

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No: 197501003884 (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022**Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Unaudited Individual Quarter 01.01.2022 to 31.03.2022 RM'000	Unaudited Cumulative Quarter 01.07.2021 to 31.03.2022 RM'000
Continuing Operations			
Revenue	5	37,545	102,176
Cost of sales		(33,193)	(89,883)
Gross profit		4,352	12,293
Other income		310	617
Selling and distribution expenses		(1,946)	(5,409)
Administrative expenses		(4,232)	(12,317)
Net impairment loss on financial assets		(117)	(154)
Operating loss		(1,633)	(4,970)
Finance income		115	311
Finance costs		(456)	(1,325)
Net finance costs		(341)	(1,014)
Share of gain / (loss) of an associate		3	(48)
Loss before tax		(1,971)	(6,032)
Income tax expense	22	-	-
Loss after tax		(1,971)	(6,032)
Other comprehensive expenses:			
<u>Item that will be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences for foreign operations		(132)	(172)
Total comprehensive expenses for the period		(2,103)	(6,204)
Loss attributable to:			
Owners of the Company	27	(1,871)	(5,904)
Non-controlling interests	27	(100)	(128)
		(1,971)	(6,032)
Total comprehensive expenses attributable to:			
Owners of the Company		(2,003)	(6,076)
Non-controlling interests		(100)	(128)
		(2,103)	(6,204)
Loss per share (sen)			
Basic and diluted	27	(0.37)	(1.17)

Note: Pursuant to the change in the financial year end from 31 December 2020 to 30 June 2021, there are no comparative figures presented.

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2021.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022**Unaudited Condensed Consolidated Statement of Financial Position**

	Note	Unaudited As At 31.03.2022 RM'000	Audited As At 30.06.2021 RM'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	5, 10	32,390	28,422
Right-of-use assets	5	18,979	17,834
Investment in an associate	12	254	302
		<u>51,623</u>	<u>46,558</u>
<u>Current assets</u>			
Inventories		19,909	25,104
Contract assets		6,800	1
Trade and other receivables		647,764	649,943
Current tax assets		202	-
Prepayments		33,949	1,233
Cash and cash equivalents		39,738	39,021
		<u>748,362</u>	<u>715,302</u>
TOTAL ASSETS		<u>799,985</u>	<u>761,860</u>
EQUITY AND LIABILITIES			
Share capital		149,779	152,269
Foreign exchange translation reserves		(217)	(45)
Accumulated losses		(19,824)	(53,920)
Equity attributable to owners of the Company		<u>129,738</u>	<u>98,304</u>
Non-controlling interests		(60)	68
Total equity		<u>129,678</u>	<u>98,372</u>
<u>Non-current liabilities</u>			
Loans and borrowings	24	23,831	15,904
Lease liabilities		1,988	860
Other payables		152	181
		<u>25,971</u>	<u>16,945</u>
<u>Current liabilities</u>			
Loans and borrowings	24	21,154	26,698
Lease liabilities		616	573
Trade and other payables		611,441	607,802
Contract liabilities		1,320	1,530
Income tax payable		9,805	9,940
		<u>644,336</u>	<u>646,543</u>
Total liabilities		<u>670,307</u>	<u>663,488</u>
TOTAL EQUITY AND LIABILITIES		<u>799,985</u>	<u>761,860</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.22</u>	<u>0.20</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2021.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022

Unaudited Condensed Consolidated Statement of Changes in Equity

Note	← Attributable to owners of the Company →			Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	Share capital	Foreign exchange translation reserves	Accumulated losses			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 July 2021	152,269	(45)	(53,920)	98,304	68	98,372
Loss after tax for the period	-	-	(5,904)	(5,904)	(128)	(6,032)
Other comprehensive income for the period:						
Foreign currency translation difference for the period	-	(172)	-	(172)	-	(172)
Total comprehensive income for the period	-	(172)	(5,904)	(6,076)	(128)	(6,204)
Transactions with owners of the Company:						
Issue of ordinary shares	37,510	-	-	37,510	-	37,510
Capital reduction by court order	(40,000)	-	40,000	-	-	-
Total transactions with owners of the Company	(2,490)	-	40,000	37,510	-	37,510
Balance as at 31 March 2022	149,779	(217)	(19,824)	129,738	(60)	129,678

Note: Pursuant to the change in the financial year end from 31 December 2020 to 30 June 2021, there are no comparative figures presented.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2021.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022**Unaudited Condensed Consolidated Statement of Cash Flows**

