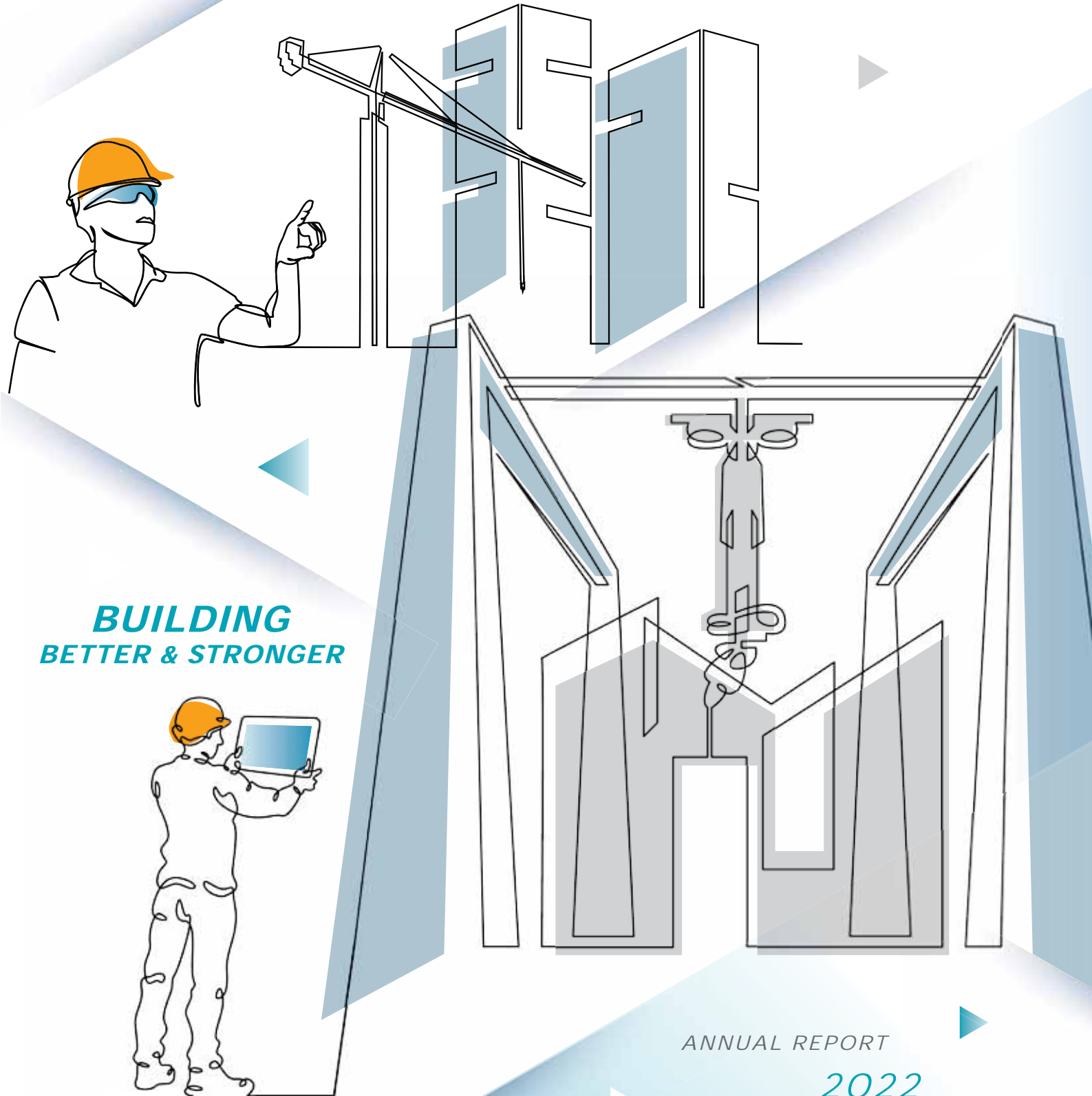




**SARAWAK CONSOLIDATED
INDUSTRIES BERHAD**

Registration No. 197501003884 (25583-W)



