

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No: 197501003884 (25583-W)

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

	Note	Individual quarter		Cumulative quarter	
		Quarter ended 30 September 2020 (RM'000)	Quarter ended 30 September 2019 (RM'000)	Period ended 30 September 2020 (RM'000)	Period ended 30 September 2019 (RM'000)
Continuing Operations					
Revenue	4	183,731	21,863	330,419	57,163
Cost of sales		<u>(164,351)</u>	<u>(17,050)</u>	<u>(291,024)</u>	<u>(45,554)</u>
Gross profit		19,380	4,813	39,395	11,609
Other income		414	239	838	3,445
Selling and distribution expenses		(2,548)	(2,273)	(5,550)	(5,712)
Administrative expenses		<u>(2,392)</u>	<u>(1,636)</u>	<u>(7,399)</u>	<u>(5,768)</u>
Operating profit		14,854	1,143	27,284	3,574
Finance costs		(530)	(391)	(1,468)	(1,343)
Share of loss of an associate		(6)	-	(6)	-
Profit before tax		14,318	752	25,810	2,231
Income tax expense	21	<u>(1,886)</u>	-	<u>(4,035)</u>	-
Profit after tax		12,432	752	21,775	2,231
Other comprehensive income					
Foreign currency translation differences		<u>(2,117)</u>	-	<u>(1,622)</u>	-
Total comprehensive income for the period		<u>10,315</u>	<u>752</u>	<u>20,153</u>	<u>2,231</u>
Profit after tax attributable to owners of the Company					
		<u>12,432</u>	<u>752</u>	<u>21,775</u>	<u>2,231</u>
Total comprehensive income attributable to owners of the Company					
		<u>10,315</u>	<u>752</u>	<u>20,153</u>	<u>2,231</u>
Earnings per share (sen)					
Basic and diluted	26	<u>12.16</u>	<u>0.88</u>	<u>21.30</u>	<u>2.60</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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	Note	30 September 2020 (Unaudited) (RM'000)	31 December 2019 (Audited) (RM'000)
ASSETS			
Non-current assets			
Property, plant and equipment	4, 9	24,556	26,122
Right-of-use assets	4	17,448	18,078
Investment in associate	11	294	-
Other assets		6,190	6,190
		48,488	50,390
Current assets			
Inventories		21,811	24,420
Trade receivables		264,794	30,901
Other receivables, deposits and prepayments		13,272	1,154
Contract assets		10,920	199
Current tax asset		12	10
Fixed deposits with licensed banks		562	562
Cash and bank balances		61,103	8,473
		372,474	65,719
TOTAL ASSETS		420,962	116,109
EQUITY AND LIABILITIES			
Equity attributable to Owners of the Company			
Share capital		152,127	85,913
Foreign exchange translation reserves		(1,622)	-
Accumulated losses		(14,958)	(33,912)
Total equity		135,547	52,001
Non-current liabilities			
Other payables		187	187
Bank borrowings	23	17,581	18,868
Lease liabilities		510	732
		18,278	19,787
Current liabilities			
Trade payables		240,139	24,041
Other payables and accruals		2,760	2,418
Contract liabilities		140	37
Bank borrowings	23	19,628	17,413
Lease liabilities		455	412
Income tax payable		4,015	-
		267,137	44,321
Total liabilities		285,415	64,108
TOTAL EQUITY AND LIABILITIES		420,962	116,109
Net assets per share (RM)		1.11	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 THIRD QUARTER ENDED 30 SEPTEMBER 2020**Unaudited Condensed Consolidated Statements of Changes in Equity**

