

**SARAWAK CONSOLIDATED INDUSTRIES BERHAD**

(Incorporated in Malaysia)

Registration No: 197501003884 (25583-W)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

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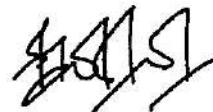
**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Rosland Bin Othman and Shamsul Anuar Bin Ahamad Ibrahim, being two of the directors of Sarawak Consolidated Industries Berhad, state that, in the opinion of the directors, the financial statements set out on pages 9 to 125 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2021 and of their financial performance and cash flows for the financial period ended on that date.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 December 2021.



Rosland Bin Othman



Shamsul Anuar Bin Ahamad Ibrahim

**STATUTORY DECLARATION  
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016**

I, Chiew Jong Wei, MIA Membership Number: 38656, being the officer primarily responsible for the financial management of Sarawak Consolidated Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 9 to 125 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned  
Chiew Jong Wei, NRIC Number: 750625-13-5435  
at Kuching in the State of Sarawak  
on this 30 December 2021.



Before me

**PHANG DAH NAN**  
Commissioner For Oaths  
No. 55, 1st Floor,  
Jalan Chan Bee Kiew  
Off Jalan Padungan,  
93100 Kuching, Sarawak.



Chiew Jong Wei

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SARAWAK CONSOLIDATED INDUSTRIES BERHAD**

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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****Qualified Opinion**

We have audited the financial statements of Sarawak Consolidated Industries Berhad, which comprise the statements of financial position as at 30 June 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 125.

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.

**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 Sub-Contractors (Debt 2) of USD135,145,130 (RM561,122,581) and indemnify the Company and SCIBIL against all claims by the Sub-Contractors; 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 and SCIBIL may commence arbitration proceedings for the recovery of Debt 1. Notwithstanding the above, the Sub-Contractors 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SARAWAK CONSOLIDATED INDUSTRIES BERHAD**

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### **Basis for Qualified Opinion (Cont'd)**

#### ***Engineering, Procurement, Construction and Commissioning ("EPCC") Contracts (Cont'd)***

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.

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 or Loss and Other Comprehensive Income of the Group 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.

### **Independence and Other Ethical Responsibilities**

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### **Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information included in the 2021 Annual Report. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control which were obtained prior to the date of this auditors' report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon. The other sections of the 2021 Annual Report are expected to be made available to us subsequently.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SARAWAK CONSOLIDATED INDUSTRIES BERHAD**

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### **Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)**

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, 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 or Loss and Other Comprehensive Income of the Group 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 have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the annual report affected by the inability to obtain sufficient appropriate audit evidence about the EPCC projects.

### **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.

### **Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SARAWAK CONSOLIDATED INDUSTRIES BERHAD**

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### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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**Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 5 to the financial statements.

**Other Matters**

1. The financial statements of the Group and of the Company for the financial year ended 31 December 2019 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 30 April 2020.
2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**Nexia SSY PLT**  
LLP0019490-LCA & AF002009  
Chartered Accountants

Shah Alam  
30 December 2021



**Michelle Yong Voon Sze**  
No. 02864/07/2022 J  
Chartered Accountant