**BUILDING
BETTER & STRONGER**

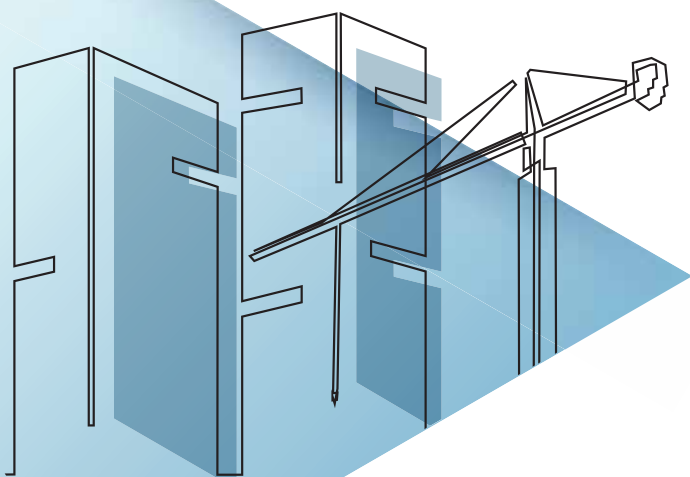
ANNUAL REPORT

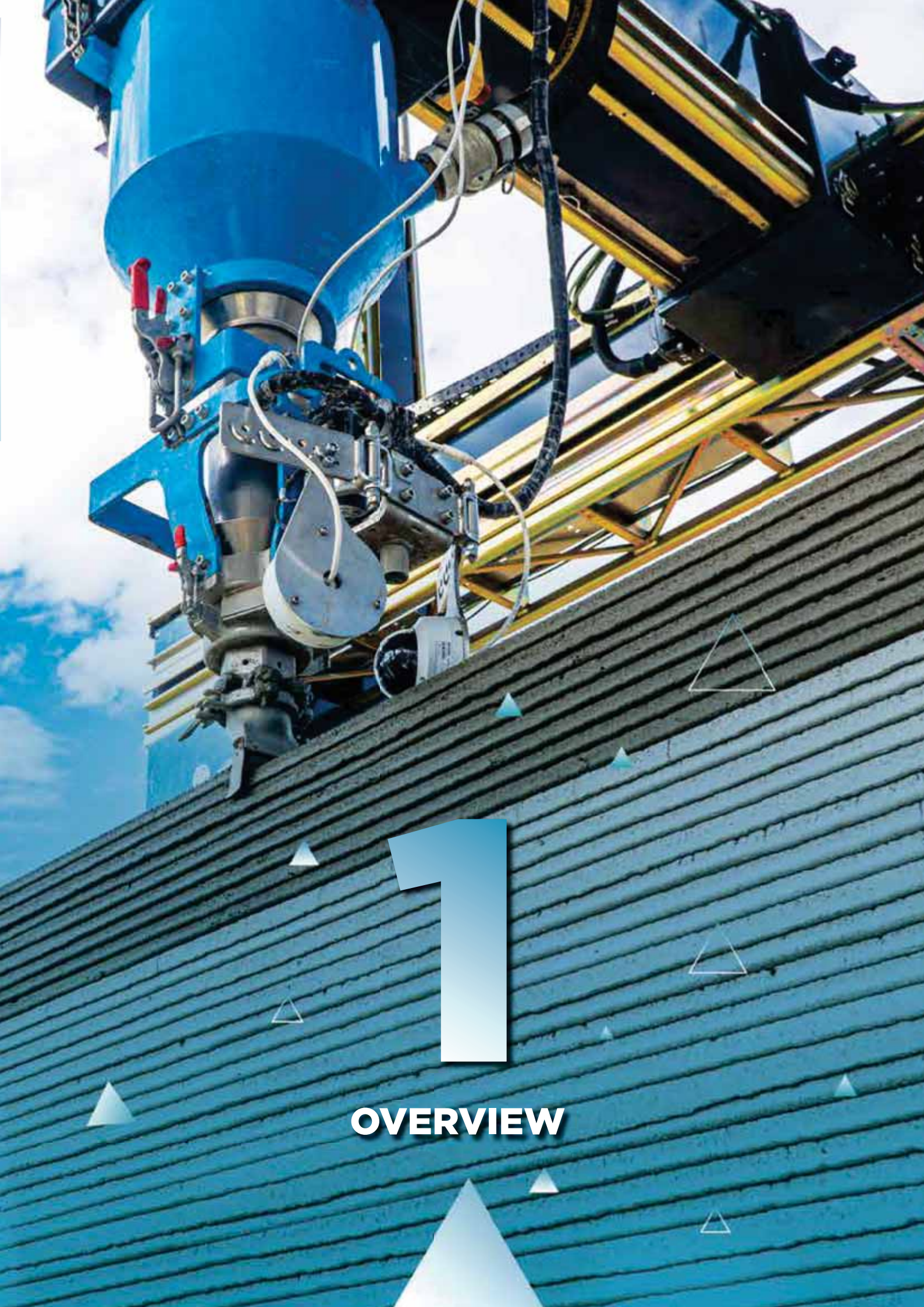
2022

CONTENT



OVERVIEW	1		
Chairman's Statement	2		
CEO's Statement	5		
Corporate Background	10		
Vision & Mission and Value Statement	12		
SCIB Growth Story	13		
Corporate Information	14		
Corporate Structure	15		
Board of Directors	16		
Directors' Profile	18		
Key Management	31		
ANALYSIS	35		
Management Discussion & Analysis (MD&A)	36		
CORPORATE GOVERNANCE	47		
Corporate Governance Overview Statement	48		
Statement of Director's Responsibilities	61		
Audit Committee Report	62		
Statement on Risk Management and Internal Control	67		
Additional Compliance Information	71		
		SUSTAINABILITY	74
		Sustainability Mission	75
		Governance Structure	75
		Scope Of This Report	76
		Key Stakeholders Engagement	76
		Materiality Assessment	77
		Sustainability Framework	78
		Social	79
		Environmental	87
		Economic	92
		Sustainable Development Goals	95
		FINANCIAL STATEMENTS	99
		Directors' Report	100
		Statements of Financial Position	106
		Statements of Profit or Loss and Other Comprehensive Income	108
		Statements of Changes in Equity	110
		Statements of Cash Flows	112
		Notes to the Financial Statements	115
		Statement by Directors	204
		Statutory Declaration	204
		Independent Auditors' Report	205
		ADDITIONAL INFORMATION	210
		List of Properties	211
		Analysis of Shareholdings	212
		Analysis of Warrant Holdings	214
		Notice of Annual General Meeting	216
		Annexure I	222
		Form of Proxy	enclosed
		CONTACT INFORMATION	227





1

OVERVIEW

CHAIRMAN'S STATEMENT

CHAIRMAN

Shamsul Anuar Bin Ahamad Ibrahim



“

The financial year ended 30 June 2022 (“FYE 2022”) has been challenging for Sarawak Consolidated Industries Berhad (“SCIB” or the “Group”), and as I present to you the Annual Report for FYE 2022, I take note of the obstacles that the Group have had to navigate, including rising raw material prices, increasing logistics cost and labour shortages that have weighed on the financial performance.

