

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No: 197501003884 (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2021

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Unaudited Individual Quarter 01.01.2021 to 31.03.2021 RM'000	Unaudited Cumulative Quarter 01.01.2020 to 31.03.2021 RM'000
	Note		
Continuing Operations			
Revenue	5	175,280	691,301
Cost of sales		(153,397)	(607,826)
Gross profit		21,883	83,475
Other income		313	19,080
Selling and distribution expenses		(2,099)	(9,847)
Administrative expenses		(5,611)	(16,953)
Net impairment loss on financial assets		-	(174)
Operating profit		14,486	75,581
Finance income		282	534
Finance costs		(475)	(2,395)
Net finance costs		(193)	(1,861)
Share of profit of an associate		2	36
Profit before tax		14,295	73,756
Income tax expense	23	(2,100)	(9,389)
Profit after tax		12,195	64,367
Other comprehensive income:			
Foreign currency translation differences for foreign operations		5,268	922
Total comprehensive income for the period		17,463	65,289
Profit attributable to:			
Owners of the Company		12,197	64,369
Non-controlling interests		(2)	(2)
		12,195	64,367
Total comprehensive income attributable to:			
Owners of the Company		17,465	65,291
Non-controlling interests		(2)	(2)
		17,463	65,289
Earnings per share (sen)			
Basic and diluted	28	2.49	13.12

Note: Pursuant to the change in the financial year end from 31 December 2020 to 30 June 2021, there are no comparative figures presented.

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2019.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 31 MARCH 2021****Unaudited Condensed Consolidated Statement of Financial Position**

	Note	Unaudited As At 31.03.2021 RM'000	Audited As At 31.12.2019 RM'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	5, 10	27,267	26,122
Right-of-use assets	5	15,482	18,078
Investment in an associate	12	336	-
Other assets		-	6,190
		43,085	50,390
<u>Current assets</u>			
Inventories		24,214	24,420
Contract assets		7,819	199
Trade and other receivables		592,361	31,170
Current tax assets		86	10
Prepayments		6,720	885
Cash and cash equivalents		66,839	9,035
		698,039	65,719
TOTAL ASSETS		741,124	116,109
EQUITY AND LIABILITIES			
Share capital		152,269	85,913
Foreign exchange translation reserves		922	-
Retained earnings / (accumulated losses)		20,150	(33,912)
Equity attributable to owners of the Company		173,341	52,001
Non-controlling interests		(2)	-
Total equity		173,339	52,001
<u>Non-current liabilities</u>			
Loans and borrowings	25	16,433	18,868
Lease liabilities		977	732
Other payables		182	187
		17,592	19,787
<u>Current liabilities</u>			
Loans and borrowings	25	23,765	17,413
Lease liabilities		606	412
Trade and other payables		463,837	26,459
Contract liabilities		52,529	37
Income tax payable		9,456	-
		550,193	44,321
Total liabilities		567,785	64,108
TOTAL EQUITY AND LIABILITIES		741,124	116,109
Net assets per share attributable to owners of the Company (RM)		0.35	0.61

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2019.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2021

Unaudited Condensed Consolidated Statement of Changes in Equity

Note	Attributable to owners of the Company				Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Foreign exchange translation reserves RM'000	Retained earnings/ (accumulated losses) RM'000			
Balance at 1 January 2020	85,913	-	-	(33,912)	52,001	-	52,001
Profit after tax for the period	-	-	-	64,367	64,367	(2)	64,365
Other comprehensive income for the period:							
Foreign currency translation difference for the period	-	-	922	-	922	-	922
Total comprehensive income for the period	-	-	922	64,367	65,289	(2)	65,287
Transactions with owners of the Company:							
Issue of ordinary shares	66,214	-	-	-	66,214	-	66,214
Shares acquired as a result of Settlement Agreement	17	(33,429)	-	-	(33,429)	-	(33,429)
Treasury shares sold	17	33,429	-	5,514	38,943	-	38,943
Exercise of warrants	142	-	-	-	142	-	142
Dividends to owners of the Company	9	-	-	(15,819)	(15,819)	-	(15,819)
Total transactions with owners of the Company	66,356	-	-	(10,305)	56,051	-	56,051
Balance at 31 March 2021	152,269	-	922	20,150	173,341	(2)	173,339

