

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No. 197501003884 (25583-W)

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

	Note	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
		31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Continuing operations					
Revenue	4	36,001	38,145	66,332	64,631
Cost of sales		<u>(31,385)</u>	<u>(32,868)</u>	<u>(57,151)</u>	<u>(56,690)</u>
Gross profit		4,616	5,277	9,181	7,941
Other income		(609)	(43)	137	307
Selling and distribution expenses		(1,842)	(1,702)	(3,901)	(3,463)
Administrative expenses		(4,527)	(4,478)	(8,258)	(8,085)
Net impairment gain/(loss) on financial assets		<u>10</u>	<u>(37)</u>	<u>10</u>	<u>(37)</u>
Operating loss		(2,352)	(983)	(2,831)	(3,337)
Finance income		72	101	115	196
Finance costs		<u>(532)</u>	<u>(433)</u>	<u>(1,038)</u>	<u>(869)</u>
Net finance costs		(460)	(332)	(923)	(673)
Share of loss of an associate		-	(32)	-	(51)
Loss before tax		(2,812)	(1,347)	(3,754)	(4,061)
Income tax expense	21	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss after tax		(2,812)	(1,347)	(3,754)	(4,061)
Other comprehensive expenses:					
Item that will be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		<u>735</u>	<u>(276)</u>	<u>61</u>	<u>(40)</u>
Total comprehensive expenses for the period		(2,077)	(1,623)	(3,693)	(4,101)
Loss attributable to:					
Owners of the Company	26	(2,820)	(1,333)	(3,691)	(4,033)
Non-controlling interests		<u>8</u>	<u>(14)</u>	<u>(63)</u>	<u>(28)</u>
		(2,812)	(1,347)	(3,754)	(4,061)
Total comprehensive expenses attributable to:					
Owners of the Company		(2,085)	(1,609)	(3,630)	(4,073)
Non-controlling interests		<u>8</u>	<u>(14)</u>	<u>(63)</u>	<u>(28)</u>
		(2,077)	(1,623)	(3,693)	(4,101)
Loss per share					
Basic and diluted (sen)	26	<u>(0.48)</u>	<u>(0.27)</u>	<u>(0.63)</u>	<u>(0.82)</u>

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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Registration No. 197501003884 (25583-W)

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

	Note	Unaudited As at 31.12.2022 RM'000	Audited As at 30.06.2022 RM'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	4	34,697	36,336
Right-of-use assets	4	18,105	19,310
		<u>52,802</u>	<u>55,646</u>
<u>Current assets</u>			
Inventories		18,533	22,169
Contract assets		5,894	5,650
Trade and other receivables		69,100	67,898
Current tax assets		959	583
Prepayments		9,533	5,414
Cash and cash equivalents		19,928	36,236
		<u>123,947</u>	<u>137,950</u>
TOTAL ASSETS		<u>176,749</u>	<u>193,596</u>
EQUITY AND LIABILITIES			
Share capital		153,624	153,624
Foreign exchange translation reserves		(788)	(849)
Accumulated losses		(61,341)	(57,520)
Equity attributable to owners of the Company		<u>91,495</u>	<u>95,255</u>
Non-controlling interests		113	(89)
Total equity		<u>91,608</u>	<u>95,166</u>
<u>Non-current liabilities</u>			
Loans and borrowings	23	21,800	23,140
Lease liabilities		1,910	2,611
Other payables		145	152
Deferred tax liabilities		597	597
		<u>24,452</u>	<u>26,500</u>
<u>Current liabilities</u>			
Loans and borrowings	23	18,195	21,784
Lease liabilities		1,396	1,482
Trade and other payables		40,216	47,755
Contract liabilities		563	509
Provision for taxation		319	400
		<u>60,689</u>	<u>71,930</u>
Total liabilities		<u>85,141</u>	<u>98,430</u>
TOTAL EQUITY AND LIABILITIES		<u>176,749</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 SECOND QUARTER ENDED 31 DECEMBER 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				
		Share capital RM'000	Foreign exchange translation reserve RM'000	Accumulated losses RM'000			
6 months ended 31.12.2022							
Balance as at 01.07.2022		153,624	(849)	(57,520)	95,255	(89)	95,166
Loss after tax for the period	26	-	-	(3,691)	(3,691)	(63)	(3,754)
Other comprehensive expenses for the period:							
Foreign currency translation difference for the period		-	61	-	61	-	61
Total comprehensive expenses for the period		-	61	(3,691)	(3,630)	(63)	(3,693)
Transactions with owners of the Company:							
Issue of ordinary shares		-	-	-	-	-	-
Capital reduction by court order		-	-	-	-	-	-
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 31.12.2022		153,624	(788)	(61,341)	91,495	113	91,608

