

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No. 197501003884 (25583-W)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022****Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
		30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Continuing operations					
Revenue	4	30,331	26,486	30,331	26,486
Cost of sales		(25,766)	(23,822)	(25,766)	(23,822)
Gross profit		4,565	2,664	4,565	2,664
Other income		746	350	746	350
Selling and distribution expenses		(2,059)	(1,761)	(2,059)	(1,761)
Administrative expenses		(3,731)	(3,607)	(3,731)	(3,607)
Operating loss		(479)	(2,354)	(479)	(2,354)
Finance income		43	95	43	95
Finance costs		(506)	(436)	(506)	(436)
Net finance costs		(463)	(341)	(463)	(341)
Share of loss of an associate		-	(19)	-	(19)
Loss before tax		(942)	(2,714)	(942)	(2,714)
Income tax expense	21	-	-	-	-
Loss after tax		(942)	(2,714)	(942)	(2,714)
Other comprehensive expenses:					
Item that will be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(674)	236	(674)	236
Total comprehensive expenses for the period		(1,616)	(2,478)	(1,616)	(2,478)
Loss attributable to:					
Owners of the Company	26	(871)	(2,700)	(871)	(2,700)
Non-controlling interests		(71)	(14)	(71)	(14)
		(942)	(2,714)	(942)	(2,714)
Total comprehensive expenses attributable to:					
Owners of the Company		(1,545)	(2,464)	(1,545)	(2,464)
Non-controlling interests		(71)	(14)	(71)	(14)
		(1,616)	(2,478)	(1,616)	(2,478)
Loss per share					
Basic and diluted (sen)	26	(0.15)	(0.54)	(0.15)	(0.54)

These Condensed Consolidated Statements 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 2022 and the accompanying explanatory notes attached to the interim financial statements.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022****Unaudited Condensed Consolidated Statement of Financial Position**

	Note	Unaudited As at 30.09.2022 RM'000	Audited As at 30.06.2022 RM'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	4	35,600	36,336
Right-of-use assets	4	18,707	19,310
		<u>54,307</u>	<u>55,646</u>
<u>Current assets</u>			
Inventories		21,954	22,169
Contract assets		6,664	5,650
Trade and other receivables		64,886	67,898
Current tax assets		852	583
Prepayments		9,256	5,414
Cash and cash equivalents		31,415	36,236
		<u>135,027</u>	<u>137,950</u>
TOTAL ASSETS		<u>189,334</u>	<u>193,596</u>
EQUITY AND LIABILITIES			
Share capital		153,624	153,624
Foreign exchange translation reserves		(1,523)	(849)
Accumulated losses		(58,521)	(57,520)
Equity attributable to owners of the Company		<u>93,580</u>	<u>95,255</u>
Non-controlling interests		105	(89)
Total equity		<u>93,685</u>	<u>95,166</u>
<u>Non-current liabilities</u>			
Loans and borrowings	23	22,463	23,140
Lease liabilities		1,771	2,611
Other payables		145	152
Deferred tax liabilities		597	597
		<u>24,976</u>	<u>26,500</u>
<u>Current liabilities</u>			
Loans and borrowings	23	22,145	21,784
Lease liabilities		1,943	1,482
Trade and other payables		45,211	47,755
Contract liabilities		1,017	509
Provision for taxation		357	400
		<u>70,673</u>	<u>71,930</u>
Total liabilities		<u>95,649</u>	<u>98,430</u>
TOTAL EQUITY AND LIABILITIES		<u>189,334</u>	<u>193,596</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.16</u>	<u>0.16</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 2022.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022****Unaudited Condensed Consolidated Statement of Changes in Equity**

