

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No: 197501003884 (25583-W)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2021

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

		Unaudited Individual Quarter	Unaudited Cumulative Quarter
		01.07.2021 to 30.09.2021	01.07.2021 to 30.09.2021
	Note	RM'000	RM'000
Continuing Operations			
Revenue	5	26,486	26,486
Cost of sales		<u>(23,822)</u>	<u>(23,822)</u>
Gross profit		2,664	2,664
Other income		350	350
Selling and distribution expenses		(1,761)	(1,761)
Administrative expenses		(3,607)	(3,607)
Net impairment loss on financial assets		<u>-</u>	<u>-</u>
Operating loss		(2,354)	(2,354)
Finance income		95	95
Finance costs		<u>(436)</u>	<u>(436)</u>
Net finance costs		(341)	(341)
Share of loss of an associate		<u>(19)</u>	<u>(19)</u>
Loss before tax		(2,714)	(2,714)
Income tax expense	22	<u>-</u>	<u>-</u>
Loss after tax		(2,714)	(2,714)
Other comprehensive income:			
Foreign currency translation differences for foreign operations		236	236
Total comprehensive expenses for the period		<u>(2,478)</u>	<u>(2,478)</u>
Loss attributable to:			
Owners of the Company	27	(2,700)	(2,700)
Non-controlling interests	27	<u>(14)</u>	<u>(14)</u>
		<u>(2,714)</u>	<u>(2,714)</u>
Total comprehensive expenses attributable to:			
Owners of the Company		(2,464)	(2,464)
Non-controlling interests		<u>(14)</u>	<u>(14)</u>
		<u>(2,478)</u>	<u>(2,478)</u>
Loss per share (sen)			
Basic and diluted	27	<u>(0.54)</u>	<u>(0.54)</u>

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 30 SEPTEMBER 2021****Unaudited Condensed Consolidated Statement of Financial Position**

	Note	Unaudited As At 30.09.2021 RM'000	Audited As At 31.12.2019 RM'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	5, 10	31,645	26,122
Right-of-use assets	5	15,208	18,078
Investment in an associate	12	284	-
Other assets		-	6,190
		47,137	50,390
<u>Current assets</u>			
Inventories		23,512	24,420
Contract assets		2,249	199
Trade and other receivables		684,065	31,170
Current tax assets		164	10
Prepayments		33,915	885
Cash and cash equivalents		43,752	9,035
		787,657	65,719
TOTAL ASSETS		834,794	116,109
EQUITY AND LIABILITIES			
Share capital		170,906	85,913
Foreign exchange translation reserves		902	-
Retained earnings / (accumulated losses)		(2,046)	(33,912)
Equity attributable to owners of the Company		169,762	52,001
Non-controlling interests		55	-
Total equity		169,817	52,001
<u>Non-current liabilities</u>			
Loans and borrowings	24	25,191	18,868
Lease liabilities		779	732
Other payables		181	187
		26,151	19,787
<u>Current liabilities</u>			
Loans and borrowings	24	16,914	17,413
Lease liabilities		502	412
Trade and other payables		611,035	26,459
Contract liabilities		307	37
Income tax payable		10,068	-
		638,826	44,321
Total liabilities		664,977	64,108
TOTAL EQUITY AND LIABILITIES		834,794	116,109
Net assets per share attributable to owners of the Company (RM)		0.32	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 30 SEPTEMBER 2021

Unaudited Condensed Consolidated Statement of Changes in Equity

Note	← Attributable to owners of the Company →						Non-controlling interests RM'000	Total equity RM'000
	← Non-distributable →			Distributable				
	Share capital RM'000	Treasury shares RM'000	Foreign exchange translation reserves RM'000	Retained earnings/ (accumulated losses) RM'000	Total equity attributable to owners of the Company RM'000			
Balance at 1 July 2021	152,269	-	666	654	153,589	69	153,658	
Loss after tax for the period	-	-	-	(2,700)	(2,700)	(14)	(2,714)	
Other comprehensive income for the period:								
Foreign currency translation difference for the period	-	-	236	-	236	-	236	
Total comprehensive income for the period	-	-	236	(2,700)	(2,464)	(14)	(2,478)	
Transactions with owners of the Company:								
Issue of ordinary shares	18,637	-	-	-	18,637	-	18,637	
Total transactions with owners of the Company	18,637	-	-	-	18,637	-	18,637	
Balance at 30 September 2021	170,906	-	902	(2,046)	169,762	55	169,817	