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 SECOND QUARTER ENDED 31 DECEMBER 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				
6 months ended 31.12.2021		Share capital RM'000	Foreign exchange translation reserve RM'000	Accumulated losses RM'000			
Balance as at 01.07.2021		152,269	(45)	(53,920)	98,304	68	98,372
Loss after tax for the period	26	-	-	(4,033)	(4,033)	(28)	(4,061)
Other comprehensive expenses for the period:							
Foreign currency translation difference for the period		-	(40)	-	(40)	-	(40)
Total comprehensive expenses for the period		-	(40)	(4,033)	(4,073)	(28)	(4,101)
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	-	-	-
Issue of shares by a subsidiary to non-controlling interests		-	-	-	-	-	-
Changes in ownership interest in a subsidiary		-	-	-	-	-	-
Total transactions with owners of the Company		(2,490)	-	40,000	37,510	-	37,510
Balance as at 31.12.2021		149,779	(85)	(17,953)	131,741	40	131,781

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 SECOND QUARTER ENDED 31 DECEMBER 2022****Unaudited Condensed Consolidated Statement of Cash Flows**

	Note	6 months ended	
		31.12.2022 RM'000	31.12.2021 RM'000
Cash flows from operating activities			
Loss before tax		(3,754)	(4,061)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	28	3,013	2,177
Finance costs	28	1,038	869
Impairment loss on trade receivables	28	-	37
Inventories written down	28	1	1
Inventories written off	28	20	13
Share of loss of an associate	28	-	51
Unrealised loss/(gain) on foreign exchange	28	63	(80)
Finance income	28	(115)	(196)
Gain on bargain purchase of a new subsidiary	28	-	(20)
Reversal of impairment loss on other receivables	28	(10)	-
Operating profit/(loss) before working capital changes		<u>256</u>	<u>(1,209)</u>
Decrease in inventories		3,614	4,363
Increase in trade and other receivables		(5,311)	(29,011)
Increase in contract assets		(243)	(4,587)
(Decrease)/increase in trade and other payables		(7,609)	4,810
Increase/(decrease) in contract liabilities		54	(447)
Cash used in operating activities		<u>(9,239)</u>	<u>(26,081)</u>
Interest paid		(1,038)	(869)
Interest received		115	196
Income tax paid		(423)	(121)
Income tax refunded		-	36
Net cash used in operating activities		<u>(10,585)</u>	<u>(26,839)</u>
Cash flows from investing activities			
Acquisition of a subsidiary		-	(4,980)
Acquisition of property, plant and equipment		(169)	(1,525)
Increase in pledged fixed deposits with licensed banks		-	(202)
Net cash used in investing activities		<u>(169)</u>	<u>(6,707)</u>

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

	Note	6 months ended	
		31.12.2022	31.12.2021
		RM'000	RM'000
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		-	37,510
Drawdown of term loan		-	17,665
Drawdown of bankers' acceptances		15,423	15,157
Repayment of lease liabilities		(786)	(323)
Repayment of term loans		(1,279)	(6,981)
Repayment of revolving credit		-	(11,196)
Repayment of bankers' acceptances		(19,073)	(14,926)
Net cash (used in)/from financing activities		(5,580)	36,906
Net (decrease)/increase in cash and cash equivalents		(16,334)	3,360
Effects of foreign exchange translation		27	(111)
Cash and cash equivalents at the beginning of the period		35,645	18,346
Cash and cash equivalents at the end of the period		19,338	21,595
Cash and cash equivalents at the end of the financial period comprise the following:			
Deposits, cash and bank balances		19,928	22,179
(Less) Fixed deposits pledged		(590)	(584)
		19,338	21,595