	Note	Attributable to owners of the Company		Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000	
		Non-distributable	Distributable				
3 months ended 30.09.2022		Share capital RM'000	Foreign exchange translation reserve RM'000	Accumulated losses RM'000			
Balance as at 01.07.2022		153,624	(849)	(57,520)	95,255	(89)	95,166
Loss after tax for the period	26	-	-	(871)	(871)	(71)	(942)
Other comprehensive expenses for the period:							
Foreign currency translation difference for the period		-	(674)	-	(674)	-	(674)
Total comprehensive expenses for the period		-	(674)	(871)	(1,545)	(71)	(1,616)
Transactions with owners of the Company:							
Issue of ordinary shares		-	-	-	-	-	-
Issue of shares by a subsidiary to non-controlling interests		-	-	-	-	225	225
Changes in ownership interest in a subsidiary	13	-	-	(130)	(130)	40	(90)
Total transactions with owners of the Company		-	-	(130)	(130)	265	135
Balance as at 30.09.2022		153,624	(1,523)	(58,521)	93,580	105	93,685

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 2022.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022****Unaudited Condensed Consolidated Statement of Changes in Equity**

	Note	← Attributable to owners of the Company →					Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	exchange translation reserve RM'000	Distributable Retained earnings/ Accumulated losses RM'000	Total equity attributable to owners of the Company RM'000	Non-distributable		
3 months ended 30.09.2021								
Balance as at 01.07.2021		152,269	666	654	153,589	69	153,658	
Loss after tax for the period	26	-	-	(2,700)	(2,700)	(14)	(2,714)	
Other comprehensive expenses for the period:								
Foreign currency translation difference for the period		-	236	-	236	-	236	
Total comprehensive expenses for the period		-	236	(2,700)	(2,464)	(14)	(2,478)	
Transactions with owners of the Company:								
Issue of ordinary shares		18,637	-	-	18,637	-	18,637	
Issue of shares by a subsidiary to non-controlling interests		-	-	-	-	-	-	
Changes in ownership interest in a subsidiary		-	-	-	-	-	-	
Total transactions with owners of the Company		18,637	-	-	18,637	-	18,637	
Balance as at 30.09.2021		<u>170,906</u>	<u>902</u>	<u>(2,046)</u>	<u>169,762</u>	<u>55</u>	<u>169,817</u>	

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 2022.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022****Unaudited Condensed Consolidated Statement of Cash Flows**

		3 months ended	
	Note	30.09.2022	30.09.2021
		RM'000	RM'000
Cash flows from operating activities			
Loss before tax		(942)	(2,714)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	28	1,506	1,055
Finance costs	28	506	436
Share of loss of an associate	28	-	19
Unrealised gain on foreign exchange	28	(656)	(218)
Finance income	28	(43)	(95)
Operating profit/(loss) before working capital changes		<u>371</u>	<u>(1,517)</u>
Decrease in inventories		215	1,591
Increase in trade and other receivables		(830)	(14,203)
Increase in contract assets		(1,014)	(682)
(Decrease)/increase in trade and other payables		(1,878)	4,404
Increase/(decrease) in contract liabilities		508	(1,223)
Cash used in operating activities		<u>(2,628)</u>	<u>(11,630)</u>
Interest paid		(506)	(436)
Interest received		43	95
Income tax paid		(316)	(91)
Net cash used in operating activities		<u>(3,407)</u>	<u>(12,062)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(167)	(1,530)
Increase in pledged fixed deposits with licensed banks		-	(101)
Net cash used in investing activities		<u>(167)</u>	<u>(1,631)</u>
Cash flows from financing activities			
Proceeds from the issue of shares to non- controlling interests		225	-
Payment from changes in ownership interests in a subsidiary		(90)	-
Proceeds from the issue of ordinary shares		-	18,637
Drawdown of term loan		-	14,928
Drawdown of bankers' acceptances		9,469	7,204
Repayment of lease liabilities		(378)	(275)
Repayment of term loans		(647)	(3,592)
Repayment of revolving credit		-	(11,196)
Repayment of bankers' acceptances		(9,138)	(7,839)
Net cash (used in)/from financing activities		<u>(559)</u>	<u>17,867</u>

