

# **SARAWAK CONCRETE INDUSTRIES BERHAD** (25583-W)

## **INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 :

<b>FRSs, Amendments to FRSs and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
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 <sup>2004</sup> Financial Reporting In Hyperinflationary Economies	1 July 2007
IC Interpretation 8 : Scope of FRS 2	1 July 2007

**SARAWAK CONCRETE INDUSTRIES BERHAD** (25583-W)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE  
FOURTH QUARTER ENDED 31 DECEMBER 2008**

**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 following new FRS and Interpretations were issued but not yet effective and have not been applied by the Group:

<b>FRSs and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
FRS 7 : Financial Instruments: Disclosures	1 January 2010
FRS 8 : Operating Segments	1 July 2009
FRS 139 : Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9 : Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 : Interim Financial Reporting and Impairment	1 January 2010

The new FRS and Interpretations above are expected to have no significant impact to the financial statements of the Group upon their initial application except for the changes in disclosures arising from adoption of FRS 7. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

**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**

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2008</b>	<b>31.12.2007</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Segment Revenue</b>				
Manufacturing	9,504	5,626	35,016	28,174
Property trading	-	1,216	1,290	1,216
Total revenue including inter-segment sales	9,504	6,842	36,306	29,390
Elimination of inter-segment sales	-	-	-	-
Total	<u>9,504</u>	<u>6,842</u>	<u>36,306</u>	<u>29,390</u>
<b>Segment Results</b>				
Manufacturing	(4,580)	(9,998)	(5,462)	(12,724)
Property trading	(25)	254	(73)	97
Others	(4)	(3)	(6)	(6)
	<u>(4,609)</u>	<u>(9,747)</u>	<u>(5,541)</u>	<u>(12,633)</u>
Elimination	(125)	(125)	(501)	(501)
Total	<u>(4,734)</u>	<u>(9,872)</u>	<u>(6,042)</u>	<u>(13,134)</u>

**SARAWAK CONCRETE INDUSTRIES BERHAD** (25583-W)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE  
FOURTH QUARTER ENDED 31 DECEMBER 2008**

**NOTES (cont'd)**

**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 31 December 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 31 December 2008.

**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**

	<b>As At 31.12.2008 RM'000</b>	<b>As At 31.12.2007 RM'000</b>
Capital expenditure not provided for in the financial statements:		
Authorised and contracted for	157	-

**13. Contingent liabilities – Unsecured**

	<b>As At 31.12.2008 RM'000</b>	<b>As At 31.12.2007 RM'000</b>
Corporate guarantee given to a bank for credit facilities granted to a subsidiary	40,000	40,000

## **SARAWAK CONCRETE INDUSTRIES BERHAD (25583-W)**

### **INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

#### **NOTES (cont'd)**

##### **14. Significant event**

On 29 October, SCIB Properties Sdn. Bhd. entered into Shareholders' Agreement with KTS Properties and Construction Sdn. Bhd. to establish a joint venture company called Influx Meridian Sdn. Bhd. ("IMSB") to purchase and develop a parcel of land situated at Sungai Siol, Petra Jaya, Kuching, containing an area of 43 hectares, more or less ("the Land"), owned by Sarawak Concrete Industries Berhad ("SCIB"). IMSB and SCIB shall enter into the Sale and Purchase Agreement for the disposal of the Land upon the terms and conditions to be agreed upon.

##### **15. Performance review**

For the current financial year, the Group's revenue surged by 24% from RM29.39 million last year to RM36.31 million this year despite challenging business environment. This was due to increase in the sales volume for foundation piles. Despite the escalating costs of production, the Group managed to improve its cumulative contribution margin from RM4.12 million last year to RM6.96 million in year 2008 largely due to the better performance of its traditional product division. However, the Group's gross profit margin was eroded by low contribution from its roofing and industrialized building system divisions.

The Group registered a net loss of RM8.5 million in the current financial year as compared to RM15.76 million net loss in 2007. Net loss recorded is due to extraordinary charge off of impairment loss of roofing tiles amounting to RM1.062 million and impairment loss amounting to RM2.069 million in relation to a land held for development which are recognized in the current quarter under review.

For the current financial quarter under review, the Group recorded revenue of RM9.5 million and net loss of RM5.38 million as compared to revenue of RM6.8 million and net loss of RM10.76 million posted in the corresponding quarter of 2007.

##### **16. Variation of results against preceding quarter**

The Group registered a net loss of RM5.38 million with a revenue of RM9.5 million for the current quarter as compared to a net loss of RM909,000 with a revenue of RM9.69 million in the preceding quarter.

##### **17. Current year prospects**

The Board is confident that the Group financial performance will improve in the current with stronger financial standing upon the completion of the joint venture with KTS Properties and Construction Sdn Bhd.

The Group's Industrialised Building System ("IBS") division is expected to contribute positively to the Group in the current year in view of the Government's ruling of 70% IBS components in all government projects. The Group is also poised to benefit from its leadership position in pre-cast concrete products with the rolling out of major projects under the 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

**SARAWAK CONCRETE INDUSTRIES BERHAD** (25583-W)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE  
FOURTH QUARTER ENDED 31 DECEMBER 2008**

**NOTES (cont'd)**

**19. Income tax expense**

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2008</b>	<b>31.12.2007</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current tax	-	16	-	16
(Over)/underprovision of tax in prior year	12	(9)	12	(9)
	<u>12</u>	<u>7</u>	<u>12</u>	<u>7</u>
Deferred tax	-	-	-	-
Total income tax expense	<u>12</u>	<u>7</u>	<u>12</u>	<u>7</u>

**20. Sales of unquoted investments and properties**

There were no sales of unquoted investments and properties for the current quarter and financial period ended 31 December 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 31 December 2008.

**b) Investment in quoted securities**

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

**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**

	<b>As at</b>	<b>As at</b>
	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short term borrowings</b>		
Secured	6,668	5,612
Unsecured	184	123
	<u>6,852</u>	<u>5,735</u>
<b>Long term borrowings</b>		
Secured	20,975	25,267
	<u>27,827</u>	<u>31,002</u>

All of the above borrowings are denominated in Ringgit Malaysia.

**SARAWAK CONCRETE INDUSTRIES BERHAD** (25583-W)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE  
FOURTH QUARTER ENDED 31 DECEMBER 2008**

**NOTES (cont'd)**

**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.

**26. Dividend payable**

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

**27. Basic loss per share**

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2008</b>	<b>31.12.2007</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
Loss attributable to ordinary equity holders of the parent	<u>(5,384)</u>	<u>(10,760)</u>	<u>(8,502)</u>	<u>(15,768)</u>

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2008</b>	<b>31.12.2007</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
Weighted average number of ordinary shares in issue	<u>73,578</u>	<u>73,578</u>	<u>73,578</u>	<u>73,578</u>

**SARAWAK CONCRETE INDUSTRIES BERHAD** (25583-W)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE  
FOURTH QUARTER ENDED 31 DECEMBER 2008**

**NOTES (cont'd)**

**27. Basic loss per share (cont'd)**

	<b>3 months ended</b>		<b>12 months ended</b>	
	<b>31.12.2008</b>	<b>31.12.2007</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Basic and diluted loss per share for loss for the period	<u>(7.32)</u>	<u>(14.62)</u>	<u>(11.56)</u>	<u>(21.43)</u>

**28. 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 26 February 2009.