Note: Pursuant to the change in the financial year end from 31 December 2020 to 30 June 2021, there are no comparative figures presented.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2019.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2021

Unaudited Condensed Consolidated Statement of Cash Flows

	Unaudited Cumulative Quarter 01.01.2020 to 31.03.2021 RM'000
Cash flows from operating activities	
Profit before tax	73,756
Adjustments for:	
Depreciation of property, plant and equipment and right-of-use assets	5,096
Impairment loss on trade receivables	174
Finance costs	2,395
Inventories written down	311
Inventories written off	538
Property, plant and equipment written off	13
Unrealised gain on foreign exchange	(171)
Gain on disposal of property, plant and equipment and right-of-use assets	(16)
Share of profit of an associate	(36)
Finance income	(534)
Fair value gain on profit guarantee receivable	(17,739)
Operating profit before working capital changes	63,787
Increase in inventories	(643)
Increase in trade and other receivables	(528,163)
Increase in contract assets	(7,620)
Increase in trade and other payables	426,047
Increase in contract liabilities	52,492
Cash generated from operating activities	5,900
Interest paid	(2,395)
Interest received	534
Income tax paid	(153)
Income tax refunded	10
Net cash generated from operating activities	3,896
Cash flows from investing activities	
Proceeds from disposal of property, plant & equipment	16
Acquisition of an associate	(300)
Acquisition of property, plant and equipment	(2,646)
Increase in pledged fixed deposits with licensed banks	(20,046)
Net cash used in investing activities	(22,976)
Cash flows from financing activities	
Dividends paid to owners of the Company	(15,819)
Proceeds from the issue of ordinary shares	66,356
Drawdown of revolving credit	3,684
Drawdown of bankers' acceptances	24,326
Repayment of lease liabilities	(573)
Repayment of term loans	(1,541)
Repayment of revolving credit	(871)
Repayment of bankers' acceptances	(21,681)
Net cash generated from financing activities	53,881

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Unaudited Condensed Consolidated Statement of Cash Flows (cont'd)

	Unaudited Cumulative Quarter
	01.01.2020 to 31.03.2021
	RM'000
Net increase in cash and cash equivalents	34,801
Effects of foreign exchange translation	2,958
Cash and cash equivalents at the beginning of the period	8,473
Cash and cash equivalents at the end of the period	46,232
Cash and cash equivalents at the end of the financial period comprise the following:	
Deposits, cash and bank balances	66,839
Bank overdraft (included within short term borrowings)	-
Less: Fixed deposit pledged	(20,607)
	46,232

Note: Pursuant to the change in the financial year end from 31 December 2020 to 30 June 2021, there are no comparative figures presented.

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 31 December 2019.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2021

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. Change in financial year end

As announced on 24 May 2021, the Company has changed its financial year end from 31 December to 30 June. As such, no comparative figures are presented as it is not comparable with any comparative period previously reported.

3. 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 2021:

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 ‘Interest Rate Benchmark Reform – Phase 2’	1 January 2021
Amendment to MFRS 16 Leases - Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Annual improvements to MFRS standards 2018 – 2020: Amendments to MFRS 9 ‘Fees in the 10% test for derecognition of financial liabilities’	1 January 2022
Amendments to MFRS 3 ‘Reference to Conceptual Framework’	
Amendments to MFRS 116 ‘Proceeds before intended use’	
Amendments to MFRS 137 ‘Onerous contracts – cost of fulfilling a contract’	

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NOTES (cont'd)

3. Significant accounting policies (cont'd)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 – Insurance Contracts and amendments to MFRS 17	1 January 2023
Amendments to MFRS 101 ‘Classification of Liabilities as Current or Non-current’	
Amendments to MFRS 101 ‘Disclosure of Accounting Policies’	
Amendments to MFRS 108 ‘Definition of Accounting Estimates’	

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.