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022****Unaudited Condensed Consolidated Statement of Cash Flows (cont'd)**

		3 months ended	
	Note	30.09.2022	30.09.2021
		RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents		(4,133)	4,174
Effects of foreign exchange translation		(687)	206
Cash and cash equivalents at the beginning of the period		35,645	18,596
Cash and cash equivalents at the end of the period		30,825	22,976
Cash and cash equivalents at the end of the financial period comprise the following:			
Deposits, cash and bank balances		31,415	23,560
(Less) Fixed deposits pledged		(590)	(584)
		30,825	22,976

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 2022.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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 2022. 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 2022.

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

2. 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 year ended 30 June 2022 except for the following:

MFRSs and/or IC Interpretations (including the Consequential Amendments)	Effective Date
MFRS 17 – Insurance Contracts and amendments to MFRS 17	1 January 2023
Amendments to MFRS 101 ‘Classification of Liabilities as Current or Non-current’	1 January 2023
Amendments to MFRS 101 ‘Disclosure of Accounting Policies’	1 January 2023
Amendments to MFRS 108 ‘Definition of Accounting Estimates’	1 January 2023
Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 17, Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 10 and MFRS 128 Consolidated Financial Statement Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

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

3. 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 2022 was qualified and the details of the qualification are as described below: -

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 2022, 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.

Basis for qualified opinion

Matters arising from previous financial period ended 30 June 2021

Our independent auditors’ report dated 30 December 2021 contains a qualified opinion on the financial statements for the previous financial period ended 30 June 2021 and the basis for our qualified opinion is as disclosed in the financial statements. Consequently, the matters referred in our qualifications for the financial period ended 30 June 2021 are included in the opening balances for the financial year ended 30 June 2022. We were unable to satisfy ourselves that the subsequent transactions, if any affecting these balances, that they do not contain material misstatements that materially affect the current period’s financial statements. We are therefore unable to satisfy ourselves in respect of the following assertions and obtain sufficient appropriate audit evidence to determine whether the following do not contain material misstatements:

- a) The accuracy, existence and completeness of trade receivable balances in relation to foreign project owners’ as at 1 July 2021 of the Group and the Company amounting to RM60,673,723 and RM11,857,355 respectively; and
- b) The accuracy and correctness of accumulated losses balance as at 1 July 2021 of the Group and the Company amounting to RM53,920,051 and RM38,106,746 respectively.

As disclosed in the financial statements, the status of EPCC contracts have further developed to the extent that the termination clause of the Settlement Agreements have been triggered with the non-payment of the instalment due by 30 June 2022. Nonetheless, on 20 September 2022, Novation Agreements were entered into with the same parties and the Group and the Company had novated their liabilities due to the Sub-contractors, to the Project Owners (“Employer”). The Group’s legal representative has agreed to be appointed as stakeholder for the purpose of payment, execution and/or administration of the Novation and Settlement Agreements.

Our opinion on the current year’s financial statements of the Group and of the Company is also qualified because of the possible effects of these matters on the comparability of the current year’s figures and the corresponding figures.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

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

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

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

Basis for qualified opinion (cont'd)

Matters arising from previous financial period ended 30 June 2021 (cont'd)

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.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****4. Segment information****Results for 3 months ended 30 September 2022**

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter-segment sales	24,524	6,882	-	31,406
(Less) inter-segment sales	<u>(362)</u>	<u>(713)</u>	<u>-</u>	<u>(1,075)</u>
External revenue	<u>24,162</u>	<u>6,169</u>	<u>-</u>	<u>30,331</u>
Segment results				
Results	1,508	(16)	(8)	1,484
Finance costs	(466)	(26)	(14)	(506)
Corporate expenses				(1,920)
Share of loss of an associate				-
Loss before tax				<u>(942)</u>
Income tax expense				-
Loss after tax				<u>(942)</u>
Other information				
Finance income	<u>31</u>	<u>6</u>	<u>6</u>	<u>43</u>