	Note	Unaudited Cumulative Quarter 01.07.2021 to 31.03.2022 RM'000
Cash flows from operating activities		
Loss before tax		(6,032)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	29	3,359
Impairment loss on trade receivables	29	154
Finance costs	29	1,325
Inventories written off	29	13
Gain on bargain purchase of a new subsidiary	29	(20)
Unrealised gain on foreign exchange	29	(292)
Share of loss of an associate	29	48
Finance income	29	(311)
Operating loss before working capital changes		(1,756)
Decrease in inventories		5,180
Increase in trade and other receivables		(29,660)
Increase in contract assets		(6,799)
Increase in trade and other payables		2,998
Decrease in contract liabilities		(210)
Cash used in operating activities		(30,247)
Interest paid		(1,325)
Interest received		311
Income tax paid		(459)
Income tax refunded		38
Net cash used in operating activities		(31,682)
Cash flows from investing activities		
Acquisition of a subsidiary		(4,980)
Acquisition of property, plant and equipment		(1,765)
Increase in pledged fixed deposits with licensed banks		(302)
Net cash used in investing activities		(7,047)
Cash flows from financing activities		
Proceeds from the issue of ordinary shares		37,510
Drawdown of term loans		19,045
Drawdown of bankers' acceptances		24,296
Repayment of lease liabilities		(536)
Repayment of term loans		(7,632)
Repayment of revolving credit		(11,196)
Repayment of bankers' acceptances		(22,130)
Net cash generated from financing activities		39,357

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022**Unaudited Condensed Consolidated Statement of Cash Flows (cont'd)**

	Note	Unaudited Cumulative Quarter 01.07.2021 to 31.03.2022 RM'000
Net increase in cash and cash equivalents		628
Effects of foreign exchange translation		(214)
Cash and cash equivalents at the beginning of the period		18,346
Cash and cash equivalents at the end of the period		18,760
Cash and cash equivalents at the end of the financial period comprise the following:		
Deposits, cash and bank balances		39,738
Bank overdraft (included within short term borrowings)		-
Less: Fixed deposit pledged		(584)
Less: Fixed deposit		(20,394)
		18,760

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Note: Pursuant to the change in the financial year end from 31 December 2020 to 30 June 2021, there are no comparative figures presented.

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2021.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING

1. Basis of preparation

The condensed consolidated interim financial statements (“Condensed Report”) have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Condensed Report also complies with IAS 134 Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

The Condensed Report should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2021. The explanatory notes attached to the Condensed Report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 30 June 2021.

The Condensed Report are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM’000).

2. Change in financial year end

As announced on 24 May 2021, the Company has changed its financial year end from 31 December to 30 June. As such, no comparative figures are presented as it is not comparable with any comparative period previously reported.

3. Significant accounting policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the financial period ended 30 June 2021 except for the adoption of the following new MFRSs and amendments/improvements to MFRSs that are issued by the MASB that became effective and relevant to the Group for the financial year beginning 1 July 2021:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective for annual period beginning or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 ‘Interest Rate Benchmark Reform – Phase 2’	1 January 2021
Amendment to MFRS 16 Leases - Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual improvements to MFRS standards 2018 – 2020: Amendments to MFRS 9 ‘Fees in the 10% test for derecognition of financial liabilities’	1 January 2022
Amendments to MFRS 3 ‘Reference to Conceptual Framework’	
Amendments to MFRS 116 ‘Proceeds before intended use’	
Amendments to MFRS 137 ‘Onerous contracts – cost of fulfilling a contract’	

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NOTES (cont'd)

3. Significant accounting policies (cont'd)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective for annual period beginning or after
MFRS 17 – Insurance Contracts and amendments to MFRS 17	1 January 2023
Amendments to MFRS 101 ‘Classification of Liabilities as Current or Non-current’	
Amendments to MFRS 101 ‘Disclosure of Accounting Policies’	
Amendments to MFRS 108 ‘Definition of Accounting Estimates’	
Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	
Amendments to MFRS 17, Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information	

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

4. Qualification of audit report of the preceding annual financial statements

The auditors’ report on the annual financial statements of the Group for the financial year ended 30 June 2021 was qualified and the details of the qualification are as described belows:-

A. Details of the qualified opinion disclosed in the external auditors’ report

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021, and of their financial performance and their cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022

NOTES (cont'd)

