

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No: 197501003884 (25583-W)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 JUNE 2022****Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Unaudited Individual Quarter 01.04.2022 to 30.06.2022 RM'000	Unaudited Cumulative Quarter 01.07.2021 to 30.06.2022 RM'000
Continuing Operations			
Revenue	5	26,192	128,368
Cost of sales		(21,693)	(111,576)
Gross profit		4,499	16,792
Other income		3,875	4,492
Selling and distribution expenses		(1,449)	(6,858)
Administrative expenses		(34,200)	(46,517)
Net impairment loss on financial assets		(18,311)	(18,465)
Operating loss		(45,586)	(50,556)
Finance income		162	473
Finance costs		(503)	(1,828)
Net finance costs		(341)	(1,355)
Share of profit / (loss) of an associate		46	(2)
Loss before tax		(45,881)	(51,913)
Income tax income	21	9,376	9,376
Loss after tax		(36,505)	(42,537)
Other comprehensive expenses:			
<u>Item that will be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences for foreign operations		(758)	(930)
Total comprehensive expenses for the period		(37,263)	(43,467)
Loss attributable to:			
Owners of the Company	26	(36,501)	(42,405)
Non-controlling interests	26	(4)	(132)
		(36,505)	(42,537)
Total comprehensive expenses attributable to:			
Owners of the Company		(37,259)	(43,335)
Non-controlling interests		(4)	(132)
		(37,263)	(43,467)
Loss per share			
Basic and diluted (sen)	26	(7.10)	(8.25)

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 30 June 2021.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 JUNE 2022****Unaudited Condensed Consolidated Statement of Financial Position**

	Note	Unaudited As At 30.06.2022 RM'000	Audited As At 30.06.2021 RM'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	5, 9	35,473	28,422
Right-of-use assets	5	20,131	17,834
Investment in an associate	11	-	302
		<u>55,604</u>	<u>46,558</u>
<u>Current assets</u>			
Inventories		21,665	25,104
Contract assets		8,861	1
Trade and other receivables		651,058	649,943
Current tax assets		222	-
Prepayments		15,734	1,233
Cash and cash equivalents		36,236	39,021
		<u>733,776</u>	<u>715,302</u>
TOTAL ASSETS		<u>789,380</u>	<u>761,860</u>
EQUITY AND LIABILITIES			
Share capital		153,592	152,269
Foreign exchange translation reserves		(975)	(45)
Accumulated losses		(56,325)	(53,920)
Equity attributable to owners of the Company		<u>96,292</u>	<u>98,304</u>
Non-controlling interests		(64)	68
Total equity		<u>96,228</u>	<u>98,372</u>
<u>Non-current liabilities</u>			
Loans and borrowings	23	23,139	15,904
Lease liabilities		1,900	860
Other payables		152	181
		<u>25,191</u>	<u>16,945</u>
<u>Current liabilities</u>			
Loans and borrowings	23	22,750	26,698
Lease liabilities		2,193	573
Trade and other payables		641,503	607,802
Contract liabilities		509	1,530
Income tax payable		409	9,940
Deferred tax liabilities		597	-
		<u>667,961</u>	<u>646,543</u>
Total liabilities		<u>693,152</u>	<u>663,488</u>
TOTAL EQUITY AND LIABILITIES		<u>789,380</u>	<u>761,860</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.17</u>	<u>0.20</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2021.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 JUNE 2022****Unaudited Condensed Consolidated Statement of Changes in Equity**

	← 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	Foreign exchange translation reserves RM'000	Accumulated losses RM'000			
Note						
Balance as at 01.07.2021	152,269	(45)	(53,920)	98,304	68	98,372
Loss after tax for the period	-	-	(42,405)	(42,405)	(132)	(42,537)
Other comprehensive expenses for the period:						
Foreign currency translation difference for the period	-	(930)	-	(930)	-	(930)
Total comprehensive expenses for the period	-	(930)	(42,405)	(43,335)	(132)	(43,467)
Transactions with owners of the Company:						
Issue of ordinary shares #	41,323	-	-	41,323	-	41,323
Capital reduction by court order	(40,000)	-	40,000	-	-	-
Total transactions with owners of the Company	1,323	-	40,000	41,323	-	41,323
Balance as at 30.06.2022	153,592	(975)	(56,325)	96,292	(64)	96,228

includes share issue expenses of RM439,973

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 30 June 2021.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 JUNE 2022****Unaudited Condensed Consolidated Statement of Cash Flows**