”

CHAIRMAN'S STATEMENT

(CONT'D)

I would like to also take the opportunity to thank the Group for appointing me as chairman. I look forward to working with the rest of the Board of Directors ("Board") in upholding shareholders' interests through our duties assessing performance and corporate governance.

While we have seen positive signs of recovery for the domestic economy despite the challenges posed by COVID-19, the Russia-Ukraine war, China's slowdown and, tighter monetary policy as central banks across the world respond to inflationary pressure, have compounded the lingering effects of the pandemic.

For FYE 2022, the Group recorded revenue of RM128.4 million and gross profit of RM16.1 million. There is no comparison with the previous financial period as there was a change in financial year-end.

Given that the global economic outlook has darkened somewhat, we note that the government has taken measures to support the domestic economy, including the rollout of large civil infrastructure projects such as the RM50.0 billion MRT3 project, which was announced in June 2022. The measured pace of interest rate hikes by Bank Negara Malaysia ("BNM") is supportive of business growth and private consumption while robust exports has also helped in ensuring a positive employment outlook.

It is also heartening to note that Malaysia's GDP for the second quarter ended 30 June 2022 ("2Q 2022") grew more than forecast at 8.9% year-on-year on an expansion in domestic demand and resilient exports. This is an acceleration from the 5.0% growth in 1Q 2022 and may perhaps lead to a reassessment of the country's GDP growth for this year. At present, BNM expects GDP growth for 2022 to come in at the upper end of its 5.3% to 6.3% target and despite the unexpected growth spurt in 2Q 2022, risks remain, with the International Monetary Fund ("IMF") having revised down Malaysia's GDP to 5.1% from 5.6% previously.