4. Qualification of audit report of the preceding annual financial statements (cont'd)

A. Details of the qualified opinion disclosed in the external auditors' report (cont'd)

Basis for qualified opinion

Engineering, procurement, construction and commissioning ("EPCC") contracts

Subsequent to the financial period end of the Company, the Company and its wholly owned subsidiary, SCIB International (Labuan) Ltd ("SCIBIL"), have on 10 November 2021 signed settlement agreements ("Settlement Agreements") with all the parties of the six projects carried out in Qatar and Oman, as disclosed in Note 36.8 to the financial statements. The key salient terms of the Settlement Agreements are as follows:

1. To terminate the EPCC contracts;
2. Confirmation of the amounts owing from and to the respective parties in respect of the works carried out for the project with no penalty and/or punitive damages to be claimed by the parties;
3. Settlement of the debts will be solely dependent on collections from Project Owners. In the event the agreed instalments are not paid in full or progressively on due dates and/or ceased, payments to the Sub-Contractors shall also be delayed and/or ceased;
4. The Project Owners have agreed to guarantee the payments owing by them to the Company and SCIBIL as at 30 September 2021 (Debt 1) of USD148,706,410 (RM617,429,014) and by the Company and SCIBIL to the SubContractors (Debt 2) of USD135,145,130 (RM561,122,581) and indemnify the Company and SCIBIL against all claims by the SubContractors; and
5. The Settlement Agreements shall be terminated in the event that any one of the payments are not made according to the schedule. The payment instalment deadlines pursuant to the agreements are November 2021, December 2021, March 2022 and June 2022.

The Company had made the relevant announcements of the above Settlement Agreements to Bursa on 10 November 2021.

In the event of termination of the Settlement Agreements, Debt 1 owing by the Project Owners to the Company and SCIBIL shall become immediately due and payable upon which the Company may commence arbitration proceedings for the recovery of Debt 1. Notwithstanding the above, the SubContractors collectively agree that the amounts received by them towards Debt 2 shall be deemed to be the full and final settlement of Debt 2 payment and that they will have no claims in respect of Debt 2 against the Company and SCIBIL. Up to the date of our report, the Company and SCIBIL have indicated that the November and December 2021 instalments of the six settlement agreements have not been paid by the Project Owners.

Following the Settlement Agreements signed on 10 November 2021 by all the parties, the Directors of the Company resolved to reclassify the transactions relating to all eight projects based overseas (inclusive of the six projects carried out in Qatar and Oman) by disclosing the net amount due to the Group and to the Company of USD15,670,756 (RM64,223,196) and USD4,246,080 (RM17,847,637) respectively as project management fee. Consequently, the Group and the Company have made adjustments to the financial statements, the details of which are disclosed in Note 22 to the financial statements.

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NOTES (cont'd)

4. Qualification of audit report of the preceding annual financial statements (cont'd)

A. Details of the qualified opinion disclosed in the external auditors' report (cont'd)

Basis for qualified opinion (cont'd)

Engineering, procurement, construction and commissioning ("EPCC") contracts (cont'd)

We were unable to obtain sufficient appropriate audit evidence about the EPCC Contracts and all the adjustments related thereto. Accordingly, the impact of the net profit recognised in the Statement of Profit and Loss and Other Comprehensive Income as disclosed, amounting to RM3,549,473 has not been ascertained. Consequently, we were unable to determine whether the said adjustments were deemed necessary.

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current period. Matters giving rise to a modified opinion are by their nature key audit matters and consequently the matters described in our Basis for Qualified Opinion section of our report has addressed the key audit matters and we have determined that there are no other key audit matters to communicate in our report."

B. Steps taken or proposed to be taken to address those key audit matters pertaining to the modified opinion

We have re-strategised our geographical positioning by taking a closer look at potential emerging markets especially in the home and neighbouring countries. Management will establish a clear policy that should be in place to ensure the completeness of the filing and retention of documentation for audit trail purposes and strengthen the internal control system and control activities of the Project Management division to ensure adequate and effective monitoring, supervision and reporting functions are in place.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022**NOTES (cont'd)****5. Segment information****Results for 3 months ended 31 March 2022**