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 30 SEPTEMBER 2021

Unaudited Condensed Consolidated Statement of Cash Flows

		Unaudited Cumulative Quarter 01.07.2021 to 30.09.2021 RM'000
	Note	
Cash flows from operating activities		
Loss before tax		(2,714)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	29	1,055
Finance costs	29	436
Unrealised gain on foreign exchange	29	(218)
Share of loss of an associate	29	19
Finance income	29	(95)
Operating loss before working capital changes		(1,517)
Decrease in inventories		1,591
Increase in trade and other receivables		(14,203)
Increase in contract assets		(682)
Increase in trade and other payables		4,404
Decrease in contract liabilities		(1,223)
Cash used in operating activities		(11,630)
Interest paid		(436)
Interest received		95
Income tax paid		(91)
Income tax refunded		-
Net cash used in operating activities		(12,062)
Cash flows from investing activities		
Acquisition of property, plant and equipment		(1,530)
Increase in pledged fixed deposits with licensed banks		(101)
Net cash used in investing activities		(1,631)
Cash flows from financing activities		
Proceeds from the issue of ordinary shares		18,637
Drawdown of bankers' acceptances		7,204
Repayment of lease liabilities		(275)
Repayment of term loans		11,336
Repayment of revolving credit		(11,196)
Repayment of bankers' acceptances		(7,839)
Net cash generated from financing activities		17,867
Net increase in cash and cash equivalents		4,174
Effects of foreign exchange translation		206
Cash and cash equivalents at the beginning of the period		18,596
Cash and cash equivalents at the end of the period		22,976
Cash and cash equivalents at the end of the financial period comprise the following:		
Deposits, cash and bank balances		43,752
Bank overdraft (included within short term borrowings)		-
Less: Fixed deposit pledged		(584)
Less: Fixed deposit		(20,192)
		22,976

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 30 SEPTEMBER 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 financial period ended 30 June 2021 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. Segment information

Results for 3 months ended 30 September 2021 (01.07.2021 to 30.09.2021)

	Manufacturing RM’000	Construction/ EPCC RM’000	Property trading / Others RM’000	Conso- lidated RM’000
Segment Revenue				
Total revenue including inter-segment sales	19,077	7,426	-	26,503
(Less) Inter-segment sales	(17)	-	-	(17)
External revenue	<u>19,060</u>	<u>7,426</u>	<u>-</u>	<u>26,486</u>
Segment Results				
Results	213	(937)	(17)	(741)
Finance costs	(430)	(5)	(1)	(436)
Corporate expenses	-	-	-	(1,518)
Share of loss of an associate	-	-	-	(19)
Loss before tax				<u>(2,714)</u>
Income tax expense				-
Loss after tax				<u>(2,714)</u>
Other information				
Finance income	<u>9</u>	<u>-</u>	<u>86</u>	<u>95</u>

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NOTES (cont'd)

5. Segment information (cont'd)

Results for 3 months ended 30 September 2021 (01.07.2021 to 30.09.2021) (cont'd)

Segment revenue by countries

	Individual Quarter 01.07.2021 to 30.09.2021 RM'000	Cumulative Quarter 01.07.2021 to 30.09.2021 RM'000
Malaysia	<u>26,486</u>	<u>26,486</u>

Segment non-current assets by countries

	As At 30.09.2021 RM'000	As At 31.12.2019 RM'000
Malaysia	<u>46,853</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 30 September 2021 except as disclosed in Note 2.

7. Changes in estimates

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

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

There is no dividend paid by the Company during the quarter under review.