For SCIB, our expansion to Peninsular Malaysia has been beneficial as we have secured several projects from road works to building construction over the course of FYE 2022. While Sabah and Sarawak will continue to be mainstays for us, the Group continues to build on its strength as the largest precast concrete and Industrialised Building System ("IBS") producer in East Malaysia to seek opportunities in Peninsular Malaysia and, in Southeast Asia, where we are exploring opportunities as an engineering, procurement, construction and commissioning ("EPCC") specialist in Indonesia's telecommunications infrastructure.

Our focus is also on small to mid-sized EPCC projects involving the construction, expansion, maintenance or upgrades of healthcare, educational and utility facilities as well as rural infrastructure such as roads together with housing and logistics infrastructure. These opportunities include projects in Sabah and Sarawak, in which RM6.3 billion and RM5.4 billion were allocated respectively under Budget 2023.

On the corporate front, we note that the Group has successfully completed a private placement in three tranches to raise RM41.76 million for capital expenditure requirements, working capital and estimated expenses for upcoming projects. We have decided not to proceed with the final tranche of private placement shares because of the uncertain market conditions that has prevailed since late 2021 and going into this year.

Sustainability

We believe that adopting IBS and automation is an effective step towards making construction and manufacturing activities sustainable, for the environment and for the business as well as for our own operations and that of our customers.

Using IBS helps to reduce cost, enables the facilitation of better cost control, reduces waste, and enhances efficiency while mitigating the risks of labour shortages. As part of our manufacturing operations, we have also incorporated a lightweight system plant to improve our IBS offerings. Through our innovation initiatives, we completed a sample house using our 3D printing system, which was unveiled in conjunction with the visit of the State Deputy Minister of Urban Planning, Land Administration and Environment, YB Datuk Haji Len Talif Salleh.

CHAIRMAN'S STATEMENT

(CONT'D)

Our sustainability efforts extended to the wider community where we continued to support skills development by welcoming a new batch of trainees from Institut Latihan Perindustrian Kota Samarahan in June 2022 as part of their industrial training programme in their final year. In support of government initiatives to create a pool of skilled graduates through industrial attachment, we also collaborated with SCIB Industrialised Building System Dan Sasoakai Resources JV Sdn. Bhd. on the Professional Training and Education for Growing Entrepreneurs (Protégé) programme, an eight-month programme blending intensive soft skills classroom training and on-the-job training opportunities. The Group accepted 58 protégés into the programme during the year.

As part of the Group's innovation initiatives, we are also exploring the development of 3D skills and knowledge with the Construction Industry Development Board ("CIDB") that we intend to offer to workers in the construction industry who want to enhance or upgrade their skillsets and knowledge. This 3D training programme is being studied following the successful completion of an IBS sample house built using 3D printing technology that we acquired.

As our FYE 2022 straddles the surge of COVID-19 infections from the delta and omicron variants, we took precautions ensuring the safety and health of all concerned, from the factory floor to construction sites and our corporate offices. Standard operating procedures ("SOPs") taken included work-from-home for those whose duties allow it to temperature checks, mandatory masking and social-distancing measures. We also adhered strictly to all SOPs as announced by the National Security Council ("NSC"), Ministry of Health ("MOH"), Ministry of International Trade and Industry ("MITI") and the Sarawak Disaster Management Committee ("SDMC").

Acknowledgements

I would like to extend my welcome to En. Noor Azri Bin Dato' Sri Noor Azerai and Mr. Ku Chong Hong, who were appointed Independent Directors of SCIB on 17 March 2022 and En. Mohd Shakir Bin Shahimi and En. Nuraiman Bin Shaiful Anuar, who were both appointed Independent Directors on 15 September 2022. We would also like to congratulate Mr. Ku on his appointment on 15 September 2022 as Executive Director.

The new Directors bring with them a wealth of experience and coupled with their farsightedness, the Group look forward to working with them in creating value and growing the business at a time that is both challenging and yet filled with opportunities.

On another note, YBhg. Dato' Dr. Ir. Ts. Mohd Abdul Karim was redesignated as Non-Independent Non-Executive Director on 25 October 2022. The Board of Directors and I would like to extend our appreciation for his leadership and valuable contributions to the SCIB Group's growth and success.

