

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No: 197501003884 (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

	Note	Individual quarter		Cumulative quarter	
		Quarter ended 30 June 2020 (RM'000)	Quarter ended 30 June 2019 (RM'000)	Period ended 30 June 2020 (RM'000)	Period ended 30 June 2019 (RM'000)
Continuing Operations					
Revenue	4	94,906	17,864	146,688	35,300
Cost of sales		<u>(83,437)</u>	<u>(14,192)</u>	<u>(126,673)</u>	<u>(28,504)</u>
Gross profit		11,469	3,672	20,015	6,796
Other income		325	51	424	3,206
Selling and distribution expenses		(1,131)	(1,752)	(3,002)	(3,439)
Administrative expenses		<u>(2,982)</u>	<u>(1,660)</u>	<u>(5,007)</u>	<u>(4,132)</u>
Operating profit		7,681	311	12,430	2,431
Finance costs		(465)	(422)	(938)	(952)
Profit/(loss) before tax		7,216	(111)	11,492	1,479
Income tax expense	20	(2,149)	-	(2,149)	-
Profit/(loss) after tax		5,067	(111)	9,343	1,479
Other comprehensive income					
Foreign currency translation differences		370	-	495	-
Total comprehensive income/(expenses) for the period		<u>5,437</u>	<u>(111)</u>	<u>9,838</u>	<u>1,479</u>
Profit/(loss) after tax attributable to owners of the Company					
		<u>5,067</u>	<u>(111)</u>	<u>9,343</u>	<u>1,479</u>
Total comprehensive income/(expenses) attributable to owners of the Company					
		<u>5,437</u>	<u>(111)</u>	<u>9,838</u>	<u>1,479</u>
Earnings/(loss) per share (sen)					
Basic and diluted	25	<u>5.51</u>	<u>(0.13)</u>	<u>10.15</u>	<u>1.72</u>

These Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**Unaudited Condensed Consolidated Statements of Financial Position**

	Note	As At 30 June 2020 (Unaudited) (RM'000)	As At 31 December 2019 (Audited) (RM'000)
ASSETS			
Non-current assets			
Property, plant and equipment	4, 9	24,696	26,122
Right-of-use assets	4	17,658	18,078
Other assets		6,190	6,190
		48,544	50,390
Current assets			
Inventories		23,066	24,420
Trade receivables		136,670	30,901
Other receivables, deposits and prepayments		12,519	1,154
Contract assets		3,841	199
Current tax asset		10	10
Fixed deposits with licensed banks		562	562
Cash and bank balances		71,833	8,473
		248,501	65,719
TOTAL ASSETS		297,045	116,109
EQUITY AND LIABILITIES			
Equity attributable to Owners of the Company			
Share capital		152,268	85,913
Foreign exchange translation reserves		495	-
Accumulated losses		(24,569)	(33,912)
Total equity		128,194	52,001
Non-current liabilities			
Other payables		187	187
Bank borrowings	22	17,973	18,868
Lease liabilities		516	732
		18,676	19,787
Current liabilities			
Trade payables		122,948	24,041
Other payables and accruals		4,594	2,418
Contract liabilities		656	37
Amount due to director		-	-
Bank borrowings	22	19,412	17,413
Lease liabilities		426	412
Income tax payable		2,139	-
		150,175	44,321
Total liabilities		168,851	64,108
TOTAL EQUITY AND LIABILITIES		297,045	116,109
Net assets per share (RM)		1.05	0.61

These Condensed Statements of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**Unaudited Condensed Consolidated Statements of Changes in Equity**

	← Attributable to owners of the Company Non-distributable →			Total equity (RM'000)
	Share capital (RM'000)	Foreign exchange translation reserves (RM'000)	Accumulated losses (RM'000)	
At 1 January 2019	85,913	-	(37,062)	48,851
Profit for the period	-	-	1,479	1,479
At 30 June 2019	85,913	-	(35,583)	50,330
At 1 January 2020	85,913	-	(33,912)	52,001
Issues of share capital	66,355	-	-	66,355
Profit after tax for the period	-	-	9,343	9,343
Other comprehensive income for the period:				
- Foreign currency translation difference for the period	-	495	-	495
Total comprehensive income for the period	-	495	9,343	9,838
At 30 June 2020	152,268	495	(24,569)	128,194

These Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

Unaudited Condensed Consolidated Statements of Cash Flows

	6 Months ended 30 June 2020 RM'000	6 Months ended 30 June 2019 RM'000
Cash flows from operating activities		
Profit before tax	11,492	1,479
Adjustment for:		
Depreciation of property, plant and equipment and right-of-use assets	2,070	1,812
Impairment loss on other receivables	-	274
Finance costs	938	952
Inventories written down	94	-
Inventories written off	428	-
Unrealised loss on foreign exchange	150	-
Gain from a subsidiary under Creditors' Voluntary winding up	-	(1,046)
Interest income	(30)	(205)
Waiver of amount due to contract customer	-	(1,105)
Reversal of impairment loss on trade receivables	-	(585)
Operating profit before working capital changes	<u>15,142</u>	<u>1,576</u>
Decrease/(Increase) in inventories	832	(2,887)
(Increase)/decrease in trade and other receivables	(117,003)	3,754
Increase in other assets	-	(1,300)
Decrease in other current assets	-	1,178
Increase in contract assets	(3,642)	-
Increase in trade and other payables	100,802	462
Increase in contract liabilities	619	-
Cash (used in)/ generated from operating activities	<u>(3,250)</u>	<u>2,783</u>
Interest paid	(938)	(952)
Interest received	30	205
Income tax paid	(20)	(36)
Income tax refunded	10	34
Net cash (used in)/ generated from operating activities	<u>(4,168)</u>	<u>2,034</u>
Cash flows from investing activities		
Net cash outflows from a subsidiary under Creditors' Voluntary winding up	-	(63)
Purchase of property, plant and equipment and right-of-use assets	(224)	(352)
Net cash used in investing activities	<u>(224)</u>	<u>(415)</u>
Cash flows from financing activities		
Proceeds from issuance of shares	66,355	-
Drawdown of revolving credit	1,154	1,843
Drawdown of bankers' acceptances	6,536	3,439
Repayment of lease liabilities	(203)	(215)
Repayment of term loans	(483)	(774)
Repayment of revolving credit	-	(1,000)
Repayment of bankers' acceptances	(6,102)	(2,997)
Net cash generated from financing activities	<u>67,257</u>	<u>296</u>
Net increase in cash and cash equivalents	62,865	1,915
Effects of foreign exchange translation	495	-
Cash and cash equivalents at the beginning of the period	<u>8,473</u>	<u>4,925</u>
Cash and cash equivalents at the end of the period	<u>71,833</u>	<u>6,840</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Deposits, cash and bank balances	72,395	7,223
Bank overdraft (included within short term borrowings in Note 22)	-	-
Less: Fixed deposit pledged	(562)	(383)
	<u>71,833</u>	<u>6,840</u>

The Unaudited Condensed Consolidated Statements of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

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 2019. 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 2019.

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

2. Significant accounting policies

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 2019 except for the adoption of the following with effect from 1 January 2020:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**NOTES (cont'd)****3. Auditors' report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2019 was not qualified.

4. Segmental information**Results for 3 months ended 30 June 2020**

	Manu- facturing RM'000	Property trading RM'000	Construction/ EPCC RM'000	Others RM'000	Consolidated RM'000
Segment Revenue					
Total revenue including inter-segment sales	10,378	-	84,528	-	94,906
Less: Inter-segment sales	-	-	-	-	-
External revenue	<u>10,378</u>	<u>-</u>	<u>84,528</u>	<u>-</u>	<u>94,906</u>
Segment Results					
Results	(2,495)	(154)	10,332	(2)	7,681
Finance costs	(465)	-	-	-	(465)
Profit before tax					<u>7,216</u>
Income tax expense					<u>(2,149)</u>
Profit after tax					<u>5,067</u>
Other information					
Interest income	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>

Results for 3 months ended 30 June 2019

	Manu- facturing RM'000	Property trading RM'000	Construction/ EPCC RM'000	Others RM'000	Consolidated RM'000
Segment Revenue					
Total revenue including inter-segment sales	17,798	-	176	-	17,974
(Less): Inter-segment sales	(110)	-	-	-	(110)
External revenue	<u>17,688</u>	<u>-</u>	<u>176</u>	<u>-</u>	<u>17,864</u>

