

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

PART A – EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (FRS) 134 – INTERIM FINANCIAL REPORTING

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 2009. 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 2009.

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 2009 except for the adoption of the following Financial Reporting Standards (“FRS”), 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 8: Operating Segments	1 July 2009
FRS 4: Insurance Contracts	1 January 2010
FRS 7: Financial Instruments: Disclosures	1 January 2010
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
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards	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 2: Share-based Payment- Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010
Amendments to FRS 139: Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRSs ‘Improvements to FRSs issued in 2009’	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 12: Service Concession Agreements	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	1 January 2010
Tri-3: Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010

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NOTES (cont'd)

2. Changes in accounting policies (cont'd)

Other than the principal effects as discussed below, the adoption of the above FRSs, Amendments and Interpretations do not have significant financial impact on the Group's results.

(i) FRS 8: Operating Segment

FRS 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on that used for internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any impact on the financial position and results of the Group.

(ii) FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 has introduced changes in terminology used, format and contents of financial statements. Amongst others, components of interim financial statements presented now consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements. This standard separates owner and non-owner changes in equity. Therefore, the statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The revised FRS does not have any impact on the financial position and results of the Group.

(iii) FRS 139: Financial Instruments- Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. A financial asset or a financial liability shall be recognized in the statement of financial position when, and only when, the group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is recorded at fair value upon initial recognition plus, in the case of financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Subsequent to initial recognition, financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets or as derivatives designated as hedging instruments as appropriate. The Group's financial assets include trade and other receivables (exclude prepayments), cash and short term deposits which are categorized as loans and receivables. Prior to 1 January 2010, loans and receivables were stated at gross receivables less allowance for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value and subsequently at amortised cost using the effective interest rate (EIR) method. An impairment loss is recognized when there is objective evidence that an impairment loss has been incurred. The amount of loss is measured as the difference between receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate ("EIR"). Gains and losses arising from the derecognition of the loans and receivables, amortization process and impairment losses are recognized in the income statement.

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**NOTES (cont'd)****2. Changes in accounting policies (cont'd)****Financial liabilities**

Subsequent to initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost or as derivatives designated as hedging instruments as appropriate. The Group's financial liabilities include borrowings, trade and other payables which are categorized as financial liabilities at amortised cost.

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2009 was not qualified.

4. Segmental information**Results for 3 months ended 30 September 2010**

	Manu- facturing RM'000	Property trading RM'000	Const- ruction RM'000	Others RM'000	Consolidated RM'000
Segment Revenue					
Total revenue including inter-segment sales	9,960	-	628	-	10,588
Less: Inter-segment sales	(343)	-	-	-	(343)
External revenue	<u>9,617</u>	<u>-</u>	<u>628</u>	<u>-</u>	<u>10,245</u>
Segment Results					
Results	254	(12)	(23)	(1)	218
Finance costs	(374)	-	-	-	(374)
Share of results of an associate	-	-	-	-	-
Loss before tax	<u>(120)</u>	<u>(12)</u>	<u>(23)</u>	<u>(1)</u>	<u>(156)</u>
Income tax expense	-	-	-	-	-
Loss after tax	<u>(120)</u>	<u>(12)</u>	<u>(23)</u>	<u>(1)</u>	<u>(156)</u>
Other information					
Interest income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010****NOTES (cont'd)****4. Segmental information (cont'd)****Results for 3 months ended 30 September 2009**

	Manu- facturing RM'000	Property trading RM'000	Const- ruction RM'000	Others RM'000	Consolidated RM'000
Segment Revenue					
Total revenue including inter-segment sales	11,623	814	-	-	12,437
Less: Inter-segment sales	-	-	-	-	-
External revenue	<u>11,623</u>	<u>814</u>	<u>-</u>	<u>-</u>	<u>12,437</u>
Segment Results					
Results	67	129	(65)	(1)	130
Finance costs	(463)	-	-	-	(463)
Share of results of an associate	-	-	-	-	-
(Loss)/ Profit before tax	(396)	129	(65)	(1)	(333)
Income tax expense	-	-	-	-	-
(Loss)/ Profit after tax	<u>(396)</u>	<u>129</u>	<u>(65)</u>	<u>(1)</u>	<u>(333)</u>
Other information					
Interest income	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>

Results for 9 months ended 30 September 2010

	Manu- facturing RM'000	Property trading RM'000	Const- ruction RM'000	Others RM'000	Consolidated RM'000
Segment Revenue					
Total revenue including inter-segment sales	30,310	-	2,221	-	32,531
Less: Inter-segment sales	(1,491)	-	-	-	(1,491)
External revenue	<u>28,819</u>	<u>-</u>	<u>2,221</u>	<u>-</u>	<u>31,040</u>

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

NOTES (cont'd)

4. Segmental information (cont'd)

Results for 9 months ended 30 September 2010 (cont'd)

	Manu- facturing RM'000	Property trading RM'000	Const- ruction RM'000	Others RM'000	Consolidated RM'000
Segment Results					
Results	304	(33)	41	(2)	310
Finance costs	(905)	-	-	-	(905)
Share of results of an associate	-	-	-	-	-
(Loss)/ Profit before tax	(601)	(33)	41	(2)	(595)
Income tax expense	-	-	-	-	-
(Loss)/ Profit after tax	<u>(601)</u>	<u>(33)</u>	<u>41</u>	<u>(2)</u>	<u>(595)</u>
Other information					
Interest income	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>