We would also like to extend our thanks to the outgoing Director, YBhg. Datu Haji Mohidden Bin Haji Ishak, who retired on 28 February 2022, for his guidance and advice. The Board and I would like to congratulate Datu Haji Abdul Hadi Bin Datuk Haji Abdul Kadir, who was conferred with the Darjah Jasa Bakti Sarawak, which comes with the title of Datu on the occasion of His Excellency, the Governor of Sarawak, Tun Pehin Sri Abdul Taib Mahmud's 86th birthday.

Before I end this statement, I would like to reiterate that SCIB remains dedicated and committed to our vision of linked prosperity despite the setbacks posed by the prolonged COVID-19 pandemic. We all look forward to a better year. I would also like to acknowledge the hard work and sacrifice of everyone in SCIB during these trying but exciting times for us. I would also like to extend my gratitude to our customers, suppliers, business partners, bankers and financial institutions. The sustainability of the Group's business is all due to them. Thank you all and stay safe.

CHAIRMAN
Encik Shamsul Anuar Bin Ahamad Ibrahim

CEO'S STATEMENT

GROUP MANAGING DIRECTOR/CEO

Rosland bin Othman



“

It has been a challenging year for us, but we have also made a lot of progress in our efforts to build a better, stronger and more sustainable business.

”

CEO'S STATEMENT

(CONT'D)

We can confidently say that the Group is on a firmer footing and have leveraged on its strengths as the leading precast concrete and IBS products manufacturer in East Malaysia as well as an EPCC specialist to seek opportunities that have opened up after our expansion into Peninsular Malaysia from our traditional base of Sarawak and Sabah. We are also seeking projects in Indonesia in which we see synergies arising from our manufacturing facilities in and around Kuching, Sarawak together with the ability to transport building materials from our wharf as well as our EPCC expertise.

More importantly, we took measures to ensure that the Group is free of all obligations incurred from projects in Qatar and Oman by signing, in November 2021, Settlement Agreements with clients and respective subcontractors to mutually terminate contracts as well as confirm the full and final settlement of debts together with the establishment of payment terms and schedules. SCIB subsequently signed a Novation Agreements in September 2022 with these clients and respective subcontractors in which these clients agreed to take on the debts the Group owes to the subcontractors for the projects in Qatar and Oman. The debt owed to the subcontractors will be paid from what the clients owe SCIB and its wholly-owned subsidiary, SCIB International (Labuan) Ltd ("SCIBL").

We also decided to recognise net impairment loss on trade and other receivables of long outstanding balance from clients amounting to RM23.0 million in FYE 2022 as a further measure to mitigate the Group's exposure to credit risk. We will continue to monitor credit risk exposure by taking steps such as the systematic and thorough analysis of project owners for future contracts to enhance the payment collection process as well as dealing with counterparties with sound credit.

Key to the Group's strength is our focus on small-to-mid-sized projects, a niche that we have carved out for ourselves in a construction industry where such projects are often overlooked but in which we see lots of opportunities. Our focus is on the construction, expansion, maintenance or upgrades of healthcare, educational and utility facilities. We are also interested in rural infrastructure such as roads as well as housing and logistics infrastructure like ports and airports.

State of the construction sector

The construction sector in the period under review has been volatile, to say the least. There have been opportunities and wins for the Group in a tough operational landscape that only eased up with the full reopening of the domestic economy in the last three months of our FYE 2022. Construction players have had to manage a shortage of labour, rising building material prices, supply-chain and logistics issues and, rising interest rates for their operations.



We view positively the national development allocations for Sabah and Sarawak, at RM6.3 billion and RM5.4 billion, respectively, for the development of water, electricity, roads, health, and educational facilities under Budget 2023.

Specifically, a total of RM1.2 billion was provided to upgrade dilapidated schools, with 182 projects in Sarawak and 123 projects in Sabah to replace old wooden buildings. Ceiling rates for building new houses in rural areas have also been raised to RM79,000 per unit from RM68,000 in both States while in relation to new rural housing, more than half of the 3,000 new homes will be built in Sabah and Sarawak. We note that both States have also been prioritised for the refurbishment of dilapidated rural healthcare facilities.

We are also encouraged by the government's efforts to continue supporting economically important infrastructure that will benefit both States. These allocations include RM250.0 million for the expansion of the Sapangar Bay Container Port, Sabah and RM100.0 million for the Samalaju Water Treatment Plant Project Phase 3, Sarawak.