	Note	Unaudited Cumulative Quarter 01.07.2021 to 30.06.2022 RM'000
Cash flows from operating activities		
Loss before tax		(51,913)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	28	4,933
Impairment loss on investment in an associate	28	300
Impairment loss on trade receivables	28	16,408
Impairment loss on other receivables	28	3,715
Inventories written off	28	74
Inventories written down	28	96
Property, plant and equipment written off	28	1
Lease interest expense	28	16
Finance costs	28	1,828
Reversal of impairment loss on trade receivables	28	(1,958)
Reversal of impairment loss on inventories	28	(135)
Inventories written back	28	(131)
Share of loss of an associate	28	2
Unrealised gain on foreign exchange	28	(1,475)
Gain on bargain purchase of a new subsidiary	28	(2,384)
Finance income	28	(473)
Operating loss before working capital changes		(31,096)
Decrease in inventories		3,534
Increase in trade and other receivables		(27,444)
Increase in contract assets		(8,860)
Increase in trade and other payables		30,168
Decrease in contract liabilities		(1,021)
Cash used in operating activities		(34,719)
Interest paid		(1,844)
Interest received		473
Income tax paid		(614)
Income tax refunded		38
Net cash used in operating activities		(36,666)
Cash flows from investing activities		
Acquisition of a subsidiary		(4,980)
Acquisition of property, plant and equipment		(2,715)
Increase in pledged fixed deposits with licensed banks		(6)
Decrease in fixed deposits with a licensed bank		4,792
Net cash used in investing activities		(2,909)

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 JUNE 2022****Unaudited Condensed Consolidated Statement of Cash Flows (cont'd)**

	Unaudited Cumulative Quarter 01.07.2021 to 30.06.2022 RM'000
	Note
Cash flows from financing activities	
Proceeds from the issue of ordinary shares	41,323
Drawdown of term loans	13,836
Drawdown of bankers' acceptances	34,230
Repayment of lease liabilities	(946)
Repayment of term loans	(4,667)
Repayment of revolving credit	(11,196)
Repayment of bankers' acceptances	(30,084)
Net cash generated from financing activities	42,496
Net increase in cash and cash equivalents	2,921
Effects of foreign exchange translation	(920)
Cash and cash equivalents at the beginning of the period	18,346
Cash and cash equivalents at the end of the period	20,347
Cash and cash equivalents at the end of the financial period comprise the following:	
Deposits, cash and bank balances	36,236
(Less) Fixed deposits pledged	(590)
(Less) Fixed deposits	(15,299)
	20,347

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 30 June 2021.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 JUNE 2022

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 30 June 2021. 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 30 June 2021.

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 following:

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
Amendments 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’	1 January 2022
Amendments to MFRS 116 ‘Proceeds before intended use’	1 January 2022
Amendments to MFRS 137 ‘Onerous contracts – cost of fulfilling a contract’	1 January 2022
MFRS 17 – Insurance Contracts and amendments to MFRS 17	1 January 2023
Amendments to MFRS 101 ‘Classification of Liabilities as Current or Non-current’	1 January 2023
Amendments to MFRS 101 ‘Disclosure of Accounting Policies’	1 January 2023
Amendments to MFRS 108 ‘Definition of Accounting Estimates’	1 January 2023

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 JUNE 2022

NOTES (cont'd)

3. Significant accounting policies (cont'd)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective date
Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 17, Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 10 and MFRS 128 Consolidated Financial Statement: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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. Qualification of audit report of the preceding annual financial statements

The auditors' report on the annual financial statements of the Group for the financial year ended 30 June 2021 was qualified and the details of the qualification are as described belows:-

A. Details of the qualified opinion disclosed in the external auditors' report

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021, and of their financial performance and their cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for qualified opinion

Engineering, procurement, construction and commissioning (“EPCC”) contracts

Subsequent to the financial period end of the Company, the Company and its wholly owned subsidiary, SCIB International (Labuan) Ltd (“SCIBIL”), have on 10 November 2021 signed settlement agreements (“Settlement Agreements”) with all the parties of the six projects carried out in Qatar and Oman, as disclosed in Note 36.8 to the financial statements. The key salient terms of the Settlement Agreements are as follows:

1. To terminate the EPCC contracts;
2. Confirmation of the amounts owing from and to the respective parties in respect of the works carried out for the project with no penalty and/or punitive damages to be claimed by the parties;
3. Settlement of the debts will be solely dependent on collections from Project Owners. In the event the agreed instalments are not paid in full or progressively on due dates and/or ceased, payments to the Sub-Contractors shall also be delayed and/or ceased;

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 JUNE 2022

NOTES (cont'd)