Results for 9 months ended 30 September 2009

	Manu- facturing RM'000	Property trading RM'000	Const- ruction RM'000	Others RM'000	Consolidated RM'000
Segment Revenue					
Total revenue including inter-segment sales	28,474	7,072	-	-	35,546
Less: Inter-segment sales	-	-	-	-	-
External revenue	<u>28,474</u>	<u>7,072</u>	<u>-</u>	<u>-</u>	<u>35,546</u>
Segment Results					
Results	(1,798)	693	(170)	(2)	(1,277)
Finance costs	(1,464)	-	-	-	(1,464)
Share of results of an associate	-	-	-	-	-
(Loss)/ Profit before tax	(3,262)	693	(170)	(2)	(2,741)
Income tax expense	-	-	-	-	-
(Loss)/ Profit after tax	<u>(3,262)</u>	<u>693</u>	<u>(170)</u>	<u>(2)</u>	<u>(2,741)</u>
Other information					
Interest income	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

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 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 2010.

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 2009.

10. Investment in an associate

	As At 30.09.2010 RM'000	As At 31.12.2009 RM'000
Unquoted shares, at cost	3,000	3,000
Share of post-acquisitions reserves	(12)	(12)
	<u>2,988</u>	<u>2,988</u>

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership interest	
			As at 30.09.2010 %	As at 31.12.2009 %
Held through SCIB Properties Sdn. Bhd. :				
Influx Meridian Sdn. Bhd.	Malaysia	Property development	40%	40%

11. 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.

As at 30 September 2010, 14,530,600 warrants are outstanding with exercise price of RM1.00 for one new ordinary share of RM1.00 each. The fair value of these warrant are expected to be nil as it is out of the money with exercise price that is more than the traded price in view that the warrants shall expire on 10 December 2010.

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NOTES (cont'd)

12. 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.

13. Capital commitments

	As At 30.09.2010 RM'000	As At 31.12.2009 RM'000
Capital expenditure not provided for in the financial statements:		
Authorised and contracted for	181 =====	1,598 =====

14. Contingent liabilities – Unsecured

	As At 30.09.2010 RM'000	As At 31.12.2009 RM'000
Corporate guarantee given to bank/ third party for credit facilities granted to a subsidiary	24,350 =====	14,350 =====

15. Subsequent event

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

PART B -ADDITIONAL INFORMATION PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

16. Performance review

The Group recorded revenue of RM31.04 million for the period ended 30th September 2010 out of which approximately 93% was contributed by the manufacturing division. Revenue attributed by the manufacturing division for the period ended 30th September 2010 has remained fairly consistent at RM28 million as compared to revenue posted in the corresponding period in year 2009. Higher revenue registered in the corresponding period last year was attributed to sales of 19 apartment units at Santubong Suites by its properties division which contributed RM7.07 million to the last year's group revenue. However, there has been no contribution from the properties division for the current quarter under review.

The Group registered a net loss of RM595,000 for the period ended 30th September 2010 as compared to net loss of RM2.741 million in the corresponding period in year 2009. This was mainly due to improvement in the contribution margins from the sales of traditional concrete products. The improvement of the Group's bottom line was also contributed by the reduction of finance cost by 38% as compared to the corresponding period of 2009 associated with the substantial settlement of the Group's borrowings.

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**NOTES (cont'd)****17. Variation of results against preceding quarter**

The Group registered a net loss of RM156,000 from a revenue of RM10.2 million for the current quarter as compared to a net loss of RM488,000 from a revenue of RM10.4 million in the preceding quarter. The net loss has been reduced by 68% and this is mainly due to improvement of gross profit margin from 13% in the preceding quarter to 17% for the current financial quarter.

18. Current year prospects

The Group is expected to benefit from its leadership position in pre-cast concrete products in Sarawak with the rolling out of major projects under the 10th Malaysia Plan and Sarawak Corridor Of Renewable Energy (“SCORE”). The board of directors expects better performance in view of government infrastructure projects being implemented in connection to the Government Transformation Programme (“GTP”) in the remaining part of the year.

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	
	30.09.2010	30.06.2009	30.09.2010	30.06.2009
	RM'000	RM'000	RM'000	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 2010.

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 2010.

b) Investment in quoted securities

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

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NOTES (cont'd)

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 30.09.2010 RM'000	As at 31.12.2009 RM'000
Short term borrowings		
Secured	3,139	1,135
Unsecured	78	140
	<u>3,217</u>	<u>1,275</u>
Long term borrowings		
Secured	13,098	5,644
	<u>16,315</u>	<u>6,919</u>

All of the above borrowings are denominated in Ringgit Malaysia.

25. Derivatives financial instruments

There were no outstanding derivatives as at the end of the reporting period.

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.

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NOTES (cont'd)

27. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 30 September 2010 (31 December 2009: Nil).

28. Basic loss per share

	3 months ended		9 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	RM'000	RM'000	RM'000	RM'000
Loss attributable to ordinary equity holders of the Company	<u>(156)</u>	<u>(333)</u>	<u>(595)</u>	<u>(2,741)</u>

	3 months ended		9 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
Weighted average number of ordinary shares in issue	<u>73,577,500</u>	<u>73,577,500</u>	<u>73,577,500</u>	<u>73,577,500</u>

	3 months ended		9 months ended	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
	Sen	Sen	Sen	Sen
Basic and diluted loss per share for loss for the period	<u>(0.21)</u>	<u>(0.45)</u>	<u>(0.81)</u>	<u>(3.73)</u>

29. 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 8 November 2010 .