CEO'S STATEMENT

(CONT'D)

Department of Statistics Malaysia ("DOSM") data showed that the sector contracted in three of the four quarters of calendar 2021 and also in the first quarter of 2022. Construction sector data released in August 2022 by DOSM showed a rebound in the second quarter of calendar 2022 of 6.1% year-on-year, with value of work done of RM29.9 billion. Selangor, Wilayah Persekutuan and Sarawak contributed RM15.4 billion or 51.6% of the value of work done.

Data from DOSM showed the residential subsector grew 7.9% from a contraction of 11.9% in the preceding quarter; the non-residential subsector expanded 18.1% from 4.2% in the first quarter; special trades activities subsector saw slower growth of 11.9% from 24.1% and; the civil engineering subsector saw a narrower contraction of 4.4% from contraction of 15.5%.

The most important news to come out of 2022 is the announcement of the RM50.2 billion MRT 3 project announced earlier in the year and in which the tender process is still ongoing as of the time of writing. We believe that the MRT 3 project as well as the continuation of other large civil infrastructure projects will be positive for the construction sector as a whole as well as for the manufacturing of building materials as it means continuous need for contract works as well as building materials for the projects.

FYE 2022 performance

Given that the Group has changed its financial year-end to 30 June from 31 December, there are no comparisons available for FYE 2022. We have annualised financial period ended 30 June 2021 ("FPE 2021"), which covers 18 months, to give a better understanding of FYE 2022 performance.

At SCIB, our revenue decreased by 3.2% to RM128.4 million for FYE 2022 compared to RM132.6 million in annualised revenue recorded for FPE 2021. Gross Profit ("GP") decreased to RM16.1 million from the annualised GP of RM57.9 million in FPE 2021 mainly due to the termination of the Qatar and Oman projects.

The Group recorded a Loss Before Tax ("LBT") of RM53.4 million as compared with an annualised Profit Before Tax ("PBT") of RM3.8 million in FPE 2021, representing a PBT decrease of RM57.3 million mainly attributable to the net impairment loss on trade and other receivables and contract assets of RM24.8 million and expenditure incurred in consultation fees on project related activities of RM26.0 million.

On a segmental basis, the manufacturing business remains the largest contributor to the Group's Revenue, at RM85.9 million for FYE 2022 compared with RM70.5 million in annualised revenue for FPE 2021, a gain of 21.8%. Growth was primarily driven by the supply of building materials for coastal bridges and schools in Sarawak. The construction/EPCC/project management business saw a decline in revenue to RM41.9 million from RM62.2 million primarily due to the termination of overseas contracts.

The Group's decision to expand to Peninsular Malaysia has resulted in several projects being awarded in the year under review. These projects, with a total value of RM329.4 million, ranged from road maintenance works in Terengganu to project engineering services in Kuala Lumpur for smart lamp poles. On top of these projects, in our home base of Sarawak, we were awarded RM87.3 million worth of projects mainly for road construction and the redevelopment of daif schools.

As of 30 September 2022, SCIB has an order book of RM1.52 billion with earnings visibility up to 2026. The Group is continuously seeking opportunities leveraging on our strengths and core expertise, and is currently in discussions for several projects that will replenish the order book.

Sustainability for growth

With the construction industry moving towards the adoption of more sustainable practices and government initiatives that are supportive of such adoption, we see demand rising for IBS products that we can leverage on as the leading precast concrete and IBS manufacturer in East Malaysia with an annual capacity in our three factories of 500,000 tonnes. We have also incorporated a lightweight system plant to improve our IBS offerings.

CEO'S STATEMENT

(CONT'D)



We intend to also offer our products in the Group's expansion plans in Indonesia, where a Memorandum of Understanding ("MoU") was signed in August 2022 with local parties to explore the formation of a partnership in relation to the construction of 4G telecommunications towers for Indonesia's outermost regions, and in particular Kalimantan. The MoU is just the first step in our strategy to diversify geographically and expand the market for our precast concrete and IBS products as well as EPCC services.

SCIB will continue to focus on innovation in the construction industry for efficiency, cost and safety. For this initiative, the Group acquired a 3D printing system from COBOD International A/S, a Copenhagen, Denmark-based 3D construction specialist. We completed an IBS sample house using the 3D printing system in August 2022 in collaboration with the CIDB and this sample house was unveiled on 4 October 2022 in conjunction with the visit of the State Deputy Minister of Urban Planning, Land Administration and Environment, YB Datuk Haji Len Talif Salleh, to the CIDB Kuching campus.