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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 30 September 2021 is as follows:

	Individual Quarter 01.07.2021 to 30.09.2021 RM	Cumulative Quarter 01.07.2021 to 30.09.2021 RM
Acquisition (Cost)	1,652,152	1,652,152
Disposal /Written off (Net book value)	-	-

11. Related party disclosures

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

	Individual Quarter 01.07.2021 to 30.09.2021 RM'000	Cumulative Quarter 01.07.2021 to 30.09.2021 RM'000
Expenditure		
Insurance premium paid to Transnational Insurance Brokers (M) Sdn. Bhd.	173	173
Purchase of safety personal protective equipment from Edaran Kencana Sdn. Bhd.	2	2
Deposit AIPODS devices for RMT Project usage from Serba Dinamik IT Solutions Sdn. Bhd.	35	35

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 30.09.2021 RM'000	As At 31.12.2019 RM'000
Unquoted shares, at cost	300	-
Share of post-acquisitions reserve	(16)	-
	<u>284</u>	<u>-</u>

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership interest	
			As At 30.09.2021	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.

On 27 August 2021, the Company announced that 10,789,332 placement shares issued pursuant to the private placement were listed and quoted on the Main Market of Bursa Securities.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2021****NOTES (cont'd)****13. Debt and equity securities (cont'd)**

On 10 September 2021, the Company announced that 24,638,200 placement shares issued pursuant to the private placement were listed and quoted on the Main Market of Bursa Securities.

On 14 October 2021, the Company announced that 56,000,000 placement shares issued pursuant to the private placement were listed and quoted on the Main Market of Bursa Securities.

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

14. Changes in composition of the Group

There were no changes in the composition of the Group for the current quarter ended 30 September 2021.

15. Capital commitments

	As At 30.09.2021 RM'000	As At 31.12.2019 RM'000
Capital expenditure not provided for in the financial statements:		
Approved and contracted for	3,955	98
	=====	=====

16. Contingent liabilities – Unsecured

	As At 30.09.2021 RM'000	As At 31.12.2019 RM'000
Corporate guarantee given to bank for credit facilities granted to a subsidiary	42,551	37,314
	=====	=====

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NOTES (cont'd)

17. Subsequent events

The 2019 Novel Coronavirus Infection ('COVID-19')

The coronavirus (COVID-19) outbreak in early 2020 has reached a pandemic level affecting all businesses and economic activities globally. The Malaysian Government has enforced various measures to curb with the spreading of the virus including travel restrictions, reduced business operating capacity and total prohibition for certain businesses to operate.

The Group is unable to reasonably estimate the financial impact of COVID-19 for the financial year ending 30 June 2022 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. The Group will continuously monitor the impact of COVID-19 on its operations and its financial performance and will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's operations.

Termination of Contracts in relation to Qatar and Oman Projects

The Company and SCIB International (Labuan) Ltd. had on 10 November 2021 signed the respective Settlement Agreements with their Clients and the respective subcontractors for Qatar and Oman projects that have been awarded to SCIB Group, to mutually terminate the Contracts and confirm the obligation on the full and final settlement of debts and establish the term and payment schedule for the amount owing between the Parties, after taking into consideration the following factors:

- (i) The project progress was greatly affected by the manpower issues caused by the COVID-19 pandemic;
- (ii) The prolonged pandemic and travelling and operational restrictions posed challenges in the project management;
- (iii) Slow payment and long outstanding debts owing by the Clients.

The final claims stated in the Settlement agreements are consistent with the provisions that were taken up in the accounts. As a result, the termination of Contracts will not have any material effect on the gearing, earnings per share and net assets of SCIB for the financial year ending 30 June 2022.

The announcements had been made on 10 November 2021 and 12 November 2021, respectively.

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

18. 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 eighteen months period from 1 January 2020 to 30 June 2021. In addition, there is no audited figure for financial statement ended 30 June 2021. As such, there are no comparative information presented in this report.

The Group recorded a revenue of RM26.5 million and a loss before tax of RM2.7 million for the current quarter ended 30 September 2021.

Group revenue and loss before tax by segment are as follows:

Segment	Individual Quarter		Cumulative Quarter	
	Revenue 01.07.2021 to 30.09.2021 RM'000	Loss before tax 01.07.2021 to 30.09.2021 RM'000	Revenue 01.07.2021 to 30.09.2021 RM'000	Loss before tax 01.07.2021 to 30.09.2021 RM'000
Manufacturing	19,060	(217)	19,060	(217)
Construction/EPCC	7,426	(942)	7,426	(942)
Property trading/ Others	-	(18)	-	(18)
	26,486	(1,177)	26,486	(1,177)
Corporate expenses	-	(1,518)	-	(1,518)
Share of loss of an associate	-	(19)	-	(19)
Total	26,486	(2,714)	26,486	(2,714)

(i) Manufacturing

The manufacturing segment reported revenue of RM19.1 million and loss before tax of RM217,000 for the current quarter under review. Revenue in the current quarter was mainly contributed by the sales of foundation piles. Current quarter loss before tax was mainly due to higher operational cost caused by stringent SOP.

