

SARAWAK CONCRETE INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2008

NOTES

1. Basis of preparation

The interim financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain property, plant and equipment. The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements 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 31 December 2007.

The interim financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000).

2. Changes in accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following Financial Reporting Standards ("FRSs"), amendments to FRSs and Interpretations which have effective dates as follows :

FRSs, Amendments to FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 107 : Cash Flow Statements	1 July 2007
FRS 111 : Construction Contracts	1 July 2007
FRS 112 : Income Taxes	1 July 2007
FRS 118 : Revenue	1 July 2007
FRS 120 : Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134 : Interim Financial Reporting	1 July 2007
FRS 137 : Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
Amendment to FRS 121 : The Effects of Changes in Foreign Exchange Rates – Net Investments in a Foreign Operation	1 July 2007
IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2 : Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6 : Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7 : Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting In Hyperinflationary Economies	1 July 2007
IC Interpretation 8 : Scope of FRS 2	1 July 2007

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NOTES (cont'd)

2 Changes in accounting policies (cont'd)

The adoption of the abovementioned FRS, amendments to FRSs and Interpretations are not expected to have any significant effects on the interim financial statements of the Group.

At the date of authorisation of these interim financial statements, the Group have not adopted FRS 139: Financial Instruments- Recognition and Measurement which has deferred effective date.

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

4. Segmental information

	3 months ended		9 months ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Manufacturing	9,691	8,477	25,512	22,548
Property trading	-	-	1,290	-
Total revenue including inter-segment sales	9,691	8,477	26,802	22,548
Elimination of inter-segment sales	-	-	-	-
Total	<u>9,691</u>	<u>8,477</u>	<u>26,802</u>	<u>22,548</u>
Segment Results				
Manufacturing	(108)	(866)	(882)	(2,726)
Property trading	(64)	(32)	(48)	(156)
Others	(2)	-	(2)	(3)
	(174)	(898)	(932)	(2,885)
Elimination	(125)	(125)	(376)	(376)
Total	<u>(299)</u>	<u>(1,023)</u>	<u>(1,308)</u>	<u>(3,261)</u>

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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 30 September 2008 except as disclosed in Note 2.

6. Changes in estimates

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

7. Comments about seasonal or cyclical factors

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

8. Dividend

The Company did not declare or pay any dividend during the quarter and financial period ended 30 September 2008.

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NOTES (cont'd)

9. Carrying amount of revalued assets

The valuations of property, plant and equipment have been brought forward without amendment from the financial statements for the year ended 31 December 2007.

10. 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 for the current quarter and financial year-to-date.

11. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year-to-date.

12. Capital commitments

There was no material capital commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2008.

13. Contingent liabilities – Unsecured

	As At 30.09.2008 RM'000	As At 31.12.2007 RM'000
Corporate guarantee given to a bank for credit facilities granted to a subsidiary	40,000	40,000

14. Subsequent events

There were no material events subsequent to the end of the current quarter.

15. Performance review

The Group's cumulative revenue surged by 19% from RM22.5 million in the third quarter of 2007 to RM 26.8 million in the third quarter of 2008 contributed by the increase in the sales volume for Spun Pile by 24% and apartment units from the property division. Despite the escalating costs of production, the Group managed to improve its cumulative contribution margin from RM3.37 million in the third quarter of 2007 to RM5.38 million in the third quarter of 2008, due largely to the better performance of its traditional product division.

However, the Group results were continuously affected by the low contribution from its roofing and industrialized building system division. Despite better revenue performance and contribution margin, the Group registered a net loss of RM3.118 million in the 9 months of 2008 as compared to RM5.008 million net loss in the 9 months of 2007.

For the current financial quarter under review, the Group recorded revenue of RM9.69 million and net loss of RM909,000 as compared to revenue of RM8.45 million and net loss of RM1.57 million posted in the corresponding quarter of 2007.

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NOTES (cont'd)

16. Variation of results against preceding quarter

The Group registered a net loss of RM909,000 with a revenue of RM9.69 million for the current quarter as compared to a net loss of RM702,000 with a revenue of RM10.08 million in the preceding quarter.

