

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

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 2010.

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 2010 except for the adoption of the following Financial Reporting Standards (“FRS”), amendments to FRSs and Interpretations which are mandatory for financial period beginning 1 January 2011.

On 1 January 2011, the Group adopted the following new and amended FRSs and IC Interpretations:-

FRS 1: First-time Adoption of Financial Reporting Standards
FRS 3: Business Combinations (Revised)
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1 : Additional Exemptions for First-time Adopters
Amendments to FRS 2: Share-based Payment
Amendments to FRS 2: Group Cash-settled Share-based Payment Transactions
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7: Improving Disclosures about Financial Instruments
Amendments to FRS 127: Consolidated and Separate Financial Statements
Amendments to FRS 132: Financial Instruments: Presentation
Amendments to FRS 138: Intangible Assets
Amendments to FRSs ‘Improvements to FRSs issued in 2010’
IC Interpretation 4 : Determining Whether an Arrangement Contains a Lease
IC Interpretation 12: Service Concession Arrangements
IC Interpretation 16 : Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17 : Distributions of Non-cash Assets to Owners
IC Interpretation 18: Transfers of Assets from Customers
Amendments to IC Interpretation 9 : Reassessment of Embedded Derivatives
Amendments to IC Interpretation 15: Agreements for the Construction of Real Estate

Adoption of the above FRSs, Amendments to FRSs and IC Interpretations do not have significant financial impact on the Group’s financial statements in the period of initial application except for the changes in accounting policies arising from the adoption of the new disclosures under the Amendments to FRS 7 which will affect the 2011 annual financial statements.

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

NOTES (cont'd)

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2010 was not qualified.

4. Segmental information

Results for Quarter and Year- to- date ended 31 March 2011

	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	11,453	-	336	-	11,789
Less: Inter-segment sales	(241)	-	-	-	(241)
External revenue	<u>11,212</u>	<u>-</u>	<u>336</u>	<u>-</u>	<u>11,548</u>
Segment Results					
Results	1,625	(7)	(95)	-	1,523
Finance costs	(276)	-	-	-	(276)
Share of results of an associate					-
Profit before tax					<u>1,247</u>
Income tax expense					-
Profit after tax					<u>1,247</u>
Other information					
Interest income	<u>82</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82</u>

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

NOTES (cont'd)

4. Segmental information (cont'd)

Results for Quarter and Year-to-date ended 31 March 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	10,208	-	612	-	10,820
Less: Inter-segment sales	(446)	-	-	-	(446)
External revenue	<u>9,762</u>	<u>-</u>	<u>612</u>	<u>-</u>	<u>10,374</u>
Segment Results					
Results	269	(12)	2	-	259
Finance costs	(210)	-	-	-	(210)
Share of results of an associate					-
Profit before tax					<u>49</u>
Income tax expense					-
Profit after tax					<u>49</u>
Other information					
Interest income	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</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 year ended 31 December 2010 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 March 2011.

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

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 2010.

10. Investment in an associate

	As At 31.03.2011 RM'000	As At 31.12.2010 RM'000
Unquoted shares, at cost	3,000	3,000
Share of post-acquisitions reserves	(14)	(14)
	<u>2,986</u>	<u>2,986</u>

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership interest	
			As at 31.03.2011 %	As at 31.12.2010 %
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.

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 31.03.2011 RM'000	As At 31.12.2010 RM'000
Capital expenditure not provided for in the financial statements:		
Authorised and contracted for	<u>71</u>	<u>92</u>

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

NOTES (cont'd)

14. Contingent liabilities – Unsecured

	As At 31.03.2011 RM'000	As At 31.12.2010 RM'000
Corporate guarantee given to bank for credit facilities granted to a subsidiary	25,000	25,000

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's revenue increased by 11% or RM1.2 mil to RM11.5 mil in the first quarter of 2011 as compared to the first quarter of 2010 due to higher sales volume and increased in demand for industrialized building system components.

The Group achieved higher profitability for the quarter under review as compared to the corresponding quarter in 2010. For the period ended 31st March 2011, the Group's gross profit was RM3.1 mil representing an 82% improvement from RM1.7 mil posted in the corresponding period last year. Gross profit margin rose to 27% from 17% recorded in the first quarter of 2010. The group made a net profit of RM1.25 mil compared to net profit of RM49,000 recorded in the corresponding quarter of 2010. This was primarily due to improvement in the contribution margins from sale of the industrialised building system components. Earnings per share stood at 1.69 sen up from 0.07 sen reported as at the corresponding period ended 31st March 2010.

17. Variation of results against preceding quarter

The Group registered a net profit of RM1.25 mil from a revenue of RM11.5 mil for the current quarter as compared to a net profit of RM1.42 mil from a revenue of RM12.9 mil in the preceding quarter. Higher revenue and profit posted in the preceding quarter compared to the current quarter under review was mainly due to better performance achieved by the manufacturing division and also completion of most of the construction projects by the construction division in the preceding quarter.

18. Prospects for the next financial year

The Board of Directors expects the Group to benefit from its leadership position in pre-cast concrete products and Industrialised Building System components in Sarawak with the rolling out of major projects under the 10th Malaysia Plan and Sarawak Corridor Of Renewable Energy. The Board remains positive that the Group will achieve better performance this year.

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

Not applicable

(b) Shortfall in the profit guarantee

Not applicable

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

NOTES (cont'd)

20. Income tax expense

	3 months ended		3 months ended	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	RM'000	RM'000	RM'000	RM'000
Current tax	-	-	-	-
(Over)/underprovision of tax in prior year	-	-	-	-
Deferred tax	-	-	-	-
Total income tax expense	-	-	-	-

21. Breakdown of accumulated losses of the Group as at the reporting date into realised and unrealized

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Total accumulated losses		
- Realised	25,079	26,295
- Unrealised	-	-
	<u>25,079</u>	<u>26,295</u>
Total share of loss of an associate		
- Realised	14	14
- Unrealised	-	-
	<u>14</u>	<u>14</u>
Total losses before consolidation adjustments	25,093	26,309
Consolidation adjustments	1,617	1,648
Total Group accumulated losses as per consolidated accounts	<u>26,710</u>	<u>27,957</u>

22. Sales of unquoted investments and properties

There were no sales of unquoted investments and properties for the current quarter and financial period ended 31 March 2011.

23. 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 March 2011.

b) Investment in quoted securities

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

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

NOTES (cont'd)

24. 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.

25. Borrowings

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Short term borrowings		
Secured	3,316	3,253
Unsecured	63	-
	<u>3,379</u>	<u>3,253</u>
Long term borrowings		
Secured	11,715	12,604
	<u>15,094</u>	<u>15,857</u>

All of the above borrowings are denominated in Ringgit Malaysia.

26. Derivatives financial instruments

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

27. 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.

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

NOTES (cont'd)

28. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 31 March 2011 (31 December 2010: Nil).

29. Basic loss per share

	3 months ended		3 months ended	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	RM'000	RM'000	RM'000	RM'000
Profit attributable to ordinary equity holders of the Company	1,247	49	1,247	49

	3 months ended		3 months ended	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Weighted average number of ordinary shares in issue	73,582,500	73,577,500	73,582,500	73,577,500

	3 months ended		3 months ended	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	Sen	Sen	Sen	Sen
Basic and diluted profit per share for loss for the period	1.69	0.07	1.69	0.07

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 25 May 2011.