

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

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

1. Basis of Preparation

The condensed consolidated interim financial statements (“Condensed Report”) have been prepared in accordance with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Condensed Report also complies with IAS 134 Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”).

The Condensed Report should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2012. The explanatory notes attached to the Condensed Report 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 2012.

The Condensed Report are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM’000).

2. Significant accounting policies

2.1 Application of MFRS 1

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2012 except for the adoption of the following with effect from 1 January 2013:

MFRS 10: Consolidated Financial Statements

MFRS 11: Joint Arrangements

MFRS 12: Disclosure of Interests in Other Entities

MFRS 13: Fair Value Measurement

MFRS 119: Employee Benefits (IAS 19 as amended by IASB in June 2011)

MFRS 127: Separate Financial Statements (IAS 27 as amended by IASB in May 2011)

MFRS 128: Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)

Amendment to MFRS 101: Presentation of Items of Other Comprehensive Income

Amendment to MFRS 7: Financial Instruments-Disclosures: Offsetting Financial Assets and Financial Liabilities

Amendment to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans

Annual Improvements 2009-2011 Cycle

Amendments to MFRS 10, MFRS 11, MFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities

MFRS 3: Business Combination (IFRS 3 Business Combinations issued by IASB in March 2004)

MFRS 127: Consolidation and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)

The initial application of the above is not expected to have any significant financial impact on the Group’s financial statements.

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The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.

4. Segmental information**Results for 3 months ended 30 June 2013**

| | 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 | 14,597 | - | 1,498 | - | 16,095 |
| Less: Inter-segment sales | (454) | - | - | - | (454) |
| External revenue | <u>14,143</u> | <u>-</u> | <u>1,498</u> | <u>-</u> | <u>15,641</u> |
| Segment Results | | | | | |
| Results | 503 | (11) | (41) | (1) | 450 |
| Finance costs | (235) | - | - | - | (235) |
| Share of results of an associate | | | | | <u>-</u> |
| Profit before tax | | | | | 215 |
| Income tax expense | | | | | <u>-</u> |
| Profit after tax | | | | | <u>215</u> |
| Other information | | | | | |
| Interest income | <u>15</u> | <u>-</u> | <u>1</u> | <u>-</u> | <u>16</u> |

Results for 3 months ended 30 June 2012

| | 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 | 14,870 | - | 2,590 | - | 17,460 |
| Less: Inter-segment sales | (474) | - | - | - | (474) |
| External revenue | <u>14,396</u> | <u>-</u> | <u>2,590</u> | <u>-</u> | <u>16,986</u> |

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013****NOTES (cont'd)****4. Segmental information (cont'd)****Results for 3 months ended 30 June 2012 (cont'd)**

| | Manu- facturing RM'000 | Property trading RM'000 | Const- ruction RM'000 | Others RM'000 | Consolidated RM'000 |
|----------------------------------|---------------------------------------|--|--------------------------------------|--------------------------|--------------------------------|
| Segment Results | | | | | |
| Results | (347) | (11) | (145) | (3) | (506) |
| Finance costs | (343) | - | - | - | (343) |
| Share of results of an associate | | | | | - |
| Loss before tax | | | | | (849) |
| Income tax expense | | | | | - |
| Loss after tax | | | | | (849) |
| Other information | | | | | |
| Interest income | 7 | - | - | - | 7 |

Results for 6 months ended 30 June 2013

| | 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 | 28,946 | - | 2,490 | - | 31,436 |
| Less: Inter-segment sales | (903) | - | - | - | (903) |
| External revenue | 28,043 | - | 2,490 | - | 30,533 |
| Segment Results | | | | | |
| Results | 969 | (17) | (79) | (1) | 872 |
| Finance costs | (492) | - | - | - | (492) |
| Share of results of an associate | | | | | - |
| Profit before tax | | | | | 380 |
| Income tax expense | | | | | - |
| Profit after tax | | | | | 380 |
| Other information | | | | | |
| Interest income | 43 | - | 6 | - | 49 |

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013

NOTES (cont'd)

4. Segmental information (cont'd)

Results for 6 months ended 30 June 2012

| | Manu- facturing | Property trading | Const- ruction | Others | Consolidated RM'000 |
|---|----------------------------|-----------------------------|---------------------------|---------------|--------------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | |
| Segment Revenue | | | | | |
| Total revenue including inter-segment sales | 28,529 | - | 2,893 | - | 31,422 |
| Less: Inter-segment sales | (676) | - | - | - | (676) |
| External revenue | <u>27,853</u> | <u>-</u> | <u>2,893</u> | <u>-</u> | <u>30,746</u> |
| Segment Results | | | | | |
| Results | 77 | (17) | (244) | (3) | (187) |
| Finance costs | (579) | - | - | - | (579) |
| Share of results of an associate | | | | | - |
| Loss before tax | | | | | (766) |
| Income tax expense | | | | | - |
| Loss after tax | | | | | <u>(766)</u> |
| Other information | | | | | |
| Interest income | <u>28</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28</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 June 2013 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 June 2013.