17. Current year prospects

The Board has initiated various concrete plans to reduce the total debt and strengthen the Group's financial standing. Ultimately, the Group is poised to benefit from its leadership position in pre-cast concrete products with the rolling out of major projects under the 9th Malaysia Plan and Sarawak Corridor Of Renewable Energy ("SCORE").

18. (a) Variance of actual profit from forecast profit

Not applicable

(b) Shortfall in the profit guarantee

Not applicable

19. Income tax expense

	3 months ended		9 months ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
	RM'000	RM'000	RM'000	RM'000
Current tax	-	-	-	-
(Over)/underprovision of tax in prior year	-	-	-	-
Deferred tax	-	-	-	-
Total income tax expense	-	-	-	-

20. Sales of unquoted investments and properties

There were no sales of unquoted investments and properties for the current quarter and financial period ended 30 September 2008.

21. Quoted securities

a) Purchases and disposals of quoted securities

There were no purchases or disposals of quoted securities for the current quarter and financial period ended 30 September 2008.

b) Investment in quoted securities

There were no investments in quoted shares as at the reporting period.

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22. Corporate Proposals

Status of corporate proposal announced

The Internal Group Rationalisation exercise has been completed except for the legal transfer of the land and buildings which are still in progress.

23. Borrowings

	As at 30.09.2008 RM'000	As at 31.12.2007 RM'000
Short term borrowings		
Secured	5,505	5,735
Unsecured	309	-
	<u>5,814</u>	<u>5,735</u>
Long term borrowings		
Secured	<u>22,747</u>	<u>25,267</u>
	<u>28,561</u>	<u>31,002</u>

All of the above borrowings are denominated in Ringgit Malaysia.

24. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this announcement.

25. Material litigation

- On 6 November 2003, the Company announced that it had entered into a Conditional Sale Share Agreement (“SSA”) to acquire the entire issued and paid-up capital of Eurologic Sdn Bhd. Eurologic Sdn Bhd has 65% interest in N S Water Konsortium Sdn Bhd (“Konsortium”), the water concession company which has been granted the exclusive rights and responsibilities to undertake the privatisation of water supply in the State of Negeri Sembilan upon the terms and conditions to be agreed upon between the State Government of Negeri Sembilan and the Konsortium.

On 16 January 2008, the Company through its solicitor had demanded refund of all monies paid under the SSA amounting RM5.8 million as the vendors failed to fulfill the conditions precedent. On 21 January 2008, the Company received Letter of Settlement from Tiara Senja Sdn Bhd. On 14 March 2008, the Writ of Summons was filed and served on Alcovest Connection Sdn Bhd and Orionsun Gains Sdn Bhd. The RM5.8 million paid has been fully provided as doubtful debts in 2007.

- A claim by the Konsortium and two individuals (“the Plaintiffs”) was filed against the Company, Zecon Bhd. and a director of the Company for breach of fiduciary duties, breach of confidential information and for committing tort of conspiracy, whereby causing injury to the Plaintiffs. The Plaintiffs claimed that certain contract works relating to the Privatisation project in Negeri Sembilan has been obtained by Zecon Bhd via Zecon Bhd’s access to confidential information obtained from the Company in view of a director’s relationship with Zecon Bhd and intended acquisition of Eurologic Sdn. Bhd as mentioned above. The directors are of the opinion that no provision is required as the Company is not directly a party to the claim.

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26. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 30 September 2008 (31 December 2007: Nil).

27. Basic loss per share

	3 months ended		9 months ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
	RM'000	RM'000	RM'000	RM'000
Loss attributable to ordinary equity holders of the parent	<u>(909)</u>	<u>(1,568)</u>	<u>(3,118)</u>	<u>(5,008)</u>
	3 months ended		9 months ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
	RM'000	RM'000	RM'000	RM'000
Weighted average number of ordinary shares in issue	<u>73,578</u>	<u>73,578</u>	<u>73,578</u>	<u>73,578</u>
	3 months ended		9 months ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
	Sen	Sen	Sen	Sen
Basic and diluted loss per share for loss for the period	<u>(1.24)</u>	<u>(2.13)</u>	<u>(4.24)</u>	<u>(6.81)</u>