

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (FORMERLY KNOWN AS SARAWAK CONCRETE INDUSTRIES BERHAD) (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009

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 2008. 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 2008.

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 2008 except for the adoption of FRS 8, Operating Segments which was effective on 1 July 2009. The adoption of the FRS 8 does not 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:

FRSs , Amendments to FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 101: Presentation of Financial Statements	1 January 2010
FRS 123: Borrowing Costs	1 January 2010
FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 107: Cash Flow Statements	1 January 2010
Amendments to FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendments to FRS 110: Events After the Balance Sheet Date	1 January 2010
Amendments to FRS 116: Property, Plant & Equipment	1 January 2010
Amendments to FRS 117: Leases	1 January 2010
Amendments to FRS 118: Revenue	1 January 2010
Amendments to FRS 119: Employee Benefits	1 January 2010
Amendments to FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
Amendments to FRS 123: Borrowing Costs	1 January 2010
Amendments to FRS 127 : Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 128: Investments in Associates	1 January 2010

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NOTES (cont'd)

2. Changes in accounting policies (cont'd)

Amendments to FRS 129: Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendments to FRS 131: Interests in Joint Ventures	1 January 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010
Amendments to FRS 134: Interim Financial Reporting	1 January 2010
Amendments to FRS 136: Impairment of Assets	1 January 2010
Amendments to FRS 138: Intangible Assets	1 January 2010
Amendments to FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 140: Investment Property	1 January 2010
Amendments to FRS 2: Share-based Payment- Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendments to FRS 8: Operating Segments	1 January 2010
IC Interpretation 9 : Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 : Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11 : FRS 2- Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13 : Customer Loyalty Programmes	1 January 2010
IC Interpretation 14 : FRS 119- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	

The new FRS, amendments to FRSs 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 2008 was not qualified.

4. Segmental information

	3 months ended		9 months ended	
	30.09.2009 RM'000	30.09.2008 RM'000	30.09.2009 RM'000	30.09.2008 RM'000
Segment Revenue				
Manufacturing	11,623	9,691	28,474	25,512
Property trading	814	-	7,072	1,290
Construction	-	-	-	-
Total revenue including inter-segment sales	12,437	9,691	35,546	26,802
Elimination of inter-segment sales	-	-	-	-
Total	12,437	9,691	35,546	26,802

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NOTES (cont'd)

4. Segmental information (cont'd)

	3 months ended		9 months ended	
	30.09.2009 RM'000	30.09.2008 RM'000	30.09.2009 RM'000	30.09.2008 RM'000
Segment Results				
Manufacturing	67	(108)	(1,798)	(882)
Property trading	129	(64)	693	(48)
Construction	(65)	-	(170)	-
Others	(1)	(2)	(2)	(2)
	<u>130</u>	<u>(174)</u>	<u>(1,277)</u>	<u>(932)</u>
Elimination	-	(125)	-	(376)
Total	<u><u>130</u></u>	<u><u>(299)</u></u>	<u><u>(1,277)</u></u>	<u><u>(1,308)</u></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 2009 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 2009.

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 2008.

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

	As At 30.09.2009 RM'000	As At 31.12.2008 RM'000
Capital expenditure not provided for in the financial statements:		

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Authorised and contracted for	1,880	157
	=====	=====

NOTES (cont'd)

13. Contingent liabilities – Unsecured

	As At 30.09.2009 RM'000	As At 31.12.2008 RM'000
Corporate guarantee given to a bank for credit facilities granted to a subsidiary	40,000	40,000
	=====	=====

14. Significant event

There were no material significant events for the current quarter.

15. Subsequent event

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

16. Performance review

The Group's cumulative revenue surged by 33% from RM26.8 million as at the third quarter in 2008 to RM35.5 million as at the third quarter of 2009 despite challenging business environment. Higher revenue recorded was attributed to sales of 19 apartment units at Santubong Suites by its properties division which constitutes 20% of the group's revenue. Around 75% of the Group's revenue was contributed from the high sales volume of foundation piles.

However, the group's contribution margin has dropped from 21% as at the third quarter in 2008 to 17% as at the current quarter. This was largely due to low contribution margin from the properties division as apartment units located at lower level were sold at discounted prices which contribute to very low margins. This was to promote and attract sales of Santubong Suites in time of recession in view of slowdown in the property market.

The Group results were continuously affected by the low contribution from its roofing and industrialized building system division. For the current financial quarter under review, the Group recorded revenue of RM12.44 million and net loss of RM333,000 as compared to revenue of RM9.69 million and net loss of RM909,000 posted in the corresponding quarter of 2008.

17. Variation of results against preceding quarter

The Group registered a net loss of RM333,000 with a revenue of RM12.44 million for the current quarter as compared to a net loss of RM798,000 with a revenue of RM11.3 million in the preceding quarter.

18. Current year prospects

The Group is expecting to completed the disposal of 43 hectares of mixed zone land for a cash consideration of RM20,000,000 ("the Disposal") in the fourth quarter of the year. The Disposal will strengthen the Group's financial standing with substantial settlement of the Group's borrowings. 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").

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NOTES (cont'd)

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

Not applicable

(b) Shortfall in the profit guarantee

Not applicable

20. Income tax expense

	3 months ended		9 months ended	
	30.09.2009 RM'000	30.09.2008 RM'000	30.09.2009 RM'000	30.09.2008 RM'000
Current tax	-	-	-	-
(Over)/underprovision of tax in prior year	-	-	-	-
Deferred tax	-	-	-	-
Total income tax expense	-	-	-	-

21. 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 2009.

22. 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 2009.

b) Investment in quoted securities

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

23. 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.

24. Borrowings

	As at 30.09.2009 RM'000	As at 31.12.2008 RM'000
Short term borrowings		
Secured	5,487	6,524
Unsecured	186	171
	<u>5,673</u>	<u>6,695</u>

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NOTES (cont'd)

24. Borrowings (cont'd)

Long term borrowings

Secured	18,670	21,132
	<u>24,343</u>	<u>27,827</u>

All of the above borrowings are denominated in Ringgit Malaysia.

25. Off balance sheet financial instruments

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

26. 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.

27. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 30 September 2009 (31 December 2008: Nil).

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NOTES (cont'd)

28. Basic loss per share

	3 months ended		9 months ended	
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
	RM'000	RM'000	RM'000	RM'000
Loss attributable to ordinary equity holders of the parent	<u>(333)</u>	<u>(909)</u>	<u>(2,741)</u>	<u>(3,118)</u>
	3 months ended	3 months ended	9 months ended	9 months ended
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
Weighted average number of ordinary shares in issue	73,577,500	73,577,500	73,577,500	73,577,500
	3 months ended	3 months ended	9 months ended	9 months ended
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
	Sen	Sen	Sen	Sen
Basic and diluted loss per share for loss for the period	<u>(0.45)</u>	<u>(1.24)</u>	<u>(3.73)</u>	<u>(4.24)</u>

29. Significant related party transactions

	1.7.2009 to	1.1.2009 to
	30.09.2009	30.09.2009
	RM'000	RM'000
Sales of construction materials to:		
- Zecon Berhad Group of Companies	345	734
- Petra Jaya Properties Sdn Bhd	5	200
- Oricon Sdn Bhd	287	287
Insurance premium paid to Transnational Insurance Brokers (M) Sdn Bhd	51	72
Management fees paid to Santubong Suites Sdn Bhd	17	52

The abovementioned corporations are regarded as related parties of the Group as certain Directors of the Group and/or their family members have substantial interest in these corporations.

The Directors are of the opinion that the related party transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

30. 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 November 2009.