	Manufacturing RM'000	Construction/ EPCC RM'000	Property trading / Others RM'000	Conso- lidated RM'000
Segment Revenue				
Total revenue including inter-segment sales	22,101	15,138	319	37,558
(Less) Inter-segment sales	(13)	-	-	(13)
External revenue	<u>22,088</u>	<u>15,138</u>	<u>319</u>	<u>37,545</u>
Segment Results				
Results	1,106	(625)	(53)	428
Finance costs	(424)	(32)	-	(456)
Corporate expenses	-	-	-	(1,946)
Share of gain of an associate	-	-	-	3
Profit/ (loss) before tax				(1,971)
Income tax expense				-
Profit/ (loss) after tax				<u>(1,971)</u>
Other information				
Finance income	<u>14</u>	<u>1</u>	<u>100</u>	<u>115</u>

Results for 9 months ended 31 March 2022

	Manufacturing RM'000	Construction/ EPCC RM'000	Property trading / Others RM'000	Conso- lidated RM'000
Segment Revenue				
Total revenue including inter-segment sales	64,950	36,578	707	102,235
(Less) Inter-segment sales	(59)	-	-	(59)
External revenue	<u>64,891</u>	<u>36,578</u>	<u>707</u>	<u>102,176</u>
Segment Results				
Results	2,246	(1,694)	(108)	444
Finance costs	(1,281)	(42)	(2)	(1,325)
Corporate expenses	-	-	-	(5,103)
Share of loss of an associate	-	-	-	(48)
Profit/ (loss) before tax				(6,032)
Income tax expense				-
Profit/ (loss) after tax				<u>(6,032)</u>

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022**NOTES (cont'd)****5. Segment information (cont'd)****Results for 9 months ended 31 March 2022 (cont'd)**

	Manufacturing RM'000	Construction/ EPCC RM'000	Property trading / Others RM'000	Conso- lidated RM'000
Other information				
Finance income	<u>32</u>	<u>1</u>	<u>278</u>	<u>311</u>

Segment revenue by countries

	Individual Quarter 01.01.2022 to 31.03.2022 RM'000	Cumulative Quarter 01.07.2021 to 31.03.2022 RM'000
Malaysia	<u>37,545</u>	<u>102,176</u>

Segment non-current assets by countries

	Unaudited As At 31.03.2022 RM'000	Audited As At 30.06.2021 RM'000
Malaysia	<u>51,369</u>	<u>46,256</u>

7. Changes in estimates

There were no changes in estimates that have had a material effect on the results in the quarter under review.

8. Comments about seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors.

9. Dividend paid

There is no dividend paid by the Company during the quarter under review.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022

NOTES (cont'd)

10. Acquisitions and disposals of property, plant and equipment and right-of-use assets

Acquisition and disposal of items of property, plant and equipment and right-of-use assets by the Group for the quarter ended 31 March 2022 is as follows:

	Individual Quarter 01.01.2022 to 31.03.2022 RM	Cumulative Quarter 01.07.2021 to 31.03.2022 RM
Acquisition (Cost)	1,156,673	3,472,300
Disposal /Written off (Net book value)	<u>-</u>	<u>-</u>

11. Related party disclosures

Transactions with companies in which certain directors of the Company have financial interest:

	Individual Quarter 01.01.2022 to 31.03.2022 RM'000	Cumulative Quarter 01.07.2021 to 31.03.2022 RM'000
Expenditure		
Insurance premium paid or payable to a related party, Transnational Insurance Brokers (M) Sdn. Bhd.	54	366
Purchase of safety personal protective equipment from an associate, Edaran Kencana Sdn. Bhd.	-	2
Construction and progress claim of Batching plant paid or payable to an associate, Edaran Kencana Sdn. Bhd.	-	25
Consultancy fee paid or payable to an associate, Edaran Kencana Sdn. Bhd.	200	200
Construction and progress claim of PPAM Show House gallery paid or payable to an associate, Edaran Kencana Sdn. Bhd.	178	178
Purchase of AIPODS devices from a related party, Serba Dinamik IT Solutions Sdn. Bhd.	-	35
Amount due by related parties	12,725	12,725

The above disclosure of related party transactions was prepared in accordance with MFRS 124.

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NOTES (cont'd)

12. Investment in an associate

	Unaudited As At 31.03.2022 RM'000	Audited As At 30.06.2021 RM'000
Unquoted shares, at cost	300	300
Share of post-acquisitions reserve	(46)	2
	<u>254</u>	<u>302</u>

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership interest	
			Unaudited As At 31.03.2022	Audited As At 30.06.2021
Edaran Kencana Sdn. Bhd.	Malaysia	General contractors and builders, engineering consultancy and other related services	<u>30%</u>	<u>30%</u>

13. Debt and equity securities

On 27 August 2021, the Company announced that 10,789,332 placement shares issued pursuant to the private placement were listed and quoted on the Main Market of Bursa Securities.