	←————— Attributable to owners of the Company —————→ Non-distributable			—————→
	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	-	-	2,231	2,231
At 30 September 2019	<u>85,913</u>	<u>-</u>	<u>(34,831)</u>	<u>51,082</u>
At 1 January 2020	85,913	-	(33,912)	52,001
Issues of share capital	66,214	-	-	66,214
Profit after tax for the period	-	-	21,775	21,775
Other comprehensive income for the period:				
- Foreign currency translation difference for the period	-	(1,622)	-	(1,622)
Total comprehensive income for the period	-	(1,622)	21,775	20,153
Dividends paid to owners of the Company	-	-	(2,821)	(2,821)
At 30 September 2020	<u>152,127</u>	<u>(1,622)</u>	<u>(14,958)</u>	<u>135,547</u>

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 THIRD QUARTER ENDED 30 SEPTEMBER 2020

Unaudited Condensed Consolidated Statements of Cash Flows

	9 Months ended 30 September 2020 RM'000	9 Months ended 30 September 2019 RM'000
Cash flows from operating activities		
Profit before tax	25,810	2,135
Adjustment for:		
Depreciation of property, plant and equipment and right-of-use assets	3,116	2,728
Impairment loss on other receivables	-	274
Finance costs	1,468	1,343
Inventories written down	94	-
Inventories written off	407	-
Property, plant and equipment written off	12	-
Unrealised gain on foreign exchange	(17)	-
Gain from a subsidiary under Creditors' Voluntary winding up	-	(1,046)
Gain on disposal of property, plant and equipment and right-of-use assets	-	(36)
Share of loss of an associate	6	-
Interest income	(48)	(214)
Waiver of amount due to contract customer	-	(1,105)
Reversal of impairment loss on trade receivables	-	(585)
Operating profit before working capital changes	<u>30,848</u>	<u>3,494</u>
Decrease/(increase) in inventories	2,108	(2,023)
(Increase)/decrease in trade and other receivables	(246,780)	946
Increase in other assets	-	(1,300)
Increase in other current assets	-	(1,689)
Increase in contract assets	(10,721)	-
Increase in fixed deposit pledged to bank	-	(163)
Increase in trade and other payables	217,225	97
Increase in contract liabilities	103	-
Cash used in operating activities	<u>(7,217)</u>	<u>(638)</u>
Interest paid	(1,468)	(1,343)
Interest received	48	214
Income tax paid	(32)	(49)
Income tax refunded	10	34
Net cash used in operating activities	<u>(8,659)</u>	<u>(1,782)</u>
Cash flows from investing activities		
Net cash outflows from a subsidiary under Creditors' Voluntary winding up	-	(63)
Proceeds from disposal of property, plant & equipment and right-of-use assets	-	36
Acquisition of associates	(300)	-
Purchase of property, plant and equipment and right-of-use assets	(931)	(584)
Net cash used in investing activities	<u>(1,231)</u>	<u>(611)</u>
Cash flows from financing activities		
Dividends paid to owners of the Company	(2,821)	-
Proceeds from issuance of shares	66,214	-
Drawdown of revolving credit	1,154	2,811
Drawdown of bankers' acceptances	12,413	8,257
Drawdown of term loans	-	2,313
Drawdown of lease	128	-
Repayment of lease liabilities	(308)	(329)
Repayment of term loans	(490)	(1,168)
Repayment of revolving credit	-	(3,000)
Repayment of bankers' acceptances	(12,148)	(5,319)
Net cash generated from financing activities	<u>64,142</u>	<u>3,565</u>
Net increase in cash and cash equivalents	54,252	1,172
Effects of foreign exchange translation	(1,622)	-
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>61,103</u>	<u>6,097</u>
Cash and cash equivalents at the end of the financial period comprise the following:		
Deposits, cash and bank balances	61,665	6,688
Bank overdraft (included within short term borrowings in Note 22)	-	(45)
Less: Fixed deposit pledged	(562)	(546)
	<u>61,103</u>	<u>6,097</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 THIRD QUARTER ENDED 30 SEPTEMBER 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 THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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	21,621	-	162,110	-	183,731
Less: Inter-segment sales	-	-	-	-	-
External revenue	<u>21,621</u>	<u>-</u>	<u>162,110</u>	<u>-</u>	<u>183,731</u>
Segment Results					
Results	(619)	(124)	15,600	(3)	14,854
Finance costs	(530)	-	-	-	(530)
Share of loss of an associate					<u>(6)</u>
Profit before tax					14,318
Income tax expense					<u>(1,886)</u>
Profit after tax					<u>12,432</u>
Other information					
Interest income	<u>12</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>18</u>