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**NOTES (cont'd)****4. Segmental information (cont'd)****Results for 3 months ended 30 June 2019 (cont'd)**

	Manu- facturing RM'000	Property trading RM'000	Construction/ EPCC RM'000	Others RM'000	Consolidated RM'000
Segment Results					
Results	287	(15)	42	(3)	311
Finance costs	(422)	-	-	-	(422)
Loss before tax					(111)
Income tax expense					-
Loss after tax					(111)
Other information					
Interest income	12	-	1	-	13

Results for 6 months ended 30 June 2020

	Manu- facturing RM'000	Property trading RM'000	Construction/ EPCC RM'000	Others RM'000	Consolidated RM'000
Segment Revenue					
Total revenue including inter-segment sales	26,175	-	120,513	-	146,688
Less: Inter-segment sales	-	-	-	-	-
External revenue	26,175	-	120,513	-	146,688
Segment Results					
Results	(2,692)	(210)	15,334	(2)	12,430
Finance costs	(938)	-	-	-	(938)
Profit before tax					11,492
Income tax expense					(2,149)
Profit after tax					9,343
Other information					
Interest income	30	-	-	-	30

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**NOTES (cont'd)****4. Segmental information (cont'd)****Results for 6 months ended 30 June 2019**

	Manu- facturing RM'000	Property trading RM'000	Construction/ EPCC RM'000	Others RM'000	Consolidated RM'000
Segment Revenue					
Total revenue including inter-segment sales	35,230	-	202	-	35,432
(Less): Inter-segment sales	(132)	-	-	-	(132)
External revenue	<u>35,098</u>	<u>-</u>	<u>202</u>	<u>-</u>	<u>35,300</u>
Segment Results					
Results	1,371	(25)	1,088	(3)	2,431
Finance costs	(952)	-	-	-	(952)
Profit before tax					<u>1,479</u>
Income tax expense					-
Profit after tax					<u>1,479</u>
Other information					
Interest income	<u>120</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>205</u>

Segmental revenue by countries

	Individual quarter		Cumulative quarter	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Malaysia	12,548	17,864	32,555	35,300
Indonesia	20	-	1,771	-
Oman	33,790	-	46,245	-
Qatar	48,548	-	66,117	-
	<u>94,906</u>	<u>17,864</u>	<u>146,688</u>	<u>35,300</u>

Segmental non-current assets by countries

	30.06.2020 RM'000	31.12.2019 RM'000
Malaysia	42,354	44,200
Indonesia	-	-
Oman	-	-
Qatar	-	-
	<u>42,354</u>	<u>44,200</u>

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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 30 June 2020 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 paid

The Group did not pay any dividend during the quarter and financial period ended 30 June 2020.

9. Acquisitions and disposals of property, plant and equipment

During the quarter and financial period ended 30 June 2020, the Group acquired Property, Plant and Equipment ("PPE") with an aggregate cost of RM106,573 (2nd Quarter 30 June 2019: RM225,569) and RM224,449 (30 June 2019: RM479,793). Net Book Value of PPE disposed/ written off by the Group for the quarter and financial period ended 30 June 2020 was Nil (2nd Quarter 30 June 2019: Nil) and Nil (30 June 2019: RM2).

10. Related party disclosures

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

	Individual quarter		Cumulative quarter	
	Quarter ended	Quarter ended	Period ended	Period ended
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Income				
Sale of construction materials to:				
-Rekaruang Sdn. Bhd.	-	67	-	68
-Petra Jaya Properties Sdn. Bhd.	-	70	-	151
Expenditure				
Insurance premium paid to Transnational Insurance Brokers (M) Sdn. Bhd.	-	172	-	206
Rental paid to Reignvest Corporation Sdn. Bhd.	-	180	-	360
Purchase of roofing construction material from Super Glory Industries Sdn. Bhd.	-	9	-	9

The above disclosure of related party transactions was prepared in accordance with MFRS 124.

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NOTES (cont'd)

11. Debt and equity securities

On 16 June 2020, the Company has completed the private placement exercise, in which the Company has issued 36,750,000 new shares with an issue price of RM1.82 new placement shares.

