

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

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013****NOTES (cont'd)****3. Auditors' report on preceding annual financial statements**

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 31 December 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	11,905	-	672	-	12,577
Less: Inter-segment sales	(185)	-	-	-	(185)
External revenue	<u>11,720</u>	<u>-</u>	<u>672</u>	<u>-</u>	<u>12,392</u>
Segment Results					
Results	(1,382)	(173)	(1,210)	(2)	(2,767)
Finance costs	(291)	-	-	-	(291)
Share of results of an associate					(436)
Loss before tax					(3,494)
Income tax income					610
Loss after tax					<u>(2,884)</u>
Other information					
Interest income	<u>16</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>17</u>

Results for 3 months ended 31 December 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	18,092	-	3,814	-	21,906
Less: Inter-segment sales	(1,284)	-	-	-	(1,284)
External revenue	<u>16,808</u>	<u>-</u>	<u>3,814</u>	<u>-</u>	<u>20,622</u>

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

NOTES (cont'd)

4. Segmental information (cont'd)

Results for 3 months ended 31 December 2012 (cont'd)

	Manu- facturing RM'000	Property trading RM'000	Const- ruction RM'000	Others RM'000	Consolidated RM'000
Segment Results					
Results	1,350	838	318	(2)	2,504
Finance costs	(272)	-	-	-	(272)
Share of results of an associate					(1)
Profit before tax					2,231
Income tax expense					-
Profit after tax					2,231
Other information					
Interest income	25	-	10	-	35

Results for 12 months ended 31 December 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	54,170	-	4,503	-	58,673
Less: Inter-segment sales	(1,307)	-	-	-	(1,307)
External revenue	52,863	-	4,503	-	57,366
Segment Results					
Results	(409)	(198)	(1,358)	(5)	(1,970)
Finance costs	(1,024)	-	-	-	(1,024)
Share of results of an associate					(436)
Loss before tax					(3,430)
Income tax income					610
Loss after tax					(2,820)
Other information					
Interest income	70	-	7	-	77

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE
FOURTH QUARTER ENDED 31 DECEMBER 2013**

NOTES (cont'd)

4. Segmental information (cont'd)

Results for 12 months ended 31 December 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	58,916	-	8,906	-	67,822
Less: Inter-segment sales	(3,098)	-	-	-	(3,098)
External revenue	<u>55,818</u>	<u>-</u>	<u>8,906</u>	<u>-</u>	<u>64,724</u>
Segment Results					
Results	1,759	811	(132)	(6)	2,432
Finance costs	(1,143)	-	-	-	(1,143)
Share of results of an associate					(1)
Profit before tax					<u>1,288</u>
Income tax expense					(2)
Profit after tax					<u>1,286</u>
Other information					
Interest income	<u>142</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>152</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 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 year ended 31 December 2013.

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

NOTES (cont'd)

9. Acquisitions and disposals of property, plant and equipment

During the quarter and financial year ended 31 December 2013, the Group acquired Property, Plant and Equipment ("PPE") with an aggregate cost of RM1,437,183 (4th Quarter 31 December 2012: RM188,670) and RM3,566,721 (Year ended 31 December 2012: RM1,428,800). There were no disposals of PPE by the Group for the quarter and financial year ended 31 December 2013 (4th Quarter 31 December 2012: Nil; Year ended 31 December 2012: RM287). PPE written off and Impairment loss on PPE made during the quarter and financial year ended 31 December 2013 were RM357,238 (4th Quarter 31 December 2012: RM1,009) and RM518,972 (Year ended 31 December 2012: RM7,121) respectively.