4. Qualification of audit report of the preceding annual financial statements (cont'd)

A. Details of the qualified opinion disclosed in the external auditors' report (cont'd)

Basis for qualified opinion (cont'd)

Engineering, procurement, construction and commissioning ("EPCC") contracts (cont'd)

4. The Project Owners have agreed to guarantee the payments owing by them to the Company and SCIBIL as at 30 September 2021 (Debt 1) of USD148,706,410 (RM617,429,014) and by the Company and SCIBIL to the SubContractors (Debt 2) of USD135,145,130 (RM561,122,581) and indemnify the Company and SCIBIL against all claims by the SubContractors; and
5. The Settlement Agreements shall be terminated in the event that any one of the payments are not made according to the schedule. The payment instalment deadlines pursuant to the agreements are November 2021, December 2021, March 2022 and June 2022.

The Company had made the relevant announcements of the above Settlement Agreements to Bursa on 10 November 2021.

In the event of termination of the Settlement Agreements, Debt 1 owing by the Project Owners to the Company and SCIBIL shall become immediately due and payable upon which the Company may commence arbitration proceedings for the recovery of Debt 1. Notwithstanding the above, the SubContractors collectively agree that the amounts received by them towards Debt 2 shall be deemed to be the full and final settlement of Debt 2 payment and that they will have no claims in respect of Debt 2 against the Company and SCIBIL. Up to the date of our report, the Company and SCIBIL have indicated that the November and December 2021 instalments of the six settlement agreements have not been paid by the Project Owners.

Following the Settlement Agreements signed on 10 November 2021 by all the parties, the Directors of the Company resolved to reclassify the transactions relating to all eight projects based overseas (inclusive of the six projects carried out in Qatar and Oman) by disclosing the net amount due to the Group and to the Company of USD15,670,756 (RM64,223,196) and USD4,246,080 (RM17,847,637) respectively as project management fee. Consequently, the Group and the Company have made adjustments to the financial statements, the details of which are disclosed in Note 22 to the financial statements.

We were unable to obtain sufficient appropriate audit evidence about the EPCC Contracts and all the adjustments related thereto. Accordingly, the impact of the net profit recognised in the Statement of Profit and Loss and Other Comprehensive Income as disclosed, amounting to RM3,549,473 has not been ascertained. Consequently, we were unable to determine whether the said adjustments were deemed necessary.

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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NOTES (cont'd)

4. Qualification of audit report of the preceding annual financial statements (cont'd)

A. Details of the qualified opinion disclosed in the external auditors' report (cont'd)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current period. Matters giving rise to a modified opinion are by their nature key audit matters and consequently the matters described in our Basis for Qualified Opinion section of our report has addressed the key audit matters and we have determined that there are no other key audit matters to communicate in our report.”

B. Steps taken or proposed to be taken to address those key audit matters pertaining to the modified opinion

We have re-strategised our geographical positioning by taking a closer look at potential emerging markets especially in the home and neighbouring countries. Management will establish a clear policy that should be in place to ensure the completeness of the filing and retention of documentation for audit trail purposes and strengthen the internal control system and control activities of the Project Management division to ensure adequate and effective monitoring, supervision and reporting functions are in place.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 JUNE 2022****NOTES (cont'd)****5. Segment information****Results for 3 months ended 30 June 2022**

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment Revenue				
Total revenue including inter-segment sales	20,998	4,856	365	26,219
(Less) Inter-segment sales	(27)	-	-	(27)
External revenue	<u>20,971</u>	<u>4,856</u>	<u>365</u>	<u>26,192</u>
Segment Results				
Results	1,607	(43,094)	(167)	(41,654)
Finance costs	(475)	(27)	(1)	(503)
Corporate expenses				(3,770)
Share of profit of an associate				46
Loss before tax				(45,881)
Income tax income				9,376
Loss after tax				<u>(36,505)</u>
Other information				
Finance income	<u>19</u>	<u>16</u>	<u>127</u>	<u>162</u>

Results for 12 months ended 30 June 2022

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment Revenue				
Total revenue including inter-segment sales	85,948	41,434	1,072	128,454
(Less) Inter-segment sales	(86)	-	-	(86)
External revenue	<u>85,862</u>	<u>41,434</u>	<u>1,072</u>	<u>128,368</u>

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 JUNE 2022****NOTES (cont'd)****5. Segment information (cont'd)****Results for 12 months ended 30 June 2022 (cont'd)**