On 10 September 2021, the Company announced that 24,638,200 placement shares issued pursuant to the private placement were listed and quoted on the Main Market of Bursa Securities.

On 14 October 2021, the Company announced that 56,000,000 placement shares issued pursuant to the private placement were listed and quoted on the Main Market of Bursa Securities.

On 18 October 2021, the Company announced that the Company had resolved to fix the issue price for the Private Placement at RM0.3839 per placement share.

On 22 December 2021, the Company announced that the private placement is deemed completed following the listing and quotation of 56,000,000 Placement Shares, being the third tranche, on the Main Market of Bursa Malaysia Securities Berhad on 14 October 2021 and the Company has decided not to proceed to place out the remaining placement shares under the private placement.

Other than the above, there were no unusual items affect the debt and equity securities for the current quarter and financial period to-date.

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NOTES (cont'd)

14. Changes in composition of the Group

There were no changes in the composition of the Group except for the following:-

Incorporation of SCIB Building Solutions Sdn. Bhd. (formerly known as Kencana Precast Concrete Sdn. Bhd.)

The Company had on 14 April 2021 entered into a conditional Share Sale Agreement (“SSA”) with Noorazylawati Binti Abdul Bakar, Mohd Khairil Bin Mohd Hatta and Ibrahim Bin Mohd Noor, who are non-related third parties, with the objective of exploring business expansion plans in Peninsular Malaysia. Upon the completion of the proposed acquisition, Kencana Precast Concrete Sdn. Bhd. (“KPCSB”) will become a wholly-owned subsidiary of the Company.

The Parties have on 11 August 2021 entered into a supplemental agreement to record the Parties’ mutual consent to vary and supplement the principal agreement in the manner as set out in the supplemental agreement, mainly related to inclusion of additional party as a vendor which is Bintang Kencana Sdn. Bhd..

On 16 August 2021, all the Conditions Precedent as set out in the SSA in relation to the proposed acquisition of KPCSB have been fulfilled. The SSA was completed on 30 August 2021 and the registration of share transfer was completed on 10 December 2021.

Upon completion of the proposed acquisition, KPCSB is now a wholly-owned subsidiary of the Company.

15. Capital commitments

	Unaudited As At 31.03.2022 RM’000	Audited As At 30.06.2021 RM’000
Capital expenditure not provided for in the financial statements:		
Contracted for but not provided for	1,097	6,564
	=====	=====

16. Contingent liabilities – Unsecured

	Unaudited As At 31.03.2022 RM’000	Audited As At 30.06.2021 RM’000
Corporate guarantee given to bank for credit facilities granted to a subsidiary	46,856	43,148
	=====	=====

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022

NOTES (cont'd)

17. Subsequent events

The 2019 Novel Coronavirus Infection ('COVID-19')

The coronavirus (COVID-19) outbreak in early 2020 has reached a pandemic level affecting all businesses and economic activities globally. The Malaysian Government has enforced various measures to curb with the spreading of the virus including travel restrictions, reduced business operating capacity and total prohibition for certain businesses to operate.

The Group is unable to reasonably estimate the financial impact of COVID-19 for the financial year ending 30 June 2022 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. The Group will continuously monitor the impact of COVID-19 on its operations and its financial performance and will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's operations.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022

PART B - ADDITIONAL INFORMATION PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

18. Performance review

As stated in Note 2, the Group has changed its financial year end from 31 December 2020 to 30 June 2021. This reporting covers the eighteen months period from 1 January 2020 to 30 June 2021. As such, there are no comparative information presented in this report.

The Group recorded a revenue of RM37.5 million and a loss before tax of RM2 million for the current quarter ended 31 March 2022.

Group revenue and loss before tax by segment are as follows:

	Individual Quarter 01.01.2022 to 31.03.2022 RM'000	Cumulative Quarter 01.07.2021 to 31.03.2022 RM'000
Revenue		
Manufacturing	22,088	64,891
Construction/EPCC	15,138	36,578
Property trading/ Others	319	707
	37,545	102,176
Profit / (loss) before tax		
Manufacturing	682	965
Construction/EPCC	(657)	(1,736)
Property trading/Others	(53)	(110)
	(28)	(881)
(Less) Corporate expenses	(1,946)	(5,103)
(Less) Share of gain / (loss) of an associate	3	(48)
	(1,971)	(6,032)

(i) Manufacturing

The manufacturing segment reported revenue of RM22.1 million and profit before tax of RM682,000 for the current quarter under review. Revenue in the current quarter was driven by the higher sales volume of its foundation piles despite the challenging business environment. Current quarter profit before tax was mainly attributed to improvement in the contribution margins from the sales of concrete products.