Results for 3 months ended 30 September 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	21,833	-	83	-	21,916
(Less): Inter-segment sales	(53)	-	-	-	(53)
External revenue	<u>21,780</u>	<u>-</u>	<u>83</u>	<u>-</u>	<u>21,863</u>

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

	Manu- facturing RM'000	Property trading RM'000	Construction/ EPCC RM'000	Others RM'000	Consolidated RM'000
Segment Results					
Results	1,177	(14)	(20)	-	1,143
Finance costs	(391)	-	-	-	(391)
Profit before tax					752
Income tax expense					-
Profit after tax					752
Other information					
Interest income	9	-	-	-	9

Results for 9 months ended 30 September 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	47,796	-	282,623	-	330,419
Less: Inter-segment sales	-	-	-	-	-
External revenue	47,796	-	282,623	-	330,419
Segment Results					
Results	(3,311)	(334)	30,934	(5)	27,284
Finance costs	(1,468)	-	-	-	(1,468)
Share of loss of an associate					(6)
Profit before tax					25,810
Income tax expense					(4,035)
Profit after tax					21,775
Other information					
Interest income	42	-	6	-	48

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**NOTES (cont'd)****4. Segmental information (cont'd)****Results for 9 months ended 30 September 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	57,063	-	285	-	57,348
(Less): Inter-segment sales	(185)	-	-	-	(185)
External revenue	<u>56,878</u>	<u>-</u>	<u>285</u>	<u>-</u>	<u>57,163</u>

Segment Results

Results	2,548	(39)	1,068	(3)	3,574
Finance costs	(1,343)	-	-	-	(1,343)
Profit before tax					2,231
Income tax expense					-
Profit after tax					<u>2,231</u>

Other information

Interest income	<u>129</u>	<u>-</u>	<u>85</u>	<u>-</u>	<u>214</u>
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Segmental revenue by countries

	Individual quarter		Cumulative quarter	
	30.09.2020 RM'000	30.09.2019 RM'000	30.09.2020 RM'000	30.09.2019 RM'000
Malaysia	25,782	21,863	58,337	57,163
Indonesia	10,215	-	11,986	-
Oman	53,649	-	99,894	-
Qatar	94,085	-	160,202	-
	<u>183,731</u>	<u>21,863</u>	<u>330,419</u>	<u>57,163</u>

Segmental non-current assets by countries

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
	Malaysia	42,004
Indonesia	-	-
Oman	-	-
Qatar	-	-
	<u>42,004</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 September 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 following dividend was paid during the current financial quarter under review:

Type of dividend	:	Interim single-tier dividend
For the year ended	:	31 December 2020
Approved and declared on	:	27 August 2020
Date of payment	:	30 September 2020
Dividend per share	:	2.30 sen
Net dividend paid	:	RM2,820,897.83

There was no payment of dividend during the preceding financial quarter ended 30 September 2019.

9. Acquisitions and disposals of property, plant and equipment

Acquisition and disposal of items of property, plant and equipment by the Group for the quarter and financial period ended 30 September 2020 is as follows:

	Individual quarter		Cumulative quarter	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM	RM	RM	RM
Acquisition (Cost)	707,344	232,282	931,793	712,075
Disposal /Written off (Net book value)	12,321	122	12,321	124

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020**NOTES (cont'd)****10. Related party disclosures**