4. Auditors’ report on preceding annual financial statements

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

5. Segmental information

Results for 3 months ended 31 March 2021 (01.01.2021 to 31.03.2021)

	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	19,543	-	155,737	-	175,280
(Less) Inter-segment sales	-	-	-	-	-
External revenue	<u>19,543</u>	<u>-</u>	<u>155,737</u>	<u>-</u>	<u>175,280</u>
Segment Results					
Results	(1,286)	(89)	16,146	(3)	14,768
Finance costs	(470)	(4)	(1)	-	(475)
Share of profit of an associate					<u>2</u>
Profit before tax					14,295
Income tax expense					(2,100)
Profit after tax					<u>12,195</u>
Other information					
Finance income	<u>115</u>	<u>-</u>	<u>167</u>	<u>-</u>	<u>282</u>

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 31 MARCH 2021****NOTES (cont'd)****5. Segmental information (cont'd)****Results for 15 months ended 31 March 2021 (01.01.2020 to 31.03.2021)**

	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	85,711	-	605,590	-	691,301
(Less) Inter-segment sales	-	-	-	-	-
External revenue	<u>85,711</u>	<u>-</u>	<u>605,590</u>	<u>-</u>	<u>691,301</u>
Segment Results					
Results	13,097	(887)	63,925	(20)	76,115
Finance costs	(2,389)	(5)	(1)	-	(2,395)
Share of profit of an associate					36
Profit before tax					73,756
Income tax expense					(9,389)
Profit after tax					<u>64,367</u>
Other information					
Finance income	<u>184</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>534</u>

Segmental revenue by countries

	Individual Quarter 01.01.2021 to 31.03.2021 RM'000	Cumulative Quarter 01.01.2020 to 31.03.2021 RM'000
Malaysia	24,347	111,401
Indonesia	(4,519)	8,167
Oman	58,891	213,042
Qatar	96,561	358,691
	<u>175,280</u>	<u>691,301</u>

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NOTES (cont'd)

5. Segmental information (cont'd)

Segmental non-current assets by countries

	As At 31.03.2021 RM'000	As At 31.12.2019 RM'000
Malaysia	42,749	44,200
Indonesia	-	-
Oman	-	-
Qatar	-	-
	<u>42,749</u>	<u>44,200</u>

6. 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 quarter ended 31 March 2021 except as disclosed in Note 2.

7. Changes in estimates

There were no changes in estimates that have had a material effect in the current quarter results.

8. Comments about seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors.

9. Dividend paid

The following dividend was paid during the current financial year under review:

Type of dividend	: Single 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	: RM2,820,547.83
Type of dividend	: Second interim single-tier dividend
For the year ended	: 31 December 2020
Approved and declared on	: 26 November 2020
Date of payment	: 29 January 2021
Dividend per share	: 3.00 sen
Net dividend paid	: RM3,678,975
Type of dividend	: Third interim single-tier dividend
For the year ended	: 31 December 2020
Approved and declared on	: 25 February 2021
Date of payment	: 30 March 2021
Dividend per share	: 1.90 sen
Net dividend paid	: RM9,320,070

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 31 MARCH 2021****NOTES (cont'd)****10. Acquisitions and disposals of property, plant and equipment**

Acquisition and disposal of items of property, plant and equipment by the Group for the quarter ended 31 March 2021 is as follows:

	Individual Quarter 01.01.2021 to 31.03.2021 RM	Cumulative Quarter 01.01.2020 to 31.03.2021 RM
Acquisition (Cost)	950,182	3,071,316
Disposal /Written off (Net book value)	<u>638</u>	<u>12,959</u>