CEO'S STATEMENT

(CONT'D)



The sample house construction was undertaken as part of CIDB's Construction Strategy Plan 4.0. The Group believes that the successful deployment of 3D technology for construction and manufacturing purposes will enhance efficiency as well as lower costs and can be used to support state-funded people-centric construction projects in Sarawak.

For roadworks maintenance projects, the Group will continue to deploy the Artificial Intelligence Pothole Detection System ("AIPODS"). We believe that advanced technology such as AIPODS and automation can enhance efficiency while lowering costs and solving labour shortage.

Acknowledgements

I would like to express my appreciation to the SCIB team, our most valuable stakeholders, for their continuous and unflinching support over the year. It has not been easy but the hard work and perseverance from everyone pulled us through a challenging time.

My thanks also go to our respected Board of Directors, and our loyal shareholders, who stood by us and placed their trust in us as we made the changes needed to put the Group on a firmer footing in order to move forward. We will do better for FYE 2023.

CORPORATE BACKGROUND



SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Sarawak Consolidated Industries Berhad (“SCIB”) is founded in 1975 and has evolved from a small enterprise into a reputable Group of companies listed on the Main Market of Bursa Malaysia Securities Berhad.

SCIB is well known for professional management and has a long history of innovative ideas and technological advances. Coupled with its wealth of experience and research acquired in more than three decades, SCIB offers its clients in-depth expertise through a combination of technology, efficiency and speed.


Currently, SCIB is operating three factories in Kuching, Sarawak, one factory in the Pending Industrial Estate and two factories in the Demak Laut Industrial Park. SCIB manufactures concrete products for use in the construction and infrastructure sectors in the domestic and global market.

CORPORATE BACKGROUND

(CONT'D)



◀ OUR BUSINESS MODEL ▶



PRODUCTS

- 1 Conventional Product
- 2 Industrialised Building System
- 3 Roofing Products

- 1 Engineering
- 2 Manufacturing
- 3 Construction
- 4 Commissioning



SERVICES (EMCC)



CUSTOMERS

Infrastructure, project developer/owner, industrial, commercial, residential, properties developer/owner

VISION & MISSION

VISION

To be a company founded on excellence

MISSION

We are dedicated to the creation and demonstration of a concept of linked prosperity. Our mission consists of three (3) interrelated parts;

- Economic Mission: To operate the Company on sound management principles for growth and increasing values for our shareholders and creating career opportunities and financial rewards for our employees;
- Production Mission: To make, distribute and sell the finest quality products in innovative and creative way while optimizing the utilization of resources; and
- Special Mission: To operate the Company in a way that actively recognizes the central role that business plays in the structure of society by initiating innovative ways to improve the quality of life of a broad community.

Underlying the mission is the determination to seek new and creative ways to achieve all three parts.

VALUE STATEMENT



VALUE STATEMENT

In between the pursuit of our vision and completing our missions, we have a set of values we live by. These values represent the company's dedication in providing the best products and services whilst steadily maintaining prolonged growth.