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

	Individual quarter		Cumulative quarter	
	Quarter ended 30.09.2020 RM'000	Quarter ended 30.09.2019 RM'000	Period ended 30.09.2020 RM'000	Period ended 30.09.2019 RM'000
Income				
Sale of construction materials to:				
- Rekaruang Sdn. Bhd.	-	(4)	-	64
- Petra Jaya Properties Sdn. Bhd.	-	579	-	730
EPCC contract:-				
- Edaran Kencana Sdn. Bhd.	1,673	-	1,673	-
Expenditure				
Insurance premium paid to Transnational Insurance Brokers (M) Sdn. Bhd.				
	130	125	341	331
Rental paid to Reignvest Corporation Sdn. Bhd.				
	-	180	-	540
Purchase of roofing construction material from Super Glory Industries Sdn. Bhd.				
	-	-	-	9

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

11. Investment in an associate

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
Unquoted shares, at cost	300	-
Share of post-acquisitions reserve	(6)	-
	<u>294</u>	<u>-</u>

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership interest	
			As at 30.09.2020 %	As at 31.12.2019 %
Edaran Kencana Sdn. Bhd.	Malaysia	General contractors and builders, engineering consultancy and other related services	30%	-

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NOTES (cont'd)

12. 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.

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 30.09.2020 RM'000	As at 31.12.2019 RM'000
Capital expenditure not provided for in the financial statements:		
Approved and contracted for	350	98
	=====	=====

15. Contingent liabilities – Unsecured

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
Corporate guarantee given to bank for credit facilities granted to a subsidiary	38,050	37,314
	=====	=====

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

17. Performance review

The Group recorded revenue of RM183.7 million in the third quarter of 2020, as compared to RM21.9 million in the corresponding quarter of 2019, representing an increase of 739% or RM161.8 million. The significant increase of revenue recognized for current quarter was principally derived from the EPCC segment. The Group registered a profit before tax (“PBT”) of RM14.3 million as compared to a PBT of RM752,000 posted in the corresponding quarter last year. The improvement in the PBT was mainly due to the higher revenue sourced from EPCC segment in middle east region such as Oman and Qatar.

For the year to date, the Group reported revenue of RM330.4 million in the nine months period of 2020, as compared to revenue of RM57.2 million for the same period last year, representing an increase of 478%. The construction and EPCC segment being the biggest revenue contributor to the Group recorded a total of RM282.6 million. However, the manufacturing division recorded a lower revenue of RM47.8 million for the 9 months period ended 30 September 2020 as compared to the same period in preceding year of RM56.9 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 RM25.8 million as compared to PBT of RM2.2 million recorded in the corresponding period last year. The significant growth in PBT for the nine months period ended 30 September 2020 was primarily due to higher revenue contributed by EPCC segment. There was no contribution from the Property division.

The net assets of the Group as at 30 September 2020 stood at RM136 million which translates to RM1.11 net assets value per share.

18. Variation of results against preceding quarter

The Group registered a PBT of RM14.3 million from a revenue of RM183.7 million for the current quarter as compared to a PBT of RM7.2 million from a revenue of RM94.9 million in the immediate preceding quarter. A higher profit before tax in the current quarter was mainly attributable to the increase of revenue in the EPCC segment.

19. Prospects for the remaining quarters

Malaysia’s economy has reported -2.7% gross domestic product (“GDP”) for third quarter this year, a significant recovery from the 17.1% contraction in the second quarter of 2020. The rebound was primarily driven by the recommencement of economic activities and business operations, together with the introduction of government stimulus packages worth RM305 billion.

From a full year perspective, the World bank and the International Monetary Fund have revised its Malaysia 2020 GDP forecast to 4.9% and 6.0% year-on-year contraction versus its earlier estimate of 3.1% and 3.8% decline. Moving towards 2021, the GDP growth is projected to revive progressively at 6.3% and 7.8% by the two global institutions. The Malaysian Institute of Economic Research (MIER) commented that new measures to contain the COVID-19 pandemic and government stimulus measures including public spending, new incentives, and investments in the private sector would help further to ease this unprecedented challenging time.