11. Related party disclosures

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

	Individual Quarter 01.01.2021 to 31.03.2021 RM'000	Cumulative Quarter 01.01.2020 to 31.03.2021 RM'000
Income		
EPCC contract:-		
- Edaran Kencana Sdn. Bhd.	2,222	13,437
Expenditure		
Insurance premium paid to Transnational Insurance Brokers (M) Sdn. Bhd.	26	554
Purchase of safety personal protective equipment from Edaran Kencana Sdn. Bhd.	-	3
Purchase of scaffolding equipment from Edaran Kencana Sdn. Bhd.	-	663
Consultation fees paid or payable to Edaran Kencana Sdn. Bhd.	899	899
Progress claim from Edaran Kencana Sdn. Bhd.	<u>4,252</u>	<u>4,252</u>

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

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NOTES (cont'd)

12. Investment in an associate

	As At 31.03.2021 RM'000	As At 31.12.2019 RM'000
Unquoted shares, at cost	300	-
Share of post-acquisitions reserve	36	-
	336	-

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership interest	
			As At 31.03.2021	As At 31.12.2019
Edaran Kencana Sdn. Bhd.	Malaysia	General contractors and builders, engineering consultancy and other related services	30%	-

13. 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.

On 4 January 2021, it was announced that the bonus issue of share has been completed following the listing and quotation for 367,897,500 bonus shares.

On 18 January 2021, the Company announced the issuance of up to 245,265,000 free warrants in the Company to the existing shareholders of the Company on the basis of 1 warrant for every 2 existing ordinary shares held in the Company on 3 February 2021.

On 16 March 2021, there were 80,000 additional shares being allotted from the exercise of the first batch warrants.

It was announced on 27 May 2021 that Bursa Securities had, vide its letter dated 25 May 2021, resolved to approve the listing of and quotation for up to 147,158,999 new shares to be issued pursuant to the proposed private placement.

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

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2021

NOTES (cont'd)

14. Changes in composition of the Group

There were no changes in the composition of the Group except for the following:-

Incorporation of SCIB LW System Sdn. Bhd.

On 26 February 2021, SCIB LW System Sdn. Bhd. was incorporated in which its shares is 70% held by SCIB Industrialised Building System Sdn. Bhd., a wholly owned subsidiary of the Company. The remaining 30% is owned by Hartanah Construction & Development Sdn. Bhd..

15. Capital commitments

	As At 31.03.2021 RM'000	As At 31.12.2019 RM'000
Capital expenditure not provided for in the financial statements:		
Approved and contracted for	5,890	98
	=====	=====

16. Contingent liabilities – Unsecured

	As At 31.03.2021 RM'000	As At 31.12.2019 RM'000
Corporate guarantee given to bank for credit facilities granted to a subsidiary	40,607	37,314
	=====	=====

17. Treasury shares

On 10 December 2020, the Group has entered into a Settlement Agreement with the counter parties and has recognised a fair value gain on profit guarantee receivables of RM17.7 million, of which the agreement shall constitute full and final settlement of all disputes, conflicts, claims, allegations, actions, obligations, demands, suits and/or legal proceedings. Upon the Settlement Agreement, the counterparties have executed a Power of Attorney in favour of Salihin Consulting Group Sdn. Bhd. (“SCGSB”) to hold the shares of the Company as stakeholder for the purpose of selling and disposing and administer the sales proceeds. As a result, as at 31 December 2020, the shares of 8,635,520 amounted to RM10,492,157 held by SCGSB, with a view of substance over form, are accounted for similar to treasury shares in accordance with MFRS 132 in the financial statements of the Group and the Company. The remaining shares have been fully disposed and the net proceeds have been received in full by the Company in January 2021.

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NOTES (cont'd)

18. 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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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 31 MARCH 2021

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

19. Performance review

As stated in Note 2, the Group has changed its financial year end from 31 December 2020 to 30 June 2021. This reporting covers the fifteen months period from 1 January 2020 to 31 March 2021. As such, there are no comparative information presented in this report.

The Group recorded a revenue of RM175.3 million and a profit before tax (“PBT”) of RM14.3 million for the current quarter ended 31 March 2021.