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 SECOND QUARTER ENDED 31 DECEMBER 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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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
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**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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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****4. Segment information****Results for 3 months ended 31 December 2022**

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter-segment sales	21,820	14,776	365	36,961
(Less) inter-segment sales	<u>(230)</u>	<u>(730)</u>	<u>-</u>	<u>(960)</u>
External revenue	<u>21,590</u>	<u>14,046</u>	<u>365</u>	<u>36,001</u>
Segment results				
Results	1,541	(1,385)	49	205
Finance costs	(496)	(24)	(12)	(532)
Corporate expenses				(2,485)
Share of loss of an associate				-
Loss before tax				<u>(2,812)</u>
Income tax expense				-
Loss after tax				<u>(2,812)</u>
Other information				
Finance income	<u>38</u>	<u>7</u>	<u>27</u>	<u>72</u>

Results for 3 months ended 31 December 2021

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter-segment sales	23,772	14,014	388	38,174
(Less) inter-segment sales	<u>(29)</u>	<u>-</u>	<u>-</u>	<u>(29)</u>
External revenue	<u>23,743</u>	<u>14,014</u>	<u>388</u>	<u>38,145</u>

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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****4. Segment information (cont'd)****Results for 3 months ended 31 December 2021 (cont'd)**

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment results				
Results	927	(132)	(38)	757
Finance costs	(427)	(5)	(1)	(433)
Corporate expenses				(1,639)
Share of loss of an associate				(32)
Loss before tax				(1,347)
Income tax expense				-
Loss after tax				(1,347)
Other information				
Finance income	9	-	92	101

Results for 6 months ended 31 December 2022

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter- segment sales	46,344	21,658	365	68,367
(Less) inter-segment sales	(592)	(1,443)	-	(2,035)
External revenue	45,752	20,215	365	66,332
Segment results				
Results	3,049	(1,401)	41	1,689
Finance costs	(962)	(50)	(26)	(1,038)
Corporate expenses				(4,405)
Share of loss of an associate				-
Loss before tax				(3,754)
Income tax expense				-
Loss after tax				(3,754)
Other information				
Finance income	69	13	33	115

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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****4. Segment information (cont'd)****Results for 6 months ended 31 December 2021**

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue				
including inter- segment sales	42,849	21,440	388	64,677
(Less) inter-segment sales	(46)	-	-	(46)
External revenue	<u>42,803</u>	<u>21,440</u>	<u>388</u>	<u>64,631</u>
Segment results				
Results	1,140	(1,069)	(55)	16
Finance costs	(857)	(10)	(2)	(869)
Corporate expenses				(3,157)
Share of loss of an associate				(51)
Loss before tax				(4,061)
Income tax expense				-
Loss after tax				<u>(4,061)</u>
Other information				
Finance income	<u>18</u>	<u>-</u>	<u>178</u>	<u>196</u>

Segment revenue by countries

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Malaysia	<u>36,001</u>	<u>38,145</u>	<u>66,332</u>	<u>64,631</u>

Segment non-current assets by countries

	Unaudited As at 31.12.2022 RM'000	Audited As at 30.06.2022 RM'000
Malaysia	<u>52,802</u>	<u>55,646</u>

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

5. Changes in estimates

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

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	6 months ended	6 months ended
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM	RM	RM	RM
Acquisition (cost)	1,699	663,475	169,206	2,315,627
Disposal/written off (net book value)	<u>-</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		Cumulative Quarter	
	3 months ended		6 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Expenditure:-				
Insurance premium paid or payable to a related party, Transnational Insurance Brokers (M) Sdn. Bhd.	187	139	370	312
Purchase of AIPODS devices from a related party, Serba Dinamik IT Solutions Sdn. Bhd.	-	-	-	35
			Unaudited	Audited
			As at	As at
			31.12.2022	30.06.2022
			RM'000	RM'000
Amount due by related parties			-	7,725