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NOTES (cont'd)

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

Budget 2021 emphasises on the current ongoing projects like Mass Rapid Transit (MRT) Line 2, Light Rail Transit (LRT) Line 3, West Coast Expressway and Pan Borneo Highway. Several key projects will also be continued such as Rapid Transit System Link from Johor Bahru to Woodlands, Singapore and MRT 3 in Klang Valley. Other opportunities may come from the health sub-sector focusing on expanding the nation's healthcare facilities especially during the backdrop of COVID-19 pandemic. This will potentially lead to the development of more new hospitals and clinics nationwide. These infrastructure projects are expected to benefit local qualified constructors as well as building materials suppliers.

Being the largest precast concrete and Industrial Building System (IBS) manufacturer in East Malaysia, positive prospect of the Group also lies within the state-funded people-centric construction projects that 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 in Sarawak, the Group is hopeful to contribute to the state development by tapping on our localized advantages. Under Budget 2021, there is an allocation of RM4.5 billion proposed for Sarawak to build and upgrade water, electricity, road infrastructure health and education facilities. Hence, the Group is holding an optimistic view on the future construction landscape.

Having said so, the Group comprehends the importance of diversification and does not solely rely on domestic or single market only. Hence, the Group has ventured into potential markets such as, neighbouring Indonesia and the Middle East through the resources and experiences of our key management. This has bear fruitful results evident through our projects secured. The Group also see vast opportunities to benefit from the relocation of capital from Jakarta to Kalimantan, the infrastructure requirements from Qatar for hosting the FIFA World Cup 2022 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 order book value achieved as of third quarter stood at RM1.4 billion. This could be translated into earnings for the current and next four financial years. While the Group is actively developing more business, the project teams are also executing the existing works on-site to ensure timely delivery. Seven out of thirteen projects on hand have been granted reasonable extension by clients, ranging from 3 to 9 months for the completion period due to the stricter SOP compliance requirement under the COVID-19 condition. All projects are being monitored closely and on track during third quarter.

To sharpen the Group's competitive edge, a few steps and initiatives are being explored. One of the highlights encompass taking an equity ownership of Edaran Kencana which opens the door to participate in a broader range of job tendering going forward with its licensing as Petronas vendor. On top of this, the Group is also qualified with Construction Industry Development Board (CIDB) license Grade 7, Sijil Taraf Bumiputera (STB) license, Sijil Perolehan Kerja Kerajaan (SPKK) license, as well as the Ministry of Finance (MOF) license to take part in Government or semi-government projects.

Looking ahead, the Group remains focused 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 like 3D printing that can improve efficiency and productivity. Barring any unforeseen circumstances, the Group holds a cautiously optimistic view on its prospects and will strive to achieve satisfactory performance in 2020.

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NOTES (cont'd)

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

Sources:

YB Tengku Dato' Sri Zafrul Abdul Aziz, Finance Minister of Malaysia, 2021 Budget Speech. Published on 6 November 2020

RHB, Strategy – Malaysia 2021 Budget. Published on 6 November 2020

Bank Negara Malaysia: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2020. Published on 13 November 2020

<https://www.theedgemarkets.com/article/tough-malaysia-go-through-another-lockdown-%E2%80%94-world-bank>

<https://www.theedgemarkets.com/article/imf-expects-malysias-gdp-increase-78-next-year>

<https://www.theedgemarkets.com/article/mier-revises-down-real-gdp-projection-55-2020>

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

Not applicable

(b) Shortfall in the profit guarantee

Not applicable

21. Income tax expense

	Individual quarter		Cumulative quarter	
	Quarter ended	Quarter ended	Period ended	Period ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
Malaysian Taxation	-	-	88	-
Foreign Taxation	1,886	-	3,947	-
Total current tax expense	1,886	-	4,035	-
(Over)/under provision of tax in prior year	-	-	-	-
Deferred tax	-	-	-	-
Total income tax expense	1,886	-	4,035	-

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.