Results for 3 months ended 30 September 2021

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter-segment sales	19,077	7,426	-	26,503
(Less) inter-segment sales	<u>(17)</u>	<u>-</u>	<u>-</u>	<u>(17)</u>
External revenue	<u>19,060</u>	<u>7,426</u>	<u>-</u>	<u>26,486</u>

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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****4. Segment information (cont'd)****Results for 3 months ended 30 September 2021 (cont'd)**

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment results				
Results	213	(937)	(17)	(741)
Finance costs	(430)	(5)	(1)	(436)
Corporate expenses				(1,518)
Share of loss of an associate				(19)
Loss before tax				(2,714)
Income tax expense				-
Loss after tax				(2,714)
Other information				
Finance income	9	-	86	95

Segment revenue by countries

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	30,331	26,486	30,331	26,486

Segment non-current assets by countries

	Unaudited As at 30.09.2022 RM'000	Audited As at 30.06.2022 RM'000
Malaysia	54,307	55,646

5. Changes in estimates

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

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

6. Unusual items due to their nature, size and incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash during the current quarter under review, except as disclosed in Note 2.

7. Comments about seasonal or cyclical Factors

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

8. Dividend paid

There was no dividend paid by the Company during the quarter and financial period under review.

9. Acquisitions and disposals of property, plant and equipment

Acquisition and disposal/written off of items of property, plant and equipment by the Group is as follows:

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM	RM	RM	RM
Acquisition (cost)	<u>167,507</u>	<u>1,652,152</u>	<u>167,507</u>	<u>1,652,152</u>
Disposal/written off (net book value)	<u>26</u>	<u>-</u>	<u>26</u>	<u>-</u>

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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****10. Related party transactions**

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

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Expenditure:-				
Insurance premium paid or payable to a related party, Transnational Insurance Brokers (M) Sdn. Bhd.	183	173	183	173
Purchase of AIPODS devices from a related party, Serba Dinamik IT Solutions Sdn. Bhd.	-	35	-	35
			Unaudited As at 30.09.2022 RM'000	Audited As at 30.06.2022 RM'000
Amount due by related parties			<u>7,725</u>	<u>7,725</u>

(ii) Transactions with an associate:

	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Purchase of working attire from Edaran Kencana Sdn. Bhd.	2	-	2	-
Purchase of safety personal protective equipment from Edaran Kencana Sdn. Bhd.	-	2	-	2

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

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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****11. Investment in an associate**

	Unaudited	Audited
	As at	As at
	30.09.2022	30.06.2022
	RM'000	RM'000
Unquoted shares, at cost	300	302
Share of post-acquisitions reserve	-	(2)
(Less) Impairment loss on investment in an associate	(300)	(300)
	<u>-</u>	<u>-</u>

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Effective equity interest	
			Unaudited	Audited
			As at	As at
			30.09.2022	30.06.2022
Edaran Kencana Sdn. Bhd.	Malaysia	General contractors and builders, engineering consultancy and other related services	30%	30%

12. Debt and equity securities

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter and financial period under review.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

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

13. Changes in composition of the group

There were no changes in the composition of the Group during the quarter and financial period under review, except for the following:

Acquisition of remaining equity shareholdings

On 21 June 2022, the Company's wholly-owned subsidiary, SCIB Industrialised Building System Sdn. Bhd. has acquired the remaining 30% equity shareholdings in existing subsidiary, SCIB LW System Sdn. Bhd. ("LWS") for a cash consideration of RM90,000.

The registration of shares transfer was completed on 6 July 2022. Upon the completion of the proposed acquisition, LWS became a wholly-owned subsidiary of the Group.