10. Related party disclosures

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

	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Income				
Sale of construction materials to:				
- Zecon Berhad	-	-	-	15
- Zecon Dredging Sdn. Bhd.	14	293	424	519
- Oricon Sdn. Bhd.	28	324	129	889
- Petra Jaya Properties Sdn. Bhd.	-	-	2	-
- Zecon Construction (Sarawak) Sdn. Bhd.	1,177	-	1,177	-
Expenditure				
Insurance premium paid to Transnational Insurance Brokers (M) Sdn. Bhd.	91	15	270	114
Management fees paid to Santubong Suites Sdn. Bhd.	6	5	24	23
Rental paid to Reignvest Corporation Sdn. Bhd.	180	180	720	720

ii) Transactions with persons connected to certain director of the Company:

Sale of construction materials	6	-	35	-
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SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013****NOTES (cont'd)****11. Investment in an associate**

	As At 31.12.2013 RM'000	As At 31.12.2012 RM'000
Unquoted shares, at cost	3,000	3,000
Share of post-acquisitions reserves	(452)	(16)
	<u>2,548</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 31.12.2013 %	As at 31.12.2012 %
Held through SCIB Properties Sdn. Bhd. :				
Influx Meridian Sdn. Bhd.	Malaysia	Property development	40%	40%

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 year-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 year-to-date.

14. Capital commitments

	As At 31.12.2013 RM'000	As At 31.12.2012 RM'000
Capital expenditure not provided for in the financial statements:		
Authorised and contracted for	4,172	482
Approved but not contracted for	1,325	6,263
	<u>5,497</u>	<u>6,745</u>

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

NOTES (cont'd)

15. Contingent liabilities – Unsecured

	As At 31.12.2013 RM'000	As At 31.12.2012 RM'000
Corporate guarantee given to bank for credit facilities granted to a subsidiary	15,071 =====	13,844 =====

16. 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

17. Performance review

The Group's revenue has decreased significantly from RM20.6 million reported in the last quarter of 2012 to RM12.4 million in the last quarter of 2013. Lower Group revenue as compared to the corresponding quarter last year was mainly attributed by its manufacturing division arising from falling in prices for foundation piles to entice more sales in the competitive market and also due to decrease in sales volume for industrialised building system components as well as foundation piles. Revenue from the Construction division also dropped from RM3.8 mil reported in the last quarter of 2012 to RM672,000 in the last quarter this year. On the back of lower revenue, the Group registered a loss before tax of RM3,494,000 in this quarter under review as compared to profit before tax of RM2,231,000 recorded in the corresponding quarter last year. Huge losses in the current quarter as compared to the corresponding quarter was also attributable to charge out of Impairment losses on Property Plant & Equipment ("PPE") of RM250,000, PPE written off of RM107,000 and Inventories written off of RM672,000. Besides, during the quarter under review, the Group recognize associate losses of RM436,000 and recognize income tax gain of RM610,000 from reversal of Deferred tax liability carried forward from past years as there are sufficient Deferred tax assets to be utilized for future net off.

On a year-to-date basis, the Group reported revenue of RM57.4 million in 2013, as compared to RM64.7 million last year. The manufacturing division being the key driver and largest contributor to the Group's revenue reported a decrease in revenue from about RM55.8 million last year to RM52.9 million this year. The Construction division revenue also declined by RM4.4 million to RM4.5 million this year from RM8.9 million in prior year. Drop in revenue was mainly due to weak market in the last quarter of year 2013 owing to less projects from the Government. The Group reported a loss before tax of RM3,430,000 as compared to a profit before tax of RM1,288,000 last year primarily due to lower revenue, increase in production cost driven by higher labour cost from implementation of minimum wages effective January 2013 and increase in overhead expenses. Besides, the results was also greatly affected by the recognition of Impairment losses on PPE amounting to RM250,000, PPE written off of RM269,000, Impairment losses on Trade receivables of RM108,000 and inventories written off of RM672,000. During the year, the Group also share associate losses amounting to RM436,000 as the associate company in the property development industry, has yet to commence its development works. However, the recognition of income tax gain of RM610,000 from reversal of Deferred tax liabilities have helped to mitigate some losses. The net assets of the Group as at 31 December 2013 stood at RM53 million which translates to RM0.72 net assets value per share.