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2013****NOTES (cont'd)****9. Acquisitions and disposals of property, plant and equipment**

During the quarter and financial period ended 30 June 2013, the Group acquired property, plant and equipment with an aggregate cost of RM243,218 (30 June 2012: RM 1,112,064) and 368,918 (30 June 2012: 1,187,941). There were no disposals of property, plant and equipment by the Group for the quarter and financial period ended 30 June 2013 (30 June 2012: Nil).

10. Related party disclosures

Transactions with companies in which certain directors of the Company have financial interest:

| | 3 months ended | | 6 months ended | |
|--|----------------|------------|----------------|------------|
| | 30.06.2013 | 30.06.2012 | 30.06.2013 | 30.06.2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income | | | | |
| Sale of construction materials to: | | | | |
| - Zecon Berhad | - | - | - | 15 |
| - Zecon Dredging Sdn. Bhd. | 102 | 44 | 410 | 80 |
| - Oricon Sdn. Bhd. | - | 198 | 101 | 255 |
| Expenditure | | | | |
| Insurance premium paid to | | | | |
| Transnational Insurance Brokers (M) Sdn. Bhd. | 22 | 15 | 101 | 26 |
| Management fees paid to Santubong Suites Sdn. Bhd. | | | | |
| | 6 | 6 | 12 | 12 |

11. Investment in an associate

| | As At 30.06.2013 RM'000 | As At 31.12.2012 RM'000 |
|-------------------------------------|-------------------------------|-------------------------------|
| Unquoted shares, at cost | 3,000 | 3,000 |
| Share of post-acquisitions reserves | (16) | (16) |
| | <u>2,984</u> | <u>2,984</u> |

Details of the associate are as follows:

| Name of associate | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|--------------------------|----------------------|----------------------------------|--------------------------|
| | | | As at 30.06.2013 % | As at 31.12.2012 % |
| Held through SCIB Properties Sdn. Bhd. : | | | | |
| Influx Meridian Sdn. Bhd. | Malaysia | Property development | 40% | 40% |

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NOTES (cont'd)

12. 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 period-to-date.

13. Changes in composition of the Group

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

14. Capital commitments

| | As At 30.06.2013 RM'000 | As At 31.12.2012 RM'000 |
|---|--|--|
| Capital expenditure not provided for in the financial statements: | | |
| Authorised and contracted for | 1,800 | 482 |
| Approved but not contracted for | 5,400 | 6,263 |
| | <u>7,200</u> | <u>6,745</u> |
| | ===== | ===== |

15. Contingent liabilities – Unsecured

| | As At 30.06.2013 RM'000 | As At 31.12.2012 RM'000 |
|---|--|--|
| Corporate guarantee given to bank for credit facilities granted to a subsidiary | 11,567 | 13,844 |
| | <u>11,567</u> | <u>13,844</u> |
| | ===== | ===== |

16. Subsequent event

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

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NOTES (con'd)

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

17. Performance review

The Group's revenue has dropped slightly from RM17 million reported in the second quarter of 2012 to RM15.6 million in the second quarter of 2013. Lower Group revenue was mainly attributed by its construction division arising from the slow progress of certain construction projects. Despite lower revenue, the Group registered a higher profit before tax of RM215,000 in this quarter under review as compared to loss before tax of RM849,000 recorded in the corresponding quarter last year. This was mainly due to recognition of impairment losses on trade receivables amounting to RM844,000 made in the 2nd quarter of last year and also some improvement in the profit margin for the current quarter under review.

On a year-to-date basis, the Group reported revenue of RM30.5 million in the first half of 2013, as compared to RM30.7 million in the first half of last year. The manufacturing division being the key driver and largest contributor to the Group's revenue, reported revenue of about RM28 million for both the 6 months period ended 30 June 2013 and 30 June 2012. Despite reporting an approximately same revenue, the Group achieved a higher profit before tax of RM380,000 as compared to loss before tax of RM766,000 recorded in the corresponding period last year. This was primarily due to higher contribution from the Industrialised building system products and foundation piles of the manufacturing division. Besides, last year's financial result was greatly affected by the recognition of impairment losses on trade receivables amounting to RM844,000. There was no contribution from the Properties division as the Group's associate in the property development industry, namely Influx Meridian Sdn. Bhd. has yet to commence its development works. The net assets of the Group as at 30 June 2013 stood at RM56.2 million which translates to RM0.76 net assets value per share.

18. Variation of results against preceding quarter

The Group registered a profit before tax of RM215,000 from a revenue of RM15.6 million for the current quarter as compared to a profit of RM165,000 from a revenue of RM14.9 million in the preceding quarter. Higher revenue and profit posted in the current quarter as compared to the preceding quarter was due to a higher demand for industrialised building system components.

19. Prospects for the remaining quarters

The Malaysian economy is expected to experience a moderate growth rate in 2013 despite the uncertainties in the global economy. The rolling out of major projects under the 10th Malaysia Plan and Sarawak Corridor Of Renewable Energy will provide greater opportunities for the Group by virtue of our leadership position in pre-cast concrete products and Industrialised Building System components in Sarawak. Hence, the Group shall focus on managing its cost structure and to actively seek for more projects to add to the existing order book of RM18 million as at 30th June 2013. The Board of directors expects better performance for the rest of the year.