14. Capital commitments

	Unaudited	Audited
	As at	As at
	30.09.2022	30.06.2022
	RM'000	RM'000
Capital expenditure not provided for in the financial statements:		
Contracted for but not provided for	543	491

15. Contingent liabilities – unsecured

	Unaudited	Audited
	As at	As at
	30.09.2022	30.06.2022
	RM'000	RM'000
Corporate guarantee given to bank for credit facilities granted to a subsidiary	47,244	47,666
Financial guarantee provided to a licensed bank for credit facilities granted to a subsidiary	1,183	1,183

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

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

16. Significant and subsequent events

Termination and novation of the contracts in relation to Qatar and Oman projects

The Company and its wholly-owned subsidiary, SCIB International (Labuan) Ltd. (“SCIBIL”) had on 10 November 2021 signed the respective Settlement Agreements with their Clients, who are the Project Owners, and the respective subcontractors for six projects carried out in Qatar and Oman that have been awarded to the Group. The salient terms of the said agreements were to terminate the Contracts and confirm the Parties’ obligations on the full and final settlement of debts and establish the terms and payment schedule for the amount owing between the Parties, after taking into consideration the following factors:

- a) The project progress was greatly affected by the manpower issues caused by the COVID-19 pandemic;
- b) The prolonged pandemic and travelling and operational restrictions posed challenges in the project management; and
- c) Slow payment and long outstanding debts owing by the Project Owners.

The final outstanding balances of the six projects with Settlement Agreements are reflected in the previous financial statements aggregating to:

	Group 2021 RM	Company 2021 RM
Trade receivables – others (Due from Project Owners)	561,122,581	67,082,549
Trade payables (Due to Sub-contractors)	561,122,581	67,082,549

The terms of the Settlement Agreements states that the Project Owners have guaranteed their obligations for settlement of the receivables and they have also guaranteed the payments to the sub-contractors in the event that the Settlement Agreements are terminated due to the non-compliance of the payment schedules. Based on the guarantee, the Group’s liability to the sub-contractors can be deemed to be novated to the Project Owners and set-off against the receivables due. The final claims stated in the Settlement Agreements are consistent with the provisions that were taken up in the financial statements.

Subsequently, on 20 September 2022, the Company and its wholly-owned subsidiary, SCIBIL has signed the respective Novation Agreements with the Project Owners and the respective subcontractors to novate all their obligations, rights, benefits and interest due to subcontractors to the Project Owners. Due to the default in payment by the Project Owners which triggered the termination clause of the Settlement Agreements, the Company and SCIBIL had agreed to enter into the Novation Agreements to discharge all of the Company’s and SCIBIL’s liabilities/obligations towards the Settlement Agreements in regards to Debt 2.

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

16. Significant and subsequent events (cont'd)

Termination and novation of the contracts in relation to Qatar and Oman projects (cont'd)

The Project Owners, the Company and SCIBIL have agreed to novate all of the Company's and SCIBIL's obligations, rights, benefits, and interests under Debt 2 pursuant to the Settlement Agreements to the Project Owners and the parties have also agreed that the Project Owners shall pay to the Company and SCIBIL the differential sum between Debt 1 and Debt 2 ("Differential Sum"), and that the Differential Sum shall be paid to the Company and SCIBIL on or before the next financial year ending 30 June 2023.

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FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022****PART B - ADDITIONAL INFORMATION PURSUANT TO THE MAIN MARKET LISTING
REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD****17. Performance review**

<u>By business segments</u>	Individual Quarter 3 months ended		Cumulative Quarter 3 months ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Revenue				
- Manufacturing	24,162	19,060	24,162	19,060
- Construction/EPCC	6,169	7,426	6,169	7,426
- Property trading/Others	-	-	-	-
Group revenue	30,331	26,486	30,331	26,486
Profit/(loss) before tax				
- Manufacturing	1,042	(217)	1,042	(217)
- Construction/EPCC	(42)	(942)	(42)	(942)
- Property trading/Others	(22)	(18)	(22)	(18)
	978	(1,177)	978	(1,177)
(Less) Corporate expenses	(1,920)	(1,518)	(1,920)	(1,518)
Share of loss of an associate	-	(19)	-	(19)
Group loss before tax	(942)	(2,714)	(942)	(2,714)

The Group recorded revenue of RM30.3 million and loss before tax of RM942,000 for the current quarter ended 30 September 2022, compared to revenue of RM26.5 million and loss before tax of RM2.7 million in the corresponding quarter of the preceding financial year, representing an increase of 14% in revenue and a decrease of 65% in loss before tax.