Other than private placement exercise, there were no unusual items affect the debt and equity securities for the current quarter and financial period 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 period-to-date.

13. Capital commitments

	As At 30.06.2020 RM'000	As At 31.12.2019 RM'000
Capital expenditure not provided for in the financial statements:		
Authorised and contracted for	243	98
Approved but not contracted for	2,605	2,953
	<u>2,848</u>	<u>3,051</u>
	=====	=====

14. Contingent liabilities – Unsecured

	As At 30.06.2020 RM'000	As At 31.12.2019 RM'000
Corporate guarantee given to bank for credit facilities granted to a subsidiary	38,188	37,314
	<u>38,188</u>	<u>37,314</u>
	=====	=====

15. Subsequent event

The outbreak of coronavirus disease (COVID-19) has triggered the World Health Organisation (WHO) to declare it as a pandemic on 11 March 2020. As the outbreak is unprecedented and has not been fully contained, the Group is currently assessing its ongoing developments closely and reviewing our internal counteractions prudently. The potential impact might be seen across the Group's business ecosystem, including operational processes, manpower capacity, supply chain, and distribution network as we implement Standard Operating Procedures (SOP) required for construction as well as manufacturing sectors imposed by governments. The Group will continue to monitor the COVID-19 condition and are taking steps to safeguard the community's health as well as the financial performance of the Group.

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NOTES (cont'd)

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 RM94.9 million in the second quarter of 2020, as compared to RM17.9 million in the corresponding quarter of 2019, representing an increase of 430% or RM77 million. The significant increase of revenue recognized for current quarter was contributed by the EPCC segment. The Group registered a profit before tax (“PBT”) of RM7.2 million as compared to a loss before tax of RM111,000 posted in the corresponding quarter last year. The improvement in the PBT was mainly due to the higher revenue growth in the construction contract.

On a year-to-date basis, the Group reported revenue of RM146.7 million in the first half of 2020, as compared to revenue of RM35.3 million in the first half of last year represent an increase of 316%. The construction and EPCC segment being the biggest revenue contributor to the Group recorded a total of RM120.5 million. However, the manufacturing division recorded a lower revenue of RM26.2 million for the 6 months period ended 30 June 2020 as compared to the same period in preceding year of RM35 million. The lower revenue in manufacturing division reported this year was due to the impact of Covid-19 Movement Control Order which slows down the sales in the manufacturing segment. The Group achieved a PBT of RM11.5 million was primarily due to higher revenue contributed by EPCC segment as compared to PBT of RM1.5 million recorded in the corresponding period last year. There was no contribution from the Property division.

The net assets of the Group as at 30 June 2020 stood at RM128 million which translates to RM1.05 net assets value per share.

17. Variation of results against preceding quarter

The Group registered a PBT of RM7.2 million from a revenue of RM94.9 million for the current quarter as compared to a profit before tax of RM4.2 million from a revenue of RM51.8 million in the preceding quarter. A higher profit before tax in the current quarter was mainly attributable to the increase of revenue in the construction contract.

18. Prospects for the remaining quarters

Following the enforcement of Movement Control Order (“MCO”) to counter the COVID-19 pandemic, Malaysia’s economy in the second quarter of 2020 registered a 17.1% contraction. However, through the introduction of the government stimulus package such as PRIHATIN and PENJANA, the Group believes that some sort of recovery will be observed.

The full year of the GDP growth for the country is forecasted at 3.1% and 3.8% year-on-year contraction by the World Bank and the International Monetary Fund (IMF) respectively in 2020. For 2021, the GDP growth is estimated at 6.9% and 9% respectively by the two global institutions. It is believed that Malaysia will be able to remain resilient and navigate through the storm better than other countries, on the back of its strong fundamentals, diversified economic structure, sound financial system, effective public health measures and proactive macroeconomic policy.

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NOTES (cont'd)

18. Prospects for the remaining quarters (cont'd)

On the local construction front, as the government revives more on the large-scale infrastructure projects including the recent Rapid Transit System Link agreement between Malaysia and Singapore, the Kuala Lumpur-Singapore High-Speed Rail, Mass Rapid Transit Line 3, Pan Borneo Highway and others; eyes on the tabling of Budget 2021 in November 2020 and 12th Malaysia Plan in January 2021 to have a clearer picture for the future direction and the infrastructure landscape.