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NOTES (con'd)

20. (a) **Variance of actual profit from forecast profit**
Not applicable

(b) **Shortfall in the profit guarantee**
Not applicable

21. **Income tax expense**

| | 3 months ended | | 6 months ended | |
|-------------------------------------|----------------|------------|----------------|------------|
| | 30.06.2013 | 30.06.2012 | 30.06.2013 | 30.06.2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax | - | - | - | - |
| Underprovision of tax in prior year | - | - | - | - |
| Deferred tax | - | - | - | - |
| Total income tax expense | - | - | - | - |

22. **Corporate Proposals**

There were no new or outstanding corporate proposals which have not been completed as at the date of this announcement.

23. **Borrowings**

| | As at | As at |
|------------------------------|---------------|---------------|
| | 30.06.2013 | 31.12.2012 |
| | RM'000 | RM'000 |
| Short term borrowings | | |
| Secured | 4,970 | 4,794 |
| Unsecured | - | 93 |
| | <u>4,970</u> | <u>4,887</u> |
| Long term borrowings | | |
| Secured | 6,845 | 9,328 |
| | <u>11,815</u> | <u>14,215</u> |

All of the above borrowings are denominated in Ringgit Malaysia.

24. **Derivatives financial instruments**

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

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NOTES (con'd)

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 (“**the Defendants**”) 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. In consultation with the Company’s solicitor, both the Plaintiffs and the Defendants signed a notice of discontinuance on 9 March 2012 without cost and without liberty to refile the aforesaid.

26. Dividend payable

No interim ordinary dividend has been declared for the financial period ended 30 June 2013 (30 June 2012: Nil).

27. Basic profit/ (loss) per share

| | 3 months ended | | 6 months ended | |
|---|-----------------------|-------------------|-----------------------|-------------------|
| | 30.06.2013 | 30.06.2012 | 30.06.2013 | 30.06.2012 |
| | RM’000 | RM’000 | RM’000 | RM’000 |
| Profit/ (loss) attributable to ordinary equity holders of the Company | <u>215</u> | <u>(849)</u> | <u>380</u> | <u>(766)</u> |
| | As at | As at | As at | As at |
| | 30.06.2013 | 30.06.2012 | 30.06.2013 | 30.06.2012 |
| Weighted average number of ordinary shares in issue | <u>73,582,500</u> | <u>73,582,500</u> | <u>73,582,500</u> | <u>73,582,500</u> |

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NOTES (cont'd)

27. Basic profit/ (loss) per share (cont'd)

| | 3 months ended | | 6 months ended | |
|--|-----------------------|-------------------|-----------------------|-------------------|
| | 30.06.2013 | 30.06.2012 | 30.06.2013 | 30.06.2012 |
| | Sen | Sen | Sen | Sen |
| Basic profit/ (loss) per share for profit for the period | <u>0.29</u> | <u>(1.15)</u> | <u>0.52</u> | <u>(1.04)</u> |

There is no dilution in its profit per share in the current quarter and financial period to date as there are no dilutive potential ordinary shares outstanding at the end of the reporting period.

28. Breakdown of accumulated losses of the Group as at the reporting date into realised and unrealised

| | As at 30.06.2013 RM'000 | As at 31.12.2012 RM'000 |
|---|--|--|
| Total accumulated losses | | |
| - Realised | 20,736 | 21,171 |
| - Unrealised | - | - |
| | <u>20,736</u> | <u>21,171</u> |
| Total share of loss of an associate | | |
| - Realised | 15 | 15 |
| - Unrealised | - | - |
| | <u>15</u> | <u>15</u> |
| Total losses before consolidation adjustments | 20,751 | 21,186 |
| Consolidation adjustments | 1,741 | 1,686 |
| Total Group accumulated losses as per consolidated accounts | <u>22,492</u> | <u>22,872</u> |

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No. 1, Determination of Realised and unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

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NOTES (cont'd)

29. Additional disclosures on profit / (loss) for the period

Profit/ (loss) for the period is arrived at after charging/(crediting):

| | 3 months ended | | 6 months ended | |
|---|-----------------------|-------------------|-----------------------|-------------------|
| | 30.06.2013 | 30.06.2012 | 30.06.2013 | 30.06.2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Amortisation of prepaid land lease payments | 115 | 115 | 231 | 231 |
| Bad debts written back, net off bad debts written off | - | 1 | (2) | (36) |
| Depreciation of property, plant and equipment | 870 | 854 | 1,742 | 1,697 |
| Impairment loss on trade receivables | - | 844 | - | 844 |
| Property, plant and equipment written off | 162 | 5 | 162 | 6 |
| Interest expense | 235 | 343 | 492 | 579 |
| Interest income | (16) | (7) | (49) | (28) |

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 6 August 2013.