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NOTES (cont'd)

22. Corporate Proposals

(i) Utilisation of Proceeds from Private Placement on 16 June 2020

The gross proceeds from the Private Placement of RM66.9 million shall be utilized in the following manner:

Description	Proposed utilization RM'000	Actual utilization as at 30/09/2020 RM'000	Balance as at 30/09/2020 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	4,150	2,327	Within 12 months from the receipt of placement funds
Estimated expenses for future projects	59,408	9,509	49,899	Within 24 to 36 months from the date of award of projects
Estimated expenses in relation to the Proposals	1,000	730	270	Upon completion of the Proposals
	66,885	14,389	52,496	

The actual utilization for expenses in relation to the Proposals was approximately RM730,000, and the remaining approximately RM270,000 will be allocated as working capital for on-going projects.

(ii) Bonus Issue of Shares and Free Warrants

The Company has received the approval from the shareholders of SCIB for the Proposals at the Extraordinary General Meeting held on 17 November 2020

- (i) bonus issue of 367,897,500 new Bonus Shares on the basis of 3 Bonus Shares for every 1 existing SCIB Share held on the Bonus Entitlement Date; and
- (ii) issuance of 245,265,000 Warrants on the basis of 1 Warrant for every 2 SCIB Shares held on the Warrants Entitlement Date.

23. Borrowings

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
Short term borrowings		
Secured	19,628	17,413
Unsecured	-	-
	<hr/> 19,628	<hr/> 17,413

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	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
Long term borrowings		
Secured	17,581	18,868
	<u>37,209</u>	<u>36,281</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. Proposed dividend

The board of directors has proposed to declare a second interim single tier dividend of 3 sen per ordinary share in respect of the financial year ending 31 December 2020. The said interim dividend will be paid on 29 January 2021 to members whose names appear in the Record of Depositors of the Company on 31 December 2020.

26. Basic profit per share

	Individual quarter		Cumulative quarter	
	Quarter ended 30.09.2020 RM'000	Quarter ended 30.09.2019 RM'000	Period ended 30.09.2020 RM'000	Period ended 30.09.2019 RM'000
Profit attributable to owners of the Company	<u>12,432</u>	<u>752</u>	<u>21,775</u>	<u>2,231</u>
	As at 30.09.2020	As at 30.09.2019	As at 30.09.2020	As at 30.09.2019
Weighted average number of ordinary shares in issue	<u>102,215,833</u>	<u>85,882,500</u>	<u>102,215,833</u>	<u>85,882,500</u>
	Individual quarter Quarter ended 30.09.2020	Quarter ended 30.09.2019	Cumulative quarter Period ended 30.09.2020	Period ended 30.09.2019
Basic earnings per share (Sen)	<u>12.16</u>	<u>0.88</u>	<u>21.30</u>	<u>2.60</u>

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NOTES (cont'd)

27. 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.

28. Additional disclosures on profit for the period

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

	Individual quarter		Cumulative quarter	
	Quarter ended	Quarter ended	Period ended	Period ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment and right-of-use assets	1,046	916	3,116	2,728
Reversal of impairment loss on trade receivables	-	-	-	(585)
Impairment loss on other receivables	-	-	-	274
Finance costs	530	391	1,468	1,343
Unrealised gain on foreign exchange	(167)	-	(17)	-
Gain on disposal of property, plant and equipment and right-of-use assets	-	(36)	-	(36)
Interest income	(18)	(9)	(48)	(214)
Waiver of amount due to contract customer	-	-	-	(1,105)
Inventories written down	-	-	94	-
Inventories written off	(21)	-	407	-
Property, plant and equipment written off	12	-	12	-
Share of loss of an associate	6	-	6	-
Gain from a subsidiary under Creditors' Voluntary winding up	-	-	-	(1,046)

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 26 November 2020.