(ii) Construction/EPCC

The construction/EPCC segment registered revenue of RM15.1 million and loss before tax of RM657,000 for the current quarter under review. Revenue in the current quarter was solely contributed by the local construction projects.

(iii) Property trading/Others

The property trading registered revenue of RM319,000 for the current quarter under review. Revenue in the current quarter was mainly due to the sale of an apartment unit at Santubong Suites.

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NOTES (cont'd)

19. Variation of results against preceding quarter

The Group recorded revenue of RM37.5 million and loss before tax of RM2 million for the current quarter, compared to revenue of RM38.1 million and loss before tax of RM1.3 million in the immediate preceding quarter, representing a 1.6% decrease in revenue and 53.8% increase in loss before tax.

Manufacturing division reported revenue of RM22.1 million and profit before tax of RM682,000 for the current quarter, compared to revenue of RM23.7 million and profit before tax of RM500,000 in the immediate preceding quarter. Higher profit before tax was mainly attributable to improved contribution margin of concrete products.

Construction/EPCC division recorded revenue of RM15.1 million and loss before tax of RM657,000 for the current quarter, compared to revenue of RM14 million and loss before tax of RM137,000 in the immediate preceding quarter. Revenue in the current quarter was higher mainly due to kick-off of a few local construction projects such as upgrading school and PRIMA housing projects.

Property trading/others division registered revenue of RM319,000 and loss before tax of RM53,000 for the current quarter, compared to revenue of RM388,000 and loss before tax of RM39,000 in the immediate preceding quarter.

20. Prospects for the next year

The Malaysian economy has rebounded by 5.0% in terms of the national gross domestic product (“GDP”) in the first quarter of 2022 (1Q22), comparing to the 3.6% in fourth quarter of 2021 (4Q21) and the contraction of 0.5% in the first quarter of 2021 (1Q21). The positive growth was attributable to the rebound in economic activities with the upliftment of containment measures, betterment in labour market and improvement in household spending, continued policy support, as well as strong external demand amid the upcycle in global technology. All economic sectors recorded better performance especially services and manufacturing sectors.

Projecting on the full year of 2022, Bank Negara Malaysia (BNM) sees the nation’s economy to gain momentum along the recovery path for a GDP growth of 5.3-6.3%. This is underpinned by the continued expansion in global and domestic demand following the tech upcycle, easing of containment measures and reopening of international borders with the successful vaccination, improvement in employment and income prospects, as well as continued access to policy initiatives supporting vulnerable segments and securing sustainable recovery. Industry growth will be driven by civil engineering with the continuation and expedition of big scale connectivity projects that have been introduced including MRT 2, LRT 3, Johor-Singapore Rapid Transit System, Pan Borneo Highway, Central Spine Road, Klang Valley Double Tracking Phase 2, and Electrified Double Track Gemas-Johor Bahru.

At SCIB, the Group remains resilient and committed in creating value and optimising performance for the year ahead. We are actively managing the existing projects and closely working with our customers, suppliers, and business partners to ensure smooth project delivery. The Group has also taken steps to strengthen internal controls including systematic and thorough analysis on project owner for future contracts to enhance payment collection process. On top of this, SCIB has established inhouse construction team for better project execution, expanding our building materials manufacturing facilities to support the works in Peninsular Malaysia, and adopting advanced technology to achieve automation for higher cost-and time-efficiency, lower risk of human errors as well as to solve the labour shortage issue.

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NOTES (cont'd)

20. Prospects for the next year (cont'd)

Being the largest precast concrete and Industrialised Building System (“IBS”) manufacturer in East Malaysia, SCIB is well-equipped with its synergistic building materials production capabilities for construction activities which also act as a buffer for raw material price fluctuations. IBS helps to accelerate the project completion, reduce the on-site manpower requirement, and facilitate better cost control for project owner or developer to sail through the volatile times smoothly. The Group currently operates three integrated manufacturing factories and wharf facility for shipment across Borneo to supply 500,000 tonnes of building materials annually. Throughout the years, SCIB has been supporting numerous state-funded people-centric construction projects in Sarawak.