(i) Manufacturing

Manufacturing segment being the pillar of the Group, continued to thrive and remained as the largest contributor to the Group's revenue. The segment reported revenue of RM24.2 million and profit before tax of RM1 million for the current quarter, compared to revenue of RM19.1 million and loss before tax of RM217,000 in the corresponding quarter of the preceding financial year. Higher revenue in the current quarter was driven by economic recovery from the pandemic and the continuous supply of foundation piles for the roads upgrading, extension of factories and school projects in Sarawak. Profit before tax for the current quarter has improved mainly attributable to the increase in revenue and contribution margins from the sales of concrete products and lower administrative expenses.

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17. Performance review (cont'd)

(ii) Construction/EPCC

Construction/EPCC segment registered revenue of RM6.2 million with loss before tax of RM42,000 for the current quarter, compared to revenue of 7.4 million and loss before tax of RM942,000 in the corresponding quarter of preceding financial period. This segment saw a slight decline in revenue in this current quarter, however the profitability is better as a result of lower administrative expenses.

(iii) Property trading/Others

Property trading and other segments have not recorded any revenue in the current quarter and in the corresponding quarter of preceding financial period. The divisions recorded loss before tax of RM22,000 for the current quarter, compared to loss before tax of RM18,000 in previous year's corresponding quarter.

18. Variation of results against preceding quarter

The Group recorded revenue of RM30.3 million and loss before tax of RM942,000 for the current quarter, compared to revenue of RM26.3 million and loss before tax of RM47.4 million in the immediate preceding quarter, representing a 15.2% increase in revenue and 98% decrease in loss before tax. The Group's revenue has improved as compared to the immediate preceding quarter mainly due to higher sales volume of its foundation piles for the roads upgrading, extension of factories and school projects in Sarawak. This in turn has led to enhanced profit before tax as compared to preceding quarter. Higher loss before tax in the immediate preceding quarter was mainly attributable to the expenses related to secure tendered projects or investments, feasibility studies and consultant fees for project related advisory services.

19. Prospects for the next year

The outlook for 2023 continues to be shaped primarily by tighter monetary policy as central banks across the world respond to inflationary pressure that, in part, is caused by lingering supply-chain and logistics issues arising from the last two years of COVID-19 lockdowns and which has been made worse by the Russia-Ukraine war and China's slowdown.

At the global level, the International Monetary Fund (IMF) in its October update of the World Economic Outlook (WEO) projects global gross domestic product (GDP) growth to be 0.2 percentage points lower than the July WEO forecast at 2.7% for 2023, with a 25% probability that global GDP could fall below 2.0%. The IMF kept global GDP unchanged at 3.2% for 2022, albeit after having lowered the growth forecast from 3.6% in the July WEO update.¹

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PART B - ADDITIONAL INFORMATION PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD (cont'd)

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

For Malaysia, the Ministry of Finance (MOF), in its 2022 Economic Outlook, forecasts Malaysia's GDP to expand by 4.0% to 5.0% in 2023, from the GDP forecast of 6.5% to 7.0% in 2022. The MOF cited inflation and tightening financial conditions, geopolitical uncertainties and containment of COVID-19 surges as factors that will influence Malaysia's growth outlook.²