Being the largest precast concrete and IBS manufacturer in East Malaysia, healthy business prospect also lies within state-funded people-centric construction projects that we will be rolling out in stages. This includes Second Trunk Road, Coastal Road, Project Rumah Mesra Rakyat, Sekolah DAIF Sarawak, Government Hospital and Health Clinic, Sarawak Water Supply Grid Programme and others. Banking on the Group's strong foothold, we are hopeful of tapping into our localized advantage in Sarawak. In addition, the Group has entered into an acquisition agreement with Edaran Kencana, a local business entity and Petronas' licensed vendor which will open the door for the Group to participate in wider range of job tendering going forward.

Outside of Malaysia, the Group is expanding its footprint into Indonesia, Oman, Qatar and UAE based on their experiences and networks, within considerable pace as global market is still actively tackling the spread of COVID-19. Job potential persists as national development remains a long term initiative. There are several construction opportunities sighted not only from neighbouring country following the relocation of capital from Jakarta to Kalimantan, but also the infrastructure requirements from Qatar for hosting the FIFA World Cup and from UAE for organising the World Expo, as well as the development of Special Economic Zone which has attracted the international investment flow into Oman.

The Group has achieved its order book target for this year with RM1.6 billion worth of works on hand as at August 2020. This can be translated into earnings for this and next few financial years. In view of the challenges posed by COVID-19 pandemic, mitigation plans have been put in place for contracts in hand in order to minimise the project progress interruption from the aspects of operational process, manpower capacity, supply chain, and distribution networks, in line with the industry required SOP.

Looking ahead, the Group will focus on three key strategies to drive sustainable value creation: (i) diversifying the geographical presence; (ii) strengthening in-house construction capabilities; (iii) exploring supply chain partnerships or technology enabler that can improve efficiency and productivity. Barring any unforeseen circumstances, such as COVID-19 second wave, the Group holds a cautiously optimistic view with its prospects and will strive to achieve satisfactory performance in 2020.

Sources:

1. Bank Negara Malaysia: Economic And Financial Developments In Malaysia In The Second Quarter of 2020. Published in August 2020
2. International Monetary Fund: World Economic Outlook. Published in June 2020
3. <https://www.theedgemarkets.com/article/world-bank-projects-malysias-economy-contract-31-2020>

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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**

	Individual quarter		Cumulative quarter	
	Quarter ended	Quarter ended	Period ended	Period ended
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
Malaysian Taxation	88		88	-
Foreign Taxation	2,061		2,061	-
Total current tax expense	2,149	-	2,149	-
(Over)/under provision of tax in prior year	-	-	-	-
Deferred tax	-	-	-	-
Total income tax expense	2,149	-	2,149	-

The Group are subject to income tax at the applicable statutory tax rates in Malaysia and overseas. Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period. Income tax for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

21. **Corporate Proposals**

On 7 April 2020, the Company announced that SCIB proposes to undertake the following corporate exercises:

1. proposed recurrent related party transactions of a revenue and trading nature entered into between SCIB and its subsidiaries and Serba Dinamik Holdings Berhad and its subsidiaries ("Proposed RRPTs"); and
2. proposed private placement of up to 36,750,000 new ordinary shares in SCIB ("SCIB Share(s)"), representing up to approximately 30.0% of the enlarged total number of issued SCIB Shares (approximately 42.8% of the total number of issued shares of SCIB) ("Proposed Private Placement").

(Collectively, the "Proposals").

Bursa Malaysia Securities Berhad ("Bursa Securities") had on 15 May 2020, resolved to approve the listing and quotation of up to 36,750,000 new SCIB Shares to be issued pursuant to the Proposed Private Placement, subject to terms and conditions which includes obtaining the shareholders' approval.

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NOTES (cont'd)

21. Corporate Proposals (cont'd)

The Company has received the approval from the shareholders of SCIB for the Proposals at the Extraordinary General Meeting held on 3 June 2020 which took immediate effect.

Further, the Board of directors of SCIB, save for the Interested Directors, had on 3 June 2020 resolved to fix the issue price for the Placement Shares at RM1.820 per Placement Share.