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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****10. Related party transactions (cont'd)**(ii) Transactions with an associate¹:

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Purchase of working attire	-	-	2	-
Purchase of motorcycle jacket	2	-	2	-
Purchase of signage	11	-	11	-
Purchase of safety personal protective equipment	-	-	-	2
Construction and progress claim of PPAM show house gallery	161	-	161	-
Construction and progress claim of batching plant	-	25	-	25

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

Note:

¹ Associate refers to Edaran Kencana Sdn. Bhd.

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

	Unaudited	Audited
	As at	As at
	31.12.2022	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
			31.12.2022	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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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.

Incorporation of SCIB Trading Sdn. Bhd.

On 30 December 2022, SCIB Trading Sdn. Bhd. ("SCIBT"), a wholly owned subsidiary of the Company, was incorporated in Malaysia with a paid up capital of RM100,000. There was no material effect on the results or net assets of the Group arising from incorporation of SCIB Trading Sdn. Bhd. during the current quarter.

14. Capital commitments

	Unaudited	Audited
	As at	As at
	31.12.2022	30.06.2022
	RM'000	RM'000
Capital expenditure not provided for in the financial statements:		
Contracted for but not provided for	317	491

15. Contingent liabilities – unsecured

	Unaudited	Audited
	As at	As at
	31.12.2022	30.06.2022
	RM'000	RM'000
Corporate guarantee given to bank for credit facilities granted to a subsidiary	42,422	47,666
Financial guarantee provided to a licensed bank for credit facilities granted to a subsidiary	1,183	1,183

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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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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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REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD****17. Performance review**

<u>By business segments</u>	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Revenue				
- Manufacturing	21,590	23,743	45,752	42,803
- Construction/EPCC	14,046	14,014	20,215	21,440
- Property trading/Others	365	388	365	388
Group revenue	36,001	38,145	66,332	64,631
(Loss)/profit before tax				
- Manufacturing	1,045	500	2,087	283
- Construction/EPCC	(1,409)	(137)	(1,451)	(1,079)
- Property trading/Others	37	(39)	15	(57)
	(327)	324	651	(853)
(Less) Corporate expenses	(2,485)	(1,639)	(4,405)	(3,157)
Share of loss of an associate	-	(32)	-	(51)
Group loss before tax	(2,812)	(1,347)	(3,754)	(4,061)

The Group recorded revenue of RM36 million and loss before tax of RM2.81 million for the current quarter ended 31 December 2022, compared to revenue of RM38.15 million and loss before tax of RM1.35 million in the corresponding quarter of the preceding financial year, representing a decrease of 6% in revenue and an increase of 108% in loss before tax.

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 RM21.6 million and profit before tax of RM1 million for the current quarter, compared to revenue of RM23.7 million and profit before tax of RM500,000 in the corresponding quarter of the preceding financial year. The decrease in revenue in the current quarter was due to the decline in sales volume of foundation piles. However, profit before tax for the current quarter has improved mainly attributable to the increase in contribution margins from the sales of concrete products.

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17. Performance review (cont'd)

Construction/EPCC

Construction/EPCC segment registered revenue of RM14 million with loss before tax of RM1.4 million for the current quarter, compared to revenue of RM14 million and loss before tax of RM137,000 in the corresponding quarter of preceding financial period. Higher loss before tax was impacted by the increase in administrative expenses.

Property trading/Others

Property trading and other segments recorded revenue of RM365,000 with profit before tax of RM37,000 for the current quarter, compared to revenue of RM388,000 and loss before tax of RM39,000 in the corresponding quarter of preceding financial period. The improved profit before tax was due to the revenue generated from selling a unit of Santubong Suite property.