(ii) Construction/EPCC

The construction/EPCC segment registered revenue of RM7.4 million and loss before tax of RM942,000 for the current quarter under review. Revenue in the current quarter was mainly contributed by the local construction projects. The loss during the current quarter under review was mainly due to the incurrence of initial mobilisation cost of local projects.

(iii) Property trading/Others

The property trading and other segments have not recorded any revenue.

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NOTES (cont'd)

19. Variation of results against preceding quarter

The Group recorded revenue of RM26.5 million and loss before tax of RM2.7 million for the current quarter compared to revenue of RM161.5 million and loss before tax of RM19 million in the immediate preceding quarter, representing a 83.6% decrease in revenue and 85.8% decrease in loss before tax. Revenue in the current quarter was significantly lower mainly attributable to no revenue contribution from the overseas projects due to the termination of contracts in Qatar and Oman. The lower loss before tax for the current quarter was mainly due to the immediate preceding quarter's additional provision of project cost as a result of repositioning of business strategy and impairment loss of RM14.4 million.

20. Prospects for the next year

Bank Negara Malaysia ("BNM") and the Department of Statistics Malaysia (DOSM) announced that the national gross domestic product ("GDP") in third quarter of 2021 ("3Q21") has retreated by 4.5%, attributable to the reinforcement of movement control at different states with different intensities and stricter containment measures threatened by the emergence of riskier variant and concern on rising infection (2Q21: 16.1%; 3Q20: -2.7%). All economic sectors registered a contraction with construction contracted the most due to operating capacity constraints.

According to statistics updated by the Ministry of Health Malaysia, 75.7% of the country population are fully vaccinated, in which 95.1% of adults are fully vaccinated as of 12 November 2021, and the vaccination rate is projected to achieve 80% for total population by June 2022. Following the accelerated pace of vaccination rollout, domestic economy has been gradually rejuvenated through the four phases of National Recovery Plan ("NRP"), aiming for full reopening with the upliftment of containment measures, normalisation of economic activities, betterment in labour market, and expansion in exports by fourth quarter of 2021 and activities ramp-up in 2022.

Overall, the recovery is on track and BNM maintained the full year GDP forecast at 3.0-4.0% for 2021. The Finance Ministry in its September's Economic Report said Malaysia is set to rebound between 5.5-6.5% with a sharp turnaround in construction sector next year. The economic expansion will be supported by significant improvement in global trade, stabilised commodity prices, containment of pandemic and gradual improvement in consumer and business sentiments, with the continued implementation of economic and fiscal stimulus measures. World Bank and the International Monetary Fund have also computed Malaysia's GDP to be at 3.3% and 3.5% respectively for 2021 and 5.8% and 6.0% respectively for 2022.

Budget 2022 also bodes well for construction players with expansionary development expenditure at RM75.6 billion, prioritising basic infrastructure provisions to fulfil the gap of public needs and to facilitate the local economic developments. Industry growth will be driven by civil engineering with the continuation and expedition of big scale connectivity projects that have been introduced including MRT 2, LRT 3, Johor-Singapore Rapid Transit System, Pan Borneo Highway, Central Spine Road, Klang Valley Double Tracking Phase 2, and Electrified Double Track Gemas-Johor Bahru. In addition, more small-mid-sized projects will be commenced comprising of works to construct, expand, maintain, and upgrade the hospital and healthcare facilities, educational and training institutions, energy and utility facilities, water supply and sewerage treatment plants, rural and inter-village road, housing as well as ports and airports. These projects are well-poised for SCIB and in line with the Group's target, as our complementary cores in construction and building materials manufacturing equipped us with the qualifications and experiences required.