Group revenue and profit/(loss) before tax by segment are as follows:

Segment	Individual Quarter		Cumulative Quarter	
	Revenue 01.01.2021 to 31.03.2021 RM'000	(Loss)/Profit before tax 01.01.2021 to 31.03.2021 RM'000	Revenue 01.01.2020 to 31.03.2021 RM'000	Profit/(Loss) before tax 01.01.2020 to 31.03.2021 RM'000
Manufacturing	19,543	(1,756)	85,711	10,708
Property Trading	-	(93)	-	(892)
Construction/EPCC	155,737	16,145	605,590	63,924
Others	-	(3)	-	(20)
	175,280	14,293	691,301	73,720
Share of profit of an associate	-	2	-	36
Total	175,280	14,295	691,301	73,756

(i) **Manufacturing**

Manufacturing segment has recorded revenue of RM19.5 million for the current quarter under review. A loss before tax of RM1.8 million in manufacturing segment was due to the impact of the COVID-19 pandemic which caused the projects delay. This in turn reduced the demand for concrete products.

(ii) **Property Trading**

There was no revenue contribution from the property trading segment for the current quarter under review due to the economy slowdown in the property market.

(iii) **Construction/EPCC**

Construction/EPCC segment contributed RM155.7 million of revenue and RM16.1 million of profit to the Group. This was mainly contributed by the EPCC in the Middle East region such as Oman and Qatar.

(iv) **Others**

Other segments mainly consist of investment holdings activities. No revenue being contributed for the current quarter under review.

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NOTES (cont'd)

20. Variation of results against preceding quarter

The Group registered a PBT of RM14.3 million from a revenue of RM175.3 million for the current quarter as compared to a PBT of RM33.7 million from a revenue of RM185.6 million in the immediate preceding quarter. The higher of PBT in the preceding quarter was mainly due to recognition of a fair value gain on profit guarantee receivable of RM17.7 million.

21. Prospects for the next year

With the prolonged COVID-19 pandemic still lingering since its initial outbreak, Malaysia's economy registered a gross domestic product ("GDP") of 0.5% contraction for the first quarter of 2021 ("1Q21"), showing recovery sign on a quarterly basis (4Q20: -3.4%). This is underpinned by domestic demand and export improvements with manufacturing leading the improved performance across all economic sectors.

Bank Negara Malaysia ("BNM") governor, Datuk Nor Shamsiah Mohd Yunus said that Malaysia is well positioned to continue benefiting from stronger global economic and trade activities as well as increased public and private sector expenditure. The recovery will be supported by resilient banking system and accommodative monetary policy, together with the rollout of vaccination programme for COVID-19 virus. Hence, BNM maintained that the country was on track to achieve 6% to 7.5% GDP growth this year.

In line with BNM's forecast, World Bank has also provided a GDP projection of 6% for Malaysia. The International Monetary Fund foresees that the nation's economy may rebound by 6.5% while the global economy to grow at 6.0% in 2021. Nonetheless, with the recent reimposition of nationwide lockdowns at different intensities, Tengku Datuk Seri Zafrul Abdul Aziz who is the Finance Minister of Malaysia, commented that economic growth could be lower than previously forecasted. The latest forecasts shared by rating agencies, Malaysian Rating Corp Bhd and Moody's Investors Service, are expecting a growth of 5.1% and slightly above 5.0% for 2021.

Looking at construction landscape, this is an unprecedented tough times as COVID-19 pandemic induced impacts not only from the aspect of strict standard operating procedures, but also supply chain disruption, project progress deferment, rising raw material prices, as well as additional safety and welfare costs. General construction works are suspended except for critical construction works during the Full Movement Control Order implemented in June 2021. We noted that there are still opportunities in public and private initiated projects with construction acting as a base to meet the public needs and propel a country's development, yet this will be moving at a slow pace as the utmost priority is to contain the alarming pandemic infection.