The issue price of RM1.820 per Placement Share represents a discount of approximately 9.81% to the 5-day volume weighted average market price ("VWAP") of SCIB Shares up to and including 2 June 2020, being the last traded day of SCIB Shares immediately preceding the price-fixing date, of RM2.018 per SCIB Share.

On 16 June 2020, 36,750,000 shares issued pursuant to the Private Placement were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad, which marks the completion of the corporate exercise.

Description	Proposed utilization RM'000	Actual utilization as at 30/06/2020 RM'000	Balance as at 30/06/2020 RM'000	Estimated timeframe for utilization of proceeds from the date of listing of the Placement Shares
Working capital for on-going projects	6,477	-	6,477	Within 12 months from the receipt of placement funds
Estimated expenses for future projects	59,408	10,776	48,632	Within 24 to 36 months from the date of award of projects
Estimated expenses in relation to the Proposals	1,000	589	411	Upon completion of the Proposals
	66,885	11,365	55,520	

The actual utilization for expenses in relation to the Proposals was approximately RM589,000, and the remaining approximately RM411,000 will be allocated as working capital for on-going projects.

22. Borrowings

	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
Short term borrowings		
Secured	19,412	17,413
Unsecured	-	-
	<u>19,412</u>	<u>17,413</u>
Long term borrowings		
Secured	17,973	18,868
	<u>37,385</u>	<u>36,281</u>

All of the above borrowings are denominated in Ringgit Malaysia.

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

24. Proposed dividend

The board of directors has proposed to declare a first interim single tier dividend of 2.3 sen per ordinary share in respect of the financial year ending 31 December 2020. The said interim dividend will be paid on 30 September 2020 to members whose names appear in the Record of Depositors of the Company on 15 September 2020.

25. Basic profit/(loss) per share

	Individual quarter		Cumulative quarter	
	Quarter ended	Quarter ended	Period ended	Period ended
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to owners of the Company	5,067	(111)	9,343	1,479
	As at	As at		
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Weighted average number of ordinary shares in issue	92,007,500	85,882,500	92,007,500	85,882,500
	Individual quarter		Cumulative quarter	
	Quarter ended	Quarter ended	Period ended	Period ended
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	Sen	Sen	Sen	Sen
Basic earnings/(loss) per share (Sen)	5.51	(0.13)	10.15	1.72

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NOTES (cont'd)

26. Material litigation

On 2 July 2018, Sarawak Consolidated Industries Berhad (“SCIB”) (“the Plaintiff”), filed the Originating Summons under Suit No. BKI-24NCC(ARB)-2/7-2018 (HC2) against Gaya Belian Sdn Bhd and two other individuals (“the Defendants”), vide its solicitors, Messrs J Marimuttu & Partners, Advocates and Solicitors. The High Court had on the 3 July 2018 granted the Ex-Parte Order restraining the Defendants from selling, transferring or other dealing with 7,121,000 shares in the Plaintiff.

Subsequently, SCIB instructed its solicitors to issue a Further Notice of Arbitration to the Defendants on 12 December 2019 together with an Offer of Settlement to return the Plaintiff's remaining shares held by the Defendants of 6,878,500 shares together with an additional sum of RM2,000,000 to be settled in cash. To-date, the Plaintiff's solicitors have not received a reply and a letter of reminder was issued to Defendants' solicitors on 3 February 2020.

There is no material development of the case so far which requires announcement to Bursa.

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

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

	Individual quarter		Cumulative quarter	
	Quarter ended	Quarter ended	Period ended	Period ended
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment and right-of-use assets	1,036	910	2,070	1,812
Impairment loss on other receivables	-	1	-	274
Finance costs	465	422	938	952
Unrealised loss on foreign exchange	165	-	150	-
Gain from a subsidiary under Creditors' Voluntary winding up	-	-	-	(1,046)
Interest income	(13)	(13)	(30)	(205)
Waiver of amount due to contract customer	-	-	-	(1,105)
Reversal of impairment loss on trade receivables	-	-	-	(585)
Inventories written down	94	-	94	-
Inventories written off	428	-	428	-

28. 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 27 August 2020.