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NOTES (cont'd)

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

SCIB remains resilient and committed in creating value and optimising performance for the Group in year ahead. SCIB has re-strategised its geographical positioning by taking a closer look at potential emerging markets especially in the home and neighbouring countries covering East and West Malaysia, Brunei, Indonesia, and India. This is considering the accessibility of affordable manpower for localised developments. The focus of Budget 2022 is also on Sabah and Sarawak where SCIB has built its base at, with RM5.2 billion and RM4.6 billion of funds allocated. Being the largest precast concrete and Industrialised Building System (“IBS”) manufacturer in East Malaysia, the Group has been and will continue supporting the state-initiated people-centric construction projects with its three integrated manufacturing factories and wharf facility for shipment across Borneo to supply 500,000 tonnes of building materials annually.

Riding along the country's expected economic recovery and impending states and general elections in 2022, SCIB has been aggressive in its participation of EPCC and construction tendering activities both in the government and private sector. As such, the EPCC and construction segment has been growing rapidly especially so in the Peninsular Malaysia. Geographical presence of SCIB has now expanded into the state of Johor, Perak, Terengganu, Negeri Sembilan and Selangor. SCIB will continue its participation in the development of affordable housing scheme like PR1MA and PPAM projects, securing roadwork construction and maintenance projects as well as EPCC and construction of hospitals and schools both in the Peninsular Malaysia and East Malaysia.

SCIB is strengthening its capabilities and capacities through the establishment of internal construction execution team for smoother project control, expansion of building materials manufacturing facilities to support Peninsular Malaysia projects, and adoption of advanced technology to achieve automation with higher cost- and time-efficiency, lower risk of human errors as well as to solve the labour shortage issue. The Group is currently installing and commissioning its first 3D printing system from COBOD International, a 3D construction specialist based in Denmark after the printer arrived in Malaysia in September 2021. Subsequently, the Group will construct an IBS sample house with the technology and collaborate with Construction Industry Development Board (CIDB) to explore further on its application in domestic landscape. On top of this, SCIB has incorporated a lightweight system plant to enhance the existing IBS offerings and is adopting the Artificial Intelligence (AI), Building Information Modelling (BIM) as well as other software to level up the overall operational efficiency.

Transitioning through the headwinds and challenges faced in financial year ended 2021, SCIB is striving its best to set back on right path leveraging on its growth strategies put forward above as well as the encouraging industry outlook. Barring any unforeseen circumstances, the Group is hopeful for the upcoming year with order book value stood at RM1.3 billion as of November 2021 which translating to an earnings visibility up to 2026.

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NOTES (cont'd)

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

Sources:

<https://www.bnm.gov.my/-/3q-gdp-2021>

<https://covidnow.moh.gov.my/vaccinations/>

<https://www.mof.gov.my/portal/en/news/press-citations/malaysia-s-economy-set-to-rebound-in-2022-in-line-with-global-economic-recovery-mof>

<https://www.imf.org/-/media/Files/Publications/WEO/2021/October/English/text.ashx>

<https://www.theedgemarkets.com/article/world-bank-cuts-growth-forecast-malaysia-33-2021>

<https://budget.mof.gov.my/pdf/2022/ucapan/ub22.pdf>

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

Not applicable

(b) Shortfall in the profit guarantee

Not applicable

22. Income tax expense

	Individual Quarter 01.07.2021 to 30.09.2021 RM'000	Cumulative Quarter 01.07.2021 to 30.09.2021 RM'000
Current tax expense:		
Malaysian Taxation	-	-
Foreign Taxation	-	-
Total current tax expense	-	-
(Over)/ underprovision of tax in prior year	-	-
Deferred tax	-	-
Total income tax expense	-	-

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.

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2021****NOTES (cont'd)****23. Corporate Proposals****(i) Utilisation of Proceeds from Private Placement 1.0 on 30 September 2021**

The gross proceeds from the Private Placement 1.0 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 30.09.2021 RM'000	Balance as at 30.09.2021 RM'000
Working capital for on-going projects	Within 12 months from the receipt of placement funds	6,806	6,806	-
Estimated expenses for future projects	Within 24 to 36 months from the date of award of projects	59,408	40,618	18,790
Estimated expenses in relation to the Proposals	Upon completion of the Proposals	671	671	-
		66,885	48,095	18,790

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2021****NOTES (cont'd)****23. Corporate Proposals (cont'd)****(ii) Utilisation of Proceeds from Private Placement 2.0 on 30 September 2021**

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, representing approximately 20% of the enlarged number of issued shares of SCIB, pursuant to the proposed private placement.