18. Variation of results against preceding quarter

The Group recorded revenue of RM36 million and loss before tax of RM2.8 million for the current quarter, compared to revenue of RM30.3 million and loss before tax of RM942,000 in the immediate preceding quarter, representing a 19% increase in revenue and 197% increase in loss before tax. The Group's revenue has improved as compared to the immediate preceding quarter, largely contributed from the Construction/EPCC segment's revenue as a result of the site progress of ongoing projects. Higher loss before tax was mainly impacted by the increase in administrative expenses.

19. Prospects for the next year

Inflationary pressure and the response of central banks across the world to rising prices will continue to influence the outlook for 2023, with the Russia-Ukraine war a millstone weighing on global economic growth while elevating uncertainty.

Despite signs of recovery in late 2022, the International Monetary Fund (IMF) in its January update to the World Economic Outlook (WEO), projected global gross domestic product (GDP) growth of 2.9% in 2023 compared with the estimated 3.4% in 2022. While the latest projection for 2023 is 0.2 percentage points higher than the October 2022 WEO update, the forecast reflected the rise in benchmark interest rates especially in advanced economies to counter inflation as well as in response to the Russia-Ukraine war.¹

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

The IMF expects the full impact of monetary policy tightening to be more apparent in 2024 although there are indicators showing that demand and inflation has started to cool down, with global headline inflation appearing to have peaked in late 2022 on a decline in the price of oil and other commodities. Core inflation, however, remained above pre-pandemic levels amid second-round effects from earlier cost shocks and tight labour markets.²

The World Bank, in the January update to the Global Economics Prospects (GEP), projected Malaysia's GDP at 4.0%, moderating from an estimated 7.8% on slower exports growth.³ The latest GEP update is at the lower end of the Ministry of Finance's (MOF) forecast for GDP to expand by 4.0% to 5.0% in 2023. 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.⁴

For 2022, the Department of Statistics Malaysia (DOSM) data showed GDP for the whole year expanded by 8.7% following a 7.0% rise in the fourth quarter of the year with all sectors of the economy growing strongly. Compared to the 3.1% expansion in 2021, this is the highest annual growth rate recorded within the period of 22 years while compared to the third quarter of 2022, DOSM noted that GDP has decreased 2.6%.⁶

Bank Negara Malaysia (BNM) expects headline and core inflation to moderate over 2023 but remain at elevated levels amid lingering demand and cost pressures. BNM maintained the benchmark overnight policy rate (OPR) at 2.75% following the January 2023 monetary policy committee meeting. BNM raised the OPR four consecutive times last year to contain inflation, with the last hike in November.⁷

BNM believes the current stance of monetary policy remains accommodative and supportive of economic growth, noting that the January OPR decision will enable the central bank to assess the impact of the past OPR hikes given the lag effects of monetary policy on the economy. BNM also expects central banks around the world to continue raising interest rates, albeit at a slower pace and this will continue to pose headwinds to the global growth outlook.⁸

Based on the latest developments at the domestic and global levels, SCIB remains cautiously optimistic and will continue to seek opportunities across Malaysia and Indonesia that leverages on its strength as the largest precast concrete and Industrialised Building System (IBS) manufacturer in East Malaysia complemented by its construction arm to bid for jobs. As of January 2023, the Group has an order book of RM387.96 million with earnings visibility until 2026.

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.

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

SCIB will continue to emphasise technology to keep abreast of the changes in the construction sector and to remain competitive. As part of this technology emphasis, 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 focussed 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.

To enhance efficiency while lowering costs and solving the labour shortage issue, the Group has also implemented other initiatives such as 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 IBS offerings. The Group believes that advanced technology such as AIPODS and automation will in the long-run ensure that operations are sustainable.

SCIB will continue to mitigate operational risks by actively managing existing projects and closely work with stakeholders across the value chain to ensure smooth project delivery. For better execution of projects under the construction arm, an inhouse team was established to monitor operations while manufacturing facilities has been expanded to support projects in Peninsular Malaysia and in readiness for new projects. 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 will continue to tender for projects across the country and is exploring opportunities in Indonesia, where there are exciting prospects in the development of the country's new capital in Kalimantan. The Group will also seek opportunities through strategic partnerships, such as the one that was recently formed with Bintai Kinden Corporation Berhad.

