their relationship with SCIB.

## 6. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Directors, save and except for Dato' Dr Karim who has abstained from expressing an opinion, are of the opinion that the Proposed Shareholder Mandate is in the best interest of SCIB and as such, recommend that you vote in favour of the resolution in relation to the Proposed Shareholder Mandate to be tabled at our forthcoming AGM.

## 7. AGM

Our AGM will be conducted entirely through live streaming from the broadcast venue at the Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on Thursday, 18 June 2020 at 11.30 a.m. and any adjournment thereof for the purpose of considering and, if thought fit, passing the ordinary resolution to give effect to the Proposed Shareholder Mandate, as set out under the item of Special Business at the forthcoming AGM.

A member entitled to attend, participate, speak and vote remotely at the AGM via the Remote Participation and Voting facilities provided, is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. As such, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, so as to reach 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 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 or by electronic lodgement via TIIH Online website at <https://tjih.online> not later than forty-eight (48) hours before the time set for holding the AGM or any adjournment thereof. The lodging of the Form of Proxy will not, however, preclude you from attending and voting at our forthcoming AGM should you subsequently wish to do so.

## 8. FURTHER INFORMATION

We advise you to refer to Appendix I for further information.

Yours faithfully  
for and on behalf of the Board  
**SARAWAK CONSOLIDATED INDUSTRIES BERHAD**

**ENCIK SR. MOHD NAZRI BIN MAT NOOR**  
Independent Non-Executive Director

## FURTHER INFORMATION

### 1. RESPONSIBILITY STATEMENT

Our Directors have seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

### 2. MATERIAL CONTRACTS

As at LPD, saved as disclosed below, neither we nor our subsidiaries have entered into any material contracts (not being contracts entered into in our ordinary course of business or any of our subsidiaries' businesses) within the two (2) years preceding the date of this Circular:-

- (i) Sale and Purchase Agreement dated 22 January 2019 between Zecon Land Sdn. Bhd. and SCIB Concrete Manufacturing Sdn. Bhd. ("SCIBCM") for the purchase of one (1) unit of the Four (4) Storey Shophouses described as Sublot 24 measuring approximately 459 square metres, more or less, in area in Vista Tunku (Phase One) together with the land on which the Shophouse is built for a purchase price of Ringgit Malaysia One Million Three Hundred Thousand (RM1,300,000) only at a discount of around 3% of the listed price to be satisfied by way of offsetting and partial settlement of outstanding amounts due and owing by Zecon Group to SCIBCM. As at LPD, the acquisition has been completed; and
- (ii) Conditional Sale and Purchase Agreement dated 24 January 2019 between SCIB Concrete Manufacturing Sdn. Bhd. and Reignvest Corporation Sdn. Bhd. for the proposed acquisition of a parcel of land together with two (2) units of industrial buildings erected thereon situated at Sejingkat Industrial Park, Kuching measuring approximately 2.793 hectares and described as Lot 830 Block 7, Muara Tebas Land District for a cash consideration of RM8,236,000. The acquisition has been completed on 29 November 2019.

### 3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware of any proceeding, pending or threatened, against the Group or of any facts likely to give rise to any proceeding which may materially affect the business or financial position of the Group:

- (i) There is an ongoing unresolved dispute between SCIB and Asgari Bin Mohd Fuad Stephens, Brian Francis Ticcioni and Gaya Belian Sdn. Bhd. (collectively referred to as the "**Vendors**") arising from the Share Sale Agreement dated 28 December 2016 entered into between SCIB and the Vendors ("**SSA**") in relation to the disposal of the entire equity shareholdings in Carlton Gardens Sdn Bhd ("**CGSB**") by the Vendors to SCIB. In the SSA, the Vendors have made representations concerning CGSB as to the profitability of contract and plant capacity of CGSB in relation to several contracts entered into by the Vendors separately with CGSB, such representations of which had all turned out to be false and did not reflect the correct state of affairs of CGSB and its related activities. SCIB had relied upon the representations made by the Vendors in entering into the SSA for the acquisition of the entire equity shareholdings in CGSB from the Vendors.

Arising from the dispute, SCIB seeks to claim against the Vendors for a full refund of the purchase consideration of RM9,500,000 consisting of a cash sum of RM5,266,000 paid to the Vendors, as well as a re-transfer of the remaining undisposed 7,121,000 ordinary shares in SCIB ("**Consideration Shares**") which were allotted and issued to the Vendors as part of the purchase consideration, for the acquisition of the entire equity shareholdings in CGSB under the SSA and also damages and losses incurred.

In accordance with the SSA, SCIB had on 25 May 2018 issued a notice of dispute to the Vendors, to refer the dispute to a mutually appointed arbitrator but there has been no response received from the Vendors agreeing to such appointment.

In order to maintain the status quo and preserve the Consideration Shares, SCIB had applied for an injunction from the Kota Kinabalu High Court vide Originating Summons No. BKI-24NCC(ARB)-2/7-2018 restraining the Vendors jointly and severally from selling, transferring or otherwise dealing with the

Consideration Shares as part of the purchase consideration under the SSA. The court had on 28 November 2018, granted an inter parte injunction against the Vendors. The Vendors have on 21 December 2018, filed an appeal to the Court of Appeal against the injunction granted. As at the LPD, no date has been fixed for the hearing of the appeal. As at the LPD, no date has been fixed for the hearing of the appeal.

SCIB and the Vendors have since agreed to refer the dispute for mediation, and at the hearing of the mediation on 29 January 2019, it was agreed that a further meeting be held at a date to be fixed to facilitate a better understanding of the basis and reasoning of the matters arising under the dispute to enable the parties to reach an amicable settlement. However, as the mediation has failed and the parties being unable to reach a mediated settlement, further Notice to commence arbitration with reference to the Notice of Dispute dated 25 May 2018 has been issued by a letter dated 18<sup>th</sup> February 2020. Having received no response from the proposed Respondents, yet another Notice of Arbitration was issued in the 28<sup>th</sup> February 2020.

In the interim, there are several claims under section 5 of the Construction Industry Payment & Adjudication Act 2012 (“CIPAA 2012”) made by and against CGSB. The Board of Directors of CGSB, having considered the affairs of CGSB and taking into account the legal advice by its solicitors, has determined that CGSB cannot 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 a 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 can be brought against CGSB except with the leave of court and upon such terms as the court may impose. The appointed liquidator has finalised the verification of the proofs of debts filed to determine the liabilities payable by CGSB and the liquidator and has taken steps to liquidate some of the assets of CGSB.

As at the LPD, SCIB and the Vendors are in the midst of appointing an Arbitrator. Nevertheless, the inter parte injunction is still valid at this juncture.

#### **4. 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 AGM:-

- (i) The Constitution of SCIB;
- (ii) The audited consolidated financial statements of the Group for the past two (2) financial years ended 31 December 2017 and 2018 as well as the Unaudited Consolidated Financial Statements for the Fourth Quarter Ended 31 December 2019;
- (iii) The material contracts referred to in Section 2 above; and
- (iv) The relevant cause papers in respect of the material litigation referred to in Section 3 above.