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment Results				
Results	3,853	(44,788)	(275)	(41,210)
Finance costs	(1,756)	(69)	(3)	(1,828)
Corporate expenses				(8,873)
Share of loss of an associate				(2)
Loss before tax				(51,913)
Income tax income				9,376
Loss after tax				(42,537)
Other information				
Finance income	51	17	405	473

Segment revenue by countries

	Individual Quarter 01.04.2022 to 30.06.2022 RM'000	Cumulative Quarter 01.07.2021 to 30.06.2022 RM'000
Malaysia	26,192	128,368

Segment non-current assets by countries

	Unaudited As At 30.06.2022 RM'000	Audited As At 30.06.2021 RM'000
Malaysia	55,604	46,256

6. Changes in estimates

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

7. Comments about seasonal or cyclical factors

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

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE QUARTER ENDED 30 JUNE 2022

NOTES (cont'd)

8. Dividend paid

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

9. Acquisitions and disposals of property, plant and equipment and right-of-use assets

Acquisition and disposal of items of property, plant and equipment and right-of-use assets by the Group for the quarter ended 30 June 2022 is as follows:

	Individual Quarter 01.04.2022 to 30.06.2022 RM	Cumulative Quarter 01.07.2021 to 30.06.2022 RM
Acquisition (Cost)	2,848,359	6,320,659
Disposal /Written off (Net book value)	938	938

10. Related party disclosures

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

	Individual Quarter 01.04.2022 to 30.06.2022 RM'000	Cumulative Quarter 01.07.2021 to 30.06.2022 RM'000
Expenditure		
Insurance premium paid or payable to a related party, Transnational Insurance Brokers (M) Sdn. Bhd.	228	594
Construction and progress claim of batching plant paid or payable to an associate, Edaran Kencana Sdn. Bhd.	-	25
Consultancy fee paid or payable to an associate, Edaran Kencana Sdn. Bhd.	1,056	1,056
Construction and progress claim of PPAM Show House gallery paid or payable to an associate, Edaran Kencana Sdn. Bhd.	-	178
Purchase of safety personal protective equipment from an associate, Edaran Kencana Sdn. Bhd.	-	2
Purchase of working attire from an associate, Edaran Kencana Sdn. Bhd.	16	16
Purchase of AIPODS devices from a related party, Serba Dinamik IT Solutions Sdn. Bhd.	-	35

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	Unaudited As At 31.03.2022 RM'000	Unaudited As At 30.06.2022 RM'000
Amount due by related parties	<u>12,725</u>	<u>7,725</u>

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

11. Investment in an associate

	Unaudited As At 30.06.2022 RM'000	Audited As At 30.06.2021 RM'000
Unquoted shares, at cost	300	300
Share of post-acquisitions reserve	-	2
(Less) Impairment loss on investment in an associate	<u>(300)</u>	<u>-</u>
	<u>-</u>	<u>302</u>

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Proportion of ownership interest	
			Unaudited As At 30.06.2022	Audited As At 30.06.2021
Edaran Kencana Sdn. Bhd.	Malaysia	General contractors and builders, engineering consultancy and other related services	30%	30%

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NOTES (cont'd)

12. Debt and equity securities

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.

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.

On 18 October 2021, the Company announced that the Company had resolved to fix the issue price for the Private Placement at RM0.3839 per placement share.

On 22 December 2021, the Company announced that the private placement is deemed completed following the listing and quotation of 56,000,000 Placement Shares, being the third tranche, on the Main Market of Bursa Malaysia Securities Berhad on 14 October 2021 and the Company has decided not to proceed to place out the remaining placement shares under the 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.

13. Changes in composition of the Group

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

Incorporation of SCIB Building Solutions Sdn. Bhd. (formerly known as Kencana Precast Concrete Sdn. Bhd.)

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 the registration of share transfer was completed on 10 December 2021.

Upon completion of the proposed acquisition, KPCSB is now a wholly-owned subsidiary of the Company.

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	Unaudited As At 30.06.2022 RM'000	Audited As At 30.06.2021 RM'000
Capital expenditure not provided for in the financial statements:		
Contracted for but not provided for	494	6,564

15. Contingent liabilities – Unsecured

	Unaudited As At 30.06.2022 RM'000	Audited As At 30.06.2021 RM'000
Corporate guarantee given to bank for credit facilities granted to a subsidiary	47,666	43,148

16. 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.

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

17. Performance review

As stated in Note 2, the Group has changed its financial year end from 31 December 2020 to 30 June 2021. As such, the performance of the current financial period is not comparable against any comparative period previously reported.

The Group recorded a revenue of RM26.2 million and a loss before tax of RM45.9 million for the current quarter ended 30 June 2022.