¹ IMF World Economic Outlook January 2023 pg. 3

² IMF World Economic Outlook January 2023 pg. 2

³ World Bank Global Economic Prospects January 2023 pg. 55

⁴ Economic Report pg. 6

⁵ https://www.dosm.gov.my/v1/index.php?r=column/cthemByCat&cat=100&bul_id=RkhsOGEwclM4T1UxZ1Vmb0pwL1JlQT09&menu_id=TE5CRUZCblh4ZTZMODZlbnk2aWRRQT09

⁶ <https://www.bnm.gov.my/-/monetary-policy-statement-19012023>

⁷ <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.>

⁸ <https://www.bnm.gov.my/-/monetary-policy-statement-19012023>

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Not applicable

b) Shortfall in the profit guarantee

Not applicable

21. Income tax

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Current tax expense	-	-	-	-
(Over)/underprovision of tax in prior year	-	-	-	-
	<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.

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22. Corporate proposals

On 11 January 2023, the Company has proposed to undertake a private placement of up to 10% of the issued ordinary shares of SCIB at an issue price to be determined later (“Proposed Private Placement”).

On 16 January 2023, the Company has submitted the listing application to Bursa Securities in relation to the Proposed Private Placement. The listing application is subject to Bursa Securities’ approval.

Based on the proposed placement size of up to 82,722,252 Placement Shares at the Indicative Placement Issue Price, the Proposed Private Placement is expected to raise total gross proceeds of up to approximately RM7.724 million based on the minimum scenario which is intended to be utilised 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 31.12.2022 RM'000	Balance as at 31.12.2022 RM'000
Working capital ⁽ⁱ⁾	Within 12 months	3,500	-	3,500
Repayment of bank borrowings ⁽ⁱⁱ⁾	Within 12 months	3,824	-	3,824
Estimated expenses for the Proposed Private Placement ⁽ⁱⁱⁱ⁾	Within 3 months	400	-	400
Total proceeds		7,724	-	7,724

Notes:

* From the date of listing of the Placement Shares.

(i) The Company intends to utilise part of the proceeds to be raised from the Proposed Private Placement for payroll (staff salary) to supplement the existing working capital of the Group and to help improve the cash flow of the Group.

(ii) The Company proposes to utilise up to approximately RM3.8 million of the proceeds to reduce the bank borrowings (banker’s acceptance) of SCIB Group.

(iii) This includes payment of fees to Bursa Securities, adviser and placement agent. Any deviation in the actual amount of expenses for the Proposed Private Placement will be adjusted accordingly to/from the working capital of SCIB Group.

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	Unaudited	Audited
	As at	As at
	31.12.2022	30.06.2022
	RM'000	RM'000
Short-term borrowings		
Secured	18,195	21,784
Long-term borrowings		
Secured	21,800	23,140
	<u>39,995</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		6 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Loss attributable to owners of the Company (RM'000)	(2,820)	(1,333)	(3,691)	(4,033)
Weighted average number of ordinary shares in issue ('000)	582,038	491,886	582,038	491,886
Basic loss per share (sen)	<u>(0.48)</u>	<u>(0.27)</u>	<u>(0.63)</u>	<u>(0.82)</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.

SCIBP's claims and PGM's counterclaims were both dismissed on 14 December 2022 as decided by the Shah Alam High Court in Civil Suit No.:BA-22NCVC-247-06/2021.

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

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Depreciation of property, plant and equipment and right- of-use assets	1,507	1,122	3,013	2,177
Finance costs	532	433	1,038	869
Impairment loss on trade receivables	-	37	-	37
Inventories written down	1	1	1	1
Inventories written off	20	13	20	13
Share of loss of an associate	-	32	-	51
Unrealised loss/(gain) on foreign exchange	719	138	63	(80)
Finance income	(72)	(101)	(115)	(196)
Gain on bargain purchase of a new subsidiary	-	(20)	-	(20)
Reversal of impairment loss on other receivables	(10)	-	(10)	-

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 27 February 2023.