Inflation remains stubbornly high and has been rising faster since 2021 despite the best efforts of central banks.³ Although the IMF expects inflationary pressure to ease in 2023, it will still be high at 6.5% compared to the forecast of 8.8% in 2022.⁴ To manage the effects of rising prices, Bank Negara Malaysia (BNM) increased the benchmark overnight policy rate (OPR) by four consecutive times in 2022 to 2.75%, following a rate hike of 25 basis points in early November. BNM noted that at the current OPR level, the stance of monetary policy remains accommodative and supportive of economic growth.⁵

BNM expects headline and core inflation to remain elevated amid both demand and cost pressures, as well as any changes in domestic policy measures on subsidies as well as global commodity price developments arising mainly from the ongoing military conflict in Ukraine and prolonged supply-related disruptions.⁶

Given the developments at the domestic and global levels, SCIB will remain cautiously optimistic as the Group leverages on its expertise in the manufacturing of building materials and in particular the Industrialised Building System (IBS) complemented by the construction business to bid for jobs. As of 30 November 2022, the Group has an order book of RM564.7 million with earnings visibility until 2026.

Building on its strengths in Sarawak and Sabah where it is the largest precast concrete and IBS manufacturer, SCIB will continue seeking opportunities in Peninsular Malaysia and in Indonesia. The Group's three factories located around Kuching, Sarawak with the ability to supply 500,000 tonnes of building materials annually together with its wharf facility complements construction activities in East Malaysia and the ability to make shipments across Borneo will be an added advantage for projects in Kalimantan, Indonesia.

The Group views positively the allocations under Budget 2023 for Sarawak and Sabah, at RM5.4 billion and RM6.3 billion respectively, with a focus on infrastructure for water, electricity, roads, health and education.⁷ These allocations will present plenty of opportunities in small to mid-sized projects that SCIB focuses on. For Sarawak specifically, the successful tender of the RM448 million System Package Two contract for the Kuching Urban Transportation System project phase one by Sarawak Economic Development Corp recently is positive news for the state's construction industry.⁸

The domestic outlook is also supported by the announcement in June 2022 of the RM50.0 billion MRT3 project, which, together with the continuation or expediting of other large infrastructure projects, will have positive spillover effects through the need for civil engineering works as well as building materials.

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PART B - ADDITIONAL INFORMATION PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD (cont'd)

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

Technology will continue to play an important role for SCIB as it transforms itself to meet the challenges of the present and the future. The Group unveiled an IBS sample house in the Kuching campus of the Construction Industry Development Board (CIDB) built using 3D printing technology in early October 2022 as part of its focus on innovation in the construction industry for efficiency, cost and safety. The sample house construction was undertaken as part of CIDB's Construction Strategy Plan 4.0.

Other technology-centric initiatives that the Group has implemented include the use of the Artificial Intelligence Pothole Detection System (AIPODS) to optimise the effectiveness of roadworks maintenance projects and the incorporation of a lightweight system plant to improve its IBS offerings. The Group believes that advanced technology such as AIPODS and automation can enhance efficiency while lowering costs and solving labour shortage.

The Group is mitigating operational risks by actively managing existing projects and closely working with customers, suppliers and business partners to ensure smooth project delivery. An inhouse construction team has been established for better project execution while the Group's manufacturing facilities has been expanded to support projects in Peninsular Malaysia and in readiness for new projects. Advanced technology such as AIPODS and automation has also been adopted to enhance efficiency while lowering costs and to solve labour shortage. To ensure optimum cashflow and a smooth payment collection process, the Group undertakes thorough due diligence on project owners and has strengthened internal controls.

SCIB has in recent months tendered for projects and have also explored projects in which the Group can leverage on its expertise and knowledge. Given the global landscape and domestic outlook, the Group will continue to be prudent to mitigate risks while seeking opportunities to grow the business.