EFFECTIVENESS & EFFICIENCY

TRANSPARENCY

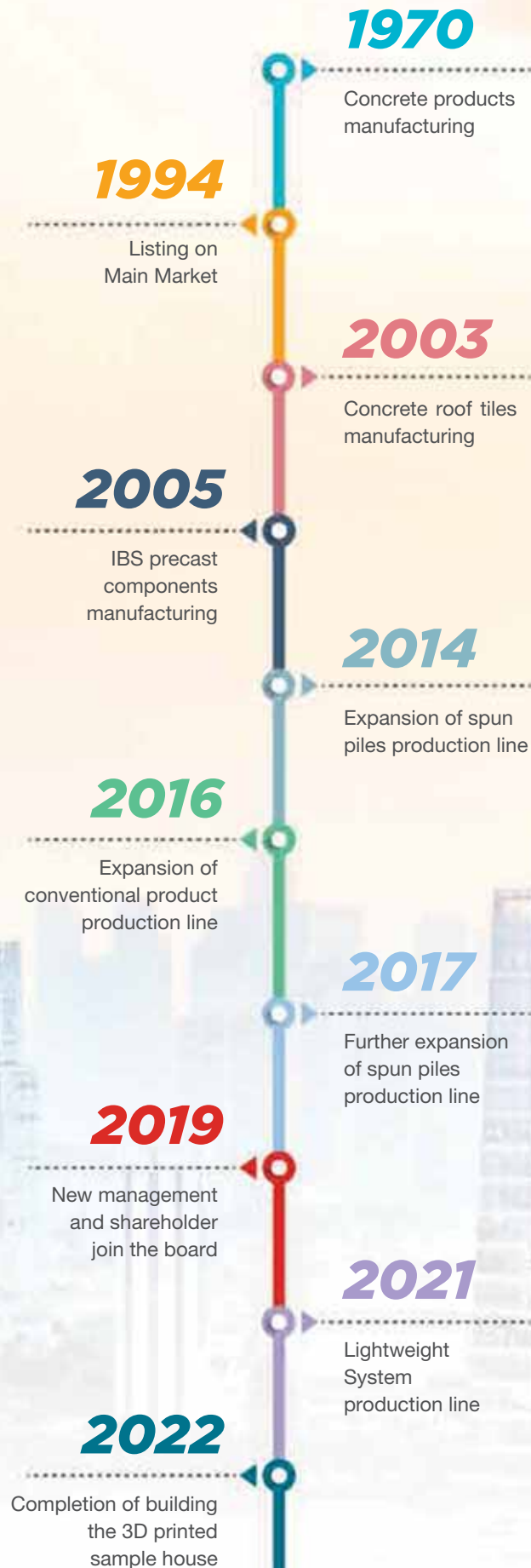
INTEGRITY

INNOVATION & CREATIVITY

RELIABILITY

QUALITY

SCIB GROWTH STORY



CORPORATE INFORMATION

▶ DIRECTORS

Encik Shamsul Anuar Bin Ahamad Ibrahim
(Independent Non-Executive Chairman)

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

YBhg. Datu Haji Soedirman Bin Haji Aini
(Independent Non-Executive Director)

YBhg. Datu Haji Abdul Hadi Bin Datuk Haji Abdul Kadir
(Non-Independent Non-Executive Director)

Encik Sr. Mohd Nazri Bin Mat Noor
(Independent Non-Executive Director)

Encik Noor Azri Bin Dato' Sri Noor Azerai
(Independent Non-Executive Director)

Encik Mohd Shakir Bin Shahimi
(Independent Non-Executive Director)

Encik Nuraiman Bin Shaiful Annuar
(Independent Non-Executive Director)

Encik Rosland Bin Othman
(Group Managing Director / Chief Executive Officer / Executive Director)

Mr. Ku Chong Hong
(Group Executive Director)

▶ GROUP MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

Encik Rosland Bin Othman

▶ GROUP EXECUTIVE DIRECTOR

Mr. Ku Chong Hong

▶ COMPANY SECRETARY

Ng Lai Yee
SSM PC No. 202008000977
(MAICSA 7031768)

▶ REGISTERED OFFICE

Lot 1258, Jalan Utama
Pending Industrial Estate
93450 Kuching, Sarawak
Tel : 082-334 485
Fax : 082-334 484

▶ AUDITORS

NEXIA SSY PLT
(LLP0019490-LCA & AF 002009)
Chartered Accountants

UOA Business Park Tower 3,
5th Floor, K03-05-08,
1 Jalan Pengaturcara, U1/51A, Section U1
40150 Shah Alam, Selangor Darul Ehsan

Tel : +60(3) 5039 1811
Fax : +60(3) 5039 1822

▶ INVESTOR RELATION

Email: scib.ir@scib.com.my
Tel : 082-334 485
Fax : 082-334 484

Swan Consultancy
Email: s.wan@swanconsultancy.biz
kj.gan@swanconsultancy.biz

▶ STOCK EXCHANGE LISTING

Main Market of the Bursa Malaysia Securities Berhad
Stock Name : SCIB
Stock Code : 9237
Sector : Industrial Products and Services

▶ SHARE REGISTRAR

Symphony Corporate Services Sdn. Bhd.
Unit 7-21, Wisma Conlay,
Jalan USJ 10/1,
47620 Subang Jaya,
Selangor Darul Ehsan,
Malaysia

Tel : +60(3) 8605 5304
Fax : +60(3) 8605 5303

▶ PRINCIPAL BANKERS

Malayan Banking Berhad
Affin Islamic Bank Berhad
AmBank (M) Berhad
AmIslamic Bank Berhad
RHB Bank Berhad

▶ WEBSITE

www.scib.com.my