As at 30 September 2021, the actual proceeds raised from Private Placement expenses 2.0 is RM20,265,000.

Description	Estimated timeframe for utilization of proceeds from the date of listing of the Placement Shares	Proposed utilization RM'000	Actual utilization as at 30.09.2021 RM'000	Balance as at 30.09.2021 RM'000
Capital expenditure requirements for current operations	Within 12 months from the receipt of placement funds	12,134	3,871	8,263
Partial settlement of a new business	Within 12 months from the receipt of placement funds	3,431	3,431	-
Working capital for on-going projects	Within 12 months from the receipt of placement funds	88,754	4,295	84,459
Estimated expenses for upcoming projects	Within 24 to 36 months from the date of award of the future project	44,373	-	44,373
Estimated expenses	Upon completion of the Proposed Private Placement	3,200	1,627	1,573
		151,892	13,224	138,668

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2021

NOTES (cont'd)

23. Corporate Proposals (cont'd)

(iii) 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.

The special resolution on the proposed reduction of capital has been approved by the shareholders at the extraordinary general meeting held on 30 June 2021. Thereafter, the company's legal counsel had filed an application to the high court in relation to the capital reduction pursuant to Section 116 of the Act on 21 September 2021.

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.

On 2 November 2021, the High Court of Malaya granted an order confirming the Capital Reduction. The sealed order will be extracted and an office copy of the order will be lodged with the Registrar of Companies for the Capital Reduction to take effect pursuant to Section 116(6) of the Act.

(iv) Proposed Acquisition

The Company had on 14 April 2021 entered into a conditional Share Sale Agreement ("SSA") 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. ("KPCSB") will become a wholly-owned subsidiary of the Company.

The Parties have on 11 August 2021 entered into a Supplemental Agreement to record the Parties' mutual consent to vary and supplement the Principal Agreement in the manner as set out in the Supplemental Agreement, mainly related to inclusion of additional party as a vendor which is Bintang Kencana Sdn. Bhd.

On 16 August 2021, all the Conditions Precedent as set out in the SSA in relation to the Proposed Acquisition of KPCSB have been fulfilled. The SSA was completed on 30 August 2021 and currently pending for the registration of share transfer.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2021****NOTES (cont'd)****24. Loans and borrowings**

	As At 30.09.2021 RM'000	As At 31.12.2019 RM'000
Short-term borrowings		
Secured	16,914	17,413
Unsecured	-	-
	<u>16,914</u>	<u>17,413</u>
Long-term borrowings		
Secured	25,191	18,868
	<u>42,105</u>	<u>36,281</u>

All of the above borrowings are denominated in Ringgit Malaysia.

25. Derivatives financial instruments

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

26. Proposed dividend

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

27. Earnings per ordinary share

	Individual Quarter 01.07.2021 to 30.09.2021 RM'000	Cumulative Quarter 01.07.2020 to 30.09.2021 RM'000
Loss attributable to:		
Owners of the Company	(2,700)	(2,700)
Non-controlling interests	(14)	(14)
	<u>(2,714)</u>	<u>(2,714)</u>
		As At 30.09.2021
Weighted average number of ordinary shares in issue		<u>506,015,621</u>

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2021****NOTES (cont'd)****27. Earnings per ordinary share (cont'd)**

	Individual Quarter 01.07.2021 to 30.09.2021 RM'000	Cumulative Quarter 01.07.2021 to 30.09.2021 RM'000
Basic loss per share (Sen)	<u>(0.54)</u>	<u>(0.54)</u>

28. Material litigation

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

29. Additional disclosures on profit for the period

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

	Individual Quarter 01.07.2021 to 30.09.2021 RM'000	Cumulative Quarter 01.07.2021 to 30.09.2021 RM'000
Depreciation of property, plant and equipment and right-of-use assets	1,055	1,055
Finance costs	436	436
Unrealised gain on foreign exchange	(218)	(218)
Share of loss of an associate	19	19
Finance income	<u>(95)</u>	<u>(95)</u>

30. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 November 2021.

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