At SCIB, the Group is relentlessly optimising its resources and strategising the counteractions amid this challenging backdrop. Firstly, the Group is actively in talks with customers and suppliers to discuss on the site progress planning and rescheduling, if required. In view of the time extension and collaboration granted from business partners and relevant parties, the overall projects are still within our control at this juncture. Meanwhile, the Group is eyeing potential projects that could mend the current condition from slow delivery of existing projects. SCIB is qualified with the Construction Industry Development Board (CIDB) license Grade 7, Sijil Taraf Bumiputera (STB) license, Sijil Perolehan Kerja Kerajaan (SPKK) license, the Ministry of Finance (MOF) license, and Petronas vendor license on civil related scopes, which allow us to tender for government or non-government projects.

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NOTES (cont'd)

21. Prospects for the next year (cont'd)

Secondly, being the largest precast concrete and Industrialised Building System (“IBS”) manufacturer in East Malaysia, SCIB is advantageous from this synergistic in-house production capabilities for construction activities as well as a buffer for raw material price fluctuations. The Group is equipped with three integrated manufacturing factories and wharf facility for shipment across Borneo to supply 500,000 tonnes of building materials annually. Throughout the years, SCIB has been supporting numerous state-funded people-centric construction projects in Sarawak. Positive prospect that lies ahead includes the upcoming launches of Second Trunk Road, Coastal Road, Project Rumah Mesra Rakyat, Sekolah DAIF Sarawak, Government Hospital and Health Clinic, Sarawak Water Supply Grid Programme, and others. The adoption of IBS will help to expediate the construction, cut the on-site manpower usage, and facilitate better cost control.

Thirdly, SCIB aims to alleviate the single market reliance by developing diversified geographical exposures to West Malaysian, Asian and Middle Eastern countries, leveraging on the dynamic experiences and extensive resources of the management team. Domestically, the construction sector has been boosted by demands on healthcare or public welfare facilities, affordable housing, labour accommodation, as well as the revival of mega connectivity projects including the ECRL and MRT. Internationally, the Group is poised to capitalise on the progressive infrastructure requirements from (i) Indonesia for the relocation of capital from Jakarta to Kalimantan, (ii) Qatar in preparation for hosting the FIFA World Cup 2022, (iii) UAE for organising the World Expo, and (iv) Oman with the development of Special Economic Zone which attracted the international investment flow. These should become more vigorous when the pandemic is under control.

To navigate the future expansion of SCIB and to become a one-stop IBS solutions provider, the Group has identified several steps to gradually strengthen the internal capabilities and capacities towards long term value creation:

1. Set up mobile facilities for building materials manufacturing to support the projects secured in Peninsular Malaysia (including ready mix concrete and batching plants)
2. Set up lightweight system plant to complement the IBS provision (including light weight steel trust wall panel and roof trust manufacturing, supplying, and installation)
3. Adopt 3D printing technology to transform the construction landscape with a more cost- and time-efficient approach and minimise the risk of labour shortage

With the contract announced in first quarter of 2021, SCIB’s order book value on hand stood at RM2.4 billion. This could be translated into earnings for current financial year and a longer visibility up to 2030. Barring any unforeseen circumstances, the Group holds a prudent view on business prospects till the stable global recovery from COVID-19 pandemic is observed. The Group remains committed to achieve a satisfactory performance in 2021.

Sources:

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NOTES (cont'd)

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

Not applicable

(b) Shortfall in the profit guarantee

Not applicable

23. Income tax expense

	Individual Quarter 01.01.2021 to 31.03.2021 RM'000	Cumulative Quarter 01.01.2020 to 31.03.2021 RM'000
Current tax expense:		
Malaysian Taxation	-	88
Foreign Taxation	2,100	9,327
Total current tax expense	2,100	9,415
Overprovision of tax in prior year	-	(26)
Deferred tax	-	-
Total income tax expense	2,100	9,389

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)

24. 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	Estimated timeframe for utilization of proceeds from the date of listing of the Placement Shares	Proposed utilization RM'000	Actual utilization as at 31.03.2021 RM'000	Balance as at 31.03.2021 RM'000
Working capital for on-going projects	Within 12 months from the receipt of placement funds	6,477	6,408	69
Estimated expenses for future projects	Within 24 to 36 months from the date of award of projects	59,408	13,988	45,420
Estimated expenses in relation to the Proposals	Upon completion of the Proposals	1,000	671	329
		66,885	21,067	45,818

The actual utilization for expenses in relation to the Proposals was approximately RM671,000 and the remaining approximately RM329,000 will be allocated as working capital for on-going projects.