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013**NOTES (cont'd)****18. Variation of results against preceding quarter**

The Group registered a loss before tax of RM3,494,000 from a revenue of RM12.4 million for the current quarter as compared to a loss before tax of RM316,000 from a revenue of RM14.4 million in the preceding quarter. On the back of lower revenue and lower profit margin, the Group recorded a higher loss before tax as compared to the preceding quarter mainly due to extraordinary charge off of Impairment losses on Property Plant & Equipment ("PPE") of RM250,000, PPE written off of RM107,000 and Inventories written off of RM672,000. Besides, the Group also share associate losses amounting to RM436,000 in the current quarter under review.

19. Prospects for the next year

The Malaysian economy is expected to experience a moderate growth rate in 2014 despite the uncertainties in the global economy. Going forward, the Group shall focus on managing its cost structure, aggressively promote our IBS products and to actively explore more projects from the private sectors to add to the existing order book of RM13 million as at 31st December 2013. The Board of directors expects better performance for the next financial year barring any future increase in costs.

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

Not applicable

(b) Shortfall in the profit guarantee

Not applicable

21. Income tax (income)/ expense

	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Current tax	-	-	-	-
Underprovision of tax in prior year	-	2	-	2
	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
Deferred tax	(610)	-	(610)	-
Total income tax (income)/ expense	<u>(610)</u>	<u>2</u>	<u>(610)</u>	<u>2</u>

22. Corporate Proposals

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

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

NOTES (cont'd)

23. Borrowings

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
Short term borrowings		
Secured	8,520	4,794
Unsecured	151	93
	<u>8,671</u>	<u>4,887</u>
Long term borrowings		
Secured	6,767	9,328
	<u>15,438</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.

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. In consultation with the Company’s solicitor, both the Plaintiffs and the Defendants signed a notice of discontinuance on 22 March 2012 without cost and without liberty to refile the case.

- 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 case.

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013****NOTES (cont'd)****26. Dividend payable**

No interim ordinary dividend has been declared for the financial year ended 31 December 2013 (31 December 2012: Nil).

27. Basic (loss)/ profit per share

	3 months ended		12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
(Loss)/ profit attributable to ordinary equity holders of the Company	(2,884)	2,231	(2,820)	1,286

	As at		As at	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Weighted average number of ordinary shares in issue	73,582,500	73,582,500	73,582,500	73,582,500

	3 months ended		12 months ended	
	31.12.2013 Sen	31.12.2012 Sen	31.12.2013 Sen	31.12.2012 Sen
Basic (loss)/ profit per share for profit for the period	(3.92)	3.03	(3.83)	1.75

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	As at
	31.12.2013 RM'000	31.12.2012 RM'000
Total accumulated losses		
- Realised	24,014	21,171
- Unrealised	-	-
	<u>24,014</u>	<u>21,171</u>

SARAWAK CONSOLIDATED INDUSTRIES BERHAD (25583-W)**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013****NOTES (cont'd)****28. Breakdown of accumulated losses of the Group as at the reporting date into realised and unrealized (cont'd)**

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
Total share of loss of an associate		
- Realised	452	15
- Unrealised	-	-
	<u>452</u>	<u>15</u>
Total losses before consolidation adjustments	24,466	21,186
Consolidation adjustments	1,226	1,686
Total Group accumulated losses as per consolidated accounts	<u>25,692</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.

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

(Loss)/ profit for the period is arrived at after charging/(crediting):

	3 months ended		12 months ended	
	31.12.2013 RM'000	31.12.2012 RM'000	31.12.2013 RM'000	31.12.2012 RM'000
Amortisation of prepaid land lease payments	116	116	463	463
Bad debts written off, net off bad debts written back	(8)	24	35	(12)
Depreciation of property, plant and equipment	889	876	3,497	3,426
Impairment / (reversal) of loss on trade receivables	108	(196)	108	648
Property, plant and equipment ("PPE") written off	107	1	269	7
Impairment losses on PPE	250	-	250	-
Inventories written off	672	135	672	136
Reversal of provisions	-	(873)	-	(873)
Share of loss of associate	436	1	436	1
Gain on disposal of property, plant and equipment	-	-	-	(6)
Interest expense	291	272	1,024	1,143
Interest income	(17)	(35)	(77)	(152)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE
FOURTH QUARTER ENDED 31 DECEMBER 2013
NOTES (cont'd)**

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 28 February 2014.