In line with the Industrial Revolution 4.0 and as part of SCIB’s innovation initiatives, we have successfully completed the installation and commissioning of our first 3D printing system from COBOD International, a 3D construction specialist based in Denmark. In collaboration with the Construction Industry Development Board (CIDB), we are constructing an IBS sample house with this technology to explore the potential application in domestic landscape and to level up the overall operational efficiency in the construction industry going forward. Adding to this, the Group has incorporated a lightweight system plant to improve our IBS offerings and an AIPODS (Artificial Intelligence Pothole Detection System) in optimising the effectiveness of roadworks maintenance projects.

Budget 2022 proposed more small-midsized projects comprising works to construct, expand, maintain, and upgrade the hospital and healthcare facilities, educational and training institutions, energy and utility facilities, water supply and sewerage treatment plants, rural and inter-village road, housing as well as ports and airports. There are also RM4.6 billion and RM5.2 billion of funds allocated for Sarawak and Sabah. Opportunities are observed not only in East and West Malaysia, but also in neighbouring countries. We believe these are well-poised for SCIB and in line with the Group’s target, as our complementary cores in construction and building materials manufacturing equipped us with the qualifications and experiences required.

Barring any unforeseen circumstances, SCIB holds a hopeful view for its prospects in the financial year 2022. The Group has a decent order book value of RM1.3billion on hand as of December 2021 and this provides us an earnings visibility up to 2026. There are also projects in the midst of tendering and we look forward for fruitful outcomes. SCIB will strive its best to grow the Group’s business prudently by strengthening its capabilities and capacities through the endeavours put forward as abovementioned.

Sources:

https://www.bnm.gov.my/documents/20124/6458991/ar2021_en_slides.pdf

https://www.bnm.gov.my/-/qb22q1_en_pr

<https://budget.mof.gov.my/pdf/2022/ucapan/ub22.pdf>

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022**NOTES (cont'd)****21. (a) Variance of actual profit from forecast profit**

Not applicable

(b) Shortfall in the profit guarantee

Not applicable

22. Income tax expense

	Individual Quarter 01.01.2022 to 31.03.2022 RM'000	Cumulative Quarter 01.07.2021 to 31.03.2022 RM'000
Current tax expense:		
Malaysian Taxation	-	-
Foreign Taxation	-	-
Total current tax expense	-	-
(Over)/ underprovision of tax in prior year	-	-
Deferred tax	-	-
Total income tax expense	-	-

The Group are subject to income tax at the applicable statutory tax rates in Malaysia and overseas. Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period. Income tax for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022**NOTES (cont'd)****23. Corporate proposals****(i) Utilization of proceeds from private placement 1.0 on 31 March 2022**

The gross proceeds from the private placement 1.0 of RM66.9 million shall be utilized in the following manner:

Description	Estimated timeframe for utilization of proceeds from the date of listing of the placement shares	Proposed utilization RM'000	Actual utilization as at 31.03.2022* RM'000	Balance as at 31.03.2022 RM'000
Working capital for on-going projects	Fully utilized	6,806	6,806	-
Estimated expenses for future projects	Fully utilized	59,408	59,408	-
Estimated expenses in relation to the proposals	Fully utilized	671	671	-
		66,885	66,885	-

Note:

* Utilization as at 31 March 2022.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022**NOTES (cont'd)****23. Corporate proposals (cont'd)****(ii) Utilization of proceeds from private placement 2.0 on 31 March 2022**

On 27 May 2021 that Bursa Securities had, vide its letter dated 25 May 2021, resolved to approve the listing of and quotation for up to 147,158,999 new shares, representing approximately 20% of the enlarged number of issued shares of SCIB, pursuant to the proposed private placement.

On 22 December 2021, the Company announced that the private placement is deemed completed following the listing and quotation of 56,000,000 placement shares, being the third tranche, on the Main Market of Bursa Malaysia Securities Berhad on 14 October 2021 and the Company has decided not to proceed to place out the remaining placement shares under the private placement.

As at 31 March 2022, the gross proceeds from the private placement 2.0 of RM41.8 million shall be utilized in the following manner:

Description	Estimated timeframe for utilization of proceeds from the date of listing of the placement shares	Proposed utilization RM'000	Actual utilization as at 31.03.2022 RM'000	Balance as at 31.03.2022 RM'000
Capital expenditure requirements for current operations	Within 12 months from the receipt of placement funds	4,173	4,173	-
Partial settlement of a new business	Within 12 months from the receipt of placement funds	3,431	3,431	-
Working capital for on-going projects	Within 12 months from the receipt of placement funds	25,809	17,221	8,588
Estimated expenses for upcoming projects	Within 24 to 36 months from the date of award of the future project	5,150	3,134	2,016
Estimated expenses	Upon completion of the proposed private placement	3,200	3,200	-
		41,763	31,159	10,604

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NOTES (cont'd)

23. Corporate proposals (cont'd)

(iii) Proposed capital reduction

The Company has proposed reduction of the issued share capital of SCIB pursuant to Section 116 of the Companies Act 2016. 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") as well as the Company's Constitution.