(ii) Proposed Capital Reduction

The Company has proposed reduction of the issued share capital of SCIB pursuant to Section 116 of the Companies Act 2016. The Proposed Capital Reduction entails the reduction of RM40.00 million of the issued share capital of the Company which is lost and unrepresented by available assets pursuant to Section 116(1)(b) of the Act. The corresponding credit of RM40.00 million arising from the Proposed Capital Reduction will be utilised to eliminate the accumulated losses of the Company while the balance, if any, will be credited to the retained earnings account of the Company which may be utilised in such manner as the Board deems fit, as permitted by the relevant and applicable laws, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") as well as the Company's Constitution

An order by the court will be sought to confirm the Proposed Capital Reduction pursuant to Section 116 of the Act after the receipt of approvals from the shareholders of the Company for the Proposed Capital Reduction at a general meeting of the Company to be convened.

The effective date of the Proposed Capital Reduction will be the date of lodgement of the sealed court order of the High Court confirming the Proposed Capital Reduction with the Registrar of Companies pursuant to Section 116(6) of the Act.

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NOTES (cont'd)

24. Corporate Proposals (cont'd)

(iii) Proposed Acquisition

The Company had on 14 April 2021 entered into a conditional Share Sale Agreement with Noorazylawati Binti Abdul Bakar, Mohd Khairil Bin Mohd Hatta and Ibrahim Bin Mohd Noor, who are non-related third parties, with the objective of exploring business expansion plans in Peninsular Malaysia. Upon the completion of the Proposed Acquisition, Kencana Precast Concrete Sdn. Bhd. will become a wholly-owned subsidiary of the Company.

25. Loans and borrowings

	As At 31.03.2021 RM'000	As At 31.12.2019 RM'000
Short-term borrowings		
Secured	23,765	17,413
Unsecured	-	-
	<hr/> 23,765	<hr/> 17,413
Long-term borrowings		
Secured	16,433	18,868
	<hr/> 40,198	<hr/> 36,281

All of the above borrowings are denominated in Ringgit Malaysia.

26. Derivatives financial instruments

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

27. Proposed dividend

There is no dividend proposed as at the date of this report.

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	Individual Quarter 01.01.2021 to 31.03.2021 RM'000	Cumulative Quarter 01.01.2020 to 31.03.2021 RM'000
Profit attributable to:		
Owners of the Company	12,197	64,369
	As At	
	31.03.2021	31.03.2021
Weighted average number of ordinary shares in issue	490,556,667	490,556,667
	Individual Quarter 01.01.2021to 31.03.2021 RM'000	Cumulative Quarter 01.01.2020 to 31.03.2021 RM'000
Basic earnings per share (Sen)	2.49	13.12

29. Material litigation

There is no material litigation pending as at the date of this report.

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

	Individual Quarter 01.01.2021 to 31.03.2021 RM'000	Cumulative Quarter 01.01.2020 to 31.03.2021 RM'000
Depreciation of property, plant and equipment and right-of-use assets	1,166	5,096
Impairment loss on trade receivables	-	174
Finance costs	475	2,395
Inventories written down	4	311
Inventories written off	1	538
Property, plant and equipment written off	1	13
Unrealised gain on foreign exchange	(216)	(171)
Gain on disposal of property, plant and equipment and right-of-use assets	(16)	(16)
Share of profit of an associate	(2)	(36)
Finance income	(282)	(534)
Fair value gain on profit guarantee receivable	-	(17,739)

31. 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 June 2021.

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