¹ IMF World Economic Outlook October 2022 pg. xiii

² Economic Report pg. 6

³ IMF World Economic Outlook October 2022 pg. 2

⁴ IMF World Economic Outlook October 2022 pg. 14

⁵ <https://www.thestar.com.my/business/business-news/2022/11/03/bank-negara-raises-opr-by-25bps-to-275-as-expected#:~:text=KUALA%20LUMPUR%3A%20Bank%20Negara's%20Monetary,MPC's%20fourth%20consecutive%20OPR%20hike>

⁶ <https://www.bnm.gov.my/-/monetary-policy-statement-03112022>

⁷ <https://www.thesundaily.my/local/sabah-and-sarawak-to-enjoy-rapid-development-under-budget-2023-CA9938613>

⁸ <https://www.theedgemarkets.com/article/sarawak-metro-awards-rm448-mil-contract-domeeb-jv>

20. a) Variance of actual profit from forecast profit

Not applicable

b) Shortfall in the profit guarantee

Not applicable

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REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD (cont'd)****21. Income tax**

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Current tax expense	-	-	-	-
(Over)/underprovision of tax in prior year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group are subject to income tax at the applicable statutory tax rates in Malaysia. Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period.

22. Corporate proposals

There were no other corporate proposals announced but not completed as at the date of this report.

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REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD (cont'd)****23. Loans and borrowings**

	Unaudited	Audited
	As at	As at
	30.09.2022	30.06.2022
	RM'000	RM'000
Short-term borrowings		
Secured	22,145	21,784
Long-term borrowings		
Secured	22,463	23,140
	<u>44,608</u>	<u>44,924</u>

All of the above borrowings are denominated in Ringgit Malaysia.

24. Derivatives financial instruments

There were no outstanding derivatives as at the date of this report.

25. Proposed dividend

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

26. Loss per share

The basic loss per share is computed by dividing the profit or loss for the period by the number of weighted average ordinary shares of the Group in issue during the period:

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
Loss attributable to owners of the Company (RM'000)	(871)	(2,700)	(871)	(2,700)
Weighted average number of ordinary shares in issue ('000)	<u>582,038</u>	<u>506,016</u>	<u>582,038</u>	<u>506,016</u>
Basic loss per share (sen)	<u>(0.15)</u>	<u>(0.54)</u>	<u>(0.15)</u>	<u>(0.54)</u>

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27. Material litigation

On 24 June 2021, the Company's wholly-owned subsidiary, SCIB Properties Sdn. Bhd. ("SCIBP") filed a civil suit against Puncak Gemilang Melati Sdn. Bhd. ("PGM") for the return of the sum of RM1.000 million paid to PGM. The Group's claim was that PGM had no legal standing to have issued a Letter of Award for the position of subcontractor to SCIBP. PGM has counterclaimed, among others, for a declaration that the Letter of Award issued to SCIBP is valid and binding and for damages amounting to RM22.100 million for alleged loss of profit, exemplary damages and legal fees.

The Case Management of the main suit has been fixed on 17 February 2022 and subsequently, the trial date was fixed for 13 September 2022 to 15 September 2022.

On 13 September 2022, the trial was concluded and the parties were directed as follows:

- a) Parties are to finalise the Notes of Proceedings on/before 4 October 2022;
- b) Parties are to file their respective written submissions on/before 1 November 2022;
- c) Parties are to file their respective written submissions in reply on/before 22 November 2022; and
- d) The matter is fixed for decision/clarification on 14 December 2022.

The Group's lawyers have indicated that they are not in a position to gauge whether there will be a favourable outcome for SCIBP of the pending decision on 14 December 2022. Consequently, there is a contingent liability not provided for in the financial statements to the extent of RM22.100 million.

28. Additional disclosure on loss for the period

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		3 months ended	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment and right-of-use assets	1,506	1,055	1,506	1,055
Finance costs	506	436	506	436
Share of loss of an associate	-	19	-	19
Unrealised gain on foreign exchange	(656)	(218)	(656)	(218)
Finance income	(43)	(95)	(43)	(95)

29. 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 30 November 2022.