The special resolution on the proposed reduction of capital has been approved by the shareholders at the extraordinary general meeting held on 30 June 2021. Thereafter, the company's legal counsel had filed an application to the high court in relation to the capital reduction pursuant to Section 116 of the Act on 21 September 2021.

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.

The Company confirmed that the capital reduction has been lodged with the Registrar of Companies on 15 November 2021. Pursuant thereto, the capital reduction shall therefore take effect and be deemed completed on 15 November 2021, as confirmed by the notice of confirming reduction of share capital dated 25 November 2021 pursuant to Section 116(7) of the Act.

(iv) Acquisition of a subsidiary

The Company had on 14 April 2021 entered into a conditional Share Sale Agreement ("SSA") with Noorazylawati Binti Abdul Bakar, Mohd Khairil Bin Mohd Hatta and Ibrahim Bin Mohd Noor, who are non-related third parties, with the objective of exploring business expansion plans in Peninsular Malaysia. Upon the completion of the proposed acquisition, Kencana Precast Concrete Sdn. Bhd. ("KPCSB") will become a wholly-owned subsidiary of the Company.

The Parties have on 11 August 2021 entered into a Supplemental Agreement to record the Parties' mutual consent to vary and supplement the Principal Agreement in the manner as set out in the Supplemental Agreement, mainly related to inclusion of additional party as a vendor which is Bintang Kencana Sdn. Bhd..

On 16 August 2021, all the Conditions Precedent as set out in the SSA in relation to the proposed acquisition of KPCSB have been fulfilled. The SSA was completed on 30 August 2021 and the registration of share transfer was completed on 10 December 2021.

Upon completion of the Proposed Acquisition, KPCSB is now a wholly-owned subsidiary of the Company.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022**NOTES (cont'd)****24. Loans and borrowings**

	Unaudited As At 31.03.2022 RM'000	Audited As At 30.06.2021 RM'000
Short-term borrowings		
Secured	21,154	26,698
Unsecured	-	-
	<u>21,154</u>	<u>26,698</u>
Long-term borrowings		
Secured	23,831	15,904
	<u>44,985</u>	<u>42,602</u>

All of the above borrowings are denominated in Ringgit Malaysia.

25. Derivatives financial instruments

There were no outstanding derivatives as at the end of the reporting year.

26. Proposed dividend

There is no dividend proposed as at the date of this report.

27. Earnings per ordinary share

	Individual Quarter 01.01.2022 to 31.03.2022 RM'000	Cumulative Quarter 01.07.2021 to 31.03.2022 RM'000
Loss attributable to:		
Owners of the Company	(1,871)	(5,904)
Non-controlling interests	(100)	(128)
	<u>(1,971)</u>	<u>(6,032)</u>
		As At 31.03.2022
Weighted average number of ordinary shares in issue		<u>506,735,377</u>

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2022**NOTES (cont'd)****27. Earnings per ordinary share (cont'd)**

	Individual Quarter 01.01.2022 to 31.03.2022 RM'000	Cumulative Quarter 01.07.2021 to 31.03.2022 RM'000
Basic loss per share (Sen)	<u>(0.37)</u>	<u>(1.17)</u>

28. Material litigation

There is no material litigation pending as at the date of this report.

29. Additional disclosures on profit for the period

Loss for the period is arrived at after charging/(crediting):

	Individual Quarter 01.01.2022 to 31.03.2022 RM'000	Cumulative Quarter 01.07.2021 to 31.03.2022 RM'000
Depreciation of property, plant and equipment and right-of-use assets	1,181	3,359
Impairment loss on trade receivables	117	154
Finance costs	456	1,325
Inventories written off	-	13
Gain on bargain purchase of a new subsidiary	-	(20)
Unrealised gain on foreign exchange	(212)	(292)
Share of (gain) / loss of an associate	(3)	48
Finance income	<u>(115)</u>	<u>(311)</u>

30. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 May 2022.