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

	Individual Quarter 01.04.2022 to 30.06.2022 RM'000	Cumulative Quarter 01.07.2021 to 30.06.2022 RM'000
Revenue by segment:		
- Manufacturing	20,971	85,862
- Construction / EPCC	4,856	41,434
- Property trading / Others	365	1,072
Group revenue	26,192	128,368
Profit / (loss) before tax by segment:		
- Manufacturing	1,132	2,097
- Construction / EPCC	(43,121)	(44,857)
- Property trading / Others	(168)	(278)
	(42,157)	(43,038)
(Less) Corporate expenses	(3,770)	(8,873)
Share of profit / (loss) of an associate	46	(2)
Group loss before tax	(45,881)	(51,913)

(i) Manufacturing

The manufacturing segment reported revenue of RM21 million and profit before tax of RM1.1 million for the current quarter under review. Revenue in the current quarter was driven by the higher sales volume of its foundation piles despite the challenging business environment. Current quarter profit before tax was mainly attributed to improvement in the contribution margins from the sales of concrete products and lower administrative expenses.

(ii) Construction / EPCC

The construction/EPCC segment registered revenue of RM4.9 million and loss before tax of RM43.1 million for the current quarter under review. Revenue in the current quarter was solely contributed by the local construction projects. Loss before tax was mainly due to net impairment loss on trade and other receivables of RM18 million and expenditure incurred in consultation fees on project related activities of RM25 million.

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NOTES (cont'd)

17. Performance review (cont'd)

(iii) Property trading / Others

The property trading registered revenue of RM365,000 for the current quarter under review. Revenue in the current quarter was mainly due to the sale of an apartment unit at Santubong Suites.

18. Variation of results against preceding quarter

The Group recorded revenue of RM26.2 million and loss before tax of RM45.9 million for the current quarter, compared to revenue of RM37.5 million and loss before tax of RM2 million in the immediate preceding quarter, representing a 30.1% decrease in revenue and 2195% increase in loss before tax.

Manufacturing division reported revenue of RM21 million and profit before tax of RM1.1 million for the current quarter, compared to revenue of RM22.1 million and profit before tax of RM682,000 in the immediate preceding quarter. Higher profit before tax during the current quarter under review was due to net impairment gain on trade receivables of RM274,000 and lower administrative expenses.

Construction/EPCC division recorded revenue of RM4.9 million and loss before tax of RM43.1 million for the current quarter, compared to revenue of RM15.1 million and loss before tax of RM657,000 in the immediate preceding quarter. Higher loss was mainly due to net impairment loss on trade and other receivables of RM18 million and consultation fee of RM25 million incurred in the project related activities.

Property trading/others division registered revenue of RM365,000 and loss before tax of RM168,000 for the current quarter, compared to revenue of RM319,000 and loss before tax of RM53,000 in the immediate preceding quarter. Higher loss was mainly due to impairment of investment in an associate, i.e. Edaran Kencana Sdn. Bhd of RM300,000.

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NOTES (cont'd)

19. Prospects for the next year

The global economic outlook for 2023 is overshadowed by the Russia-Ukraine conflict, China's slowdown and, tighter monetary policy as central banks across the world respond to inflationary pressure. These factors have a ripple effect across the supply-chain and economic activities and have been compounded by residual issues that continue to plague the global economy arising from COVID-19 lockdowns of the previous two years.

The International Monetary Fund (IMF) had in its July 2022 update of the World Economic Outlook (WEO) noted that the risks to the outlook are overwhelmingly tilted to the downside, with a baseline scenario of a 2.9% global gross domestic product (GDP) growth in 2023, lower than the 3.6% global GDP growth in the April 2022 update of the WEO. The IMF had also lowered the forecast for global GDP growth in 2022 to 3.2% from 3.6% in the July WEO update¹.

For Malaysia, the IMF projected GDP growth of 5.1% in 2022 from 5.6% previously compared with Bank Negara Malaysia's (BNM) projections of between 5.3% and 6.3%². BNM, which raised the benchmark overnight policy rate (OPR) in early July by 25 basis points to 2.25% after raising the OPR by 25 basis points in May, noted in a statement following the July meeting of its Monetary Policy Committee that there are downside risks to the country's economy stemming from a weaker-than-expected global growth, further escalation of geopolitical conflicts, and worsening supply chain disruptions³.

BNM pointed out that the economy has continued to strengthen supported by the transition to endemicity, higher labour participation, and positive exports indicators. Additionally, the reopening of international borders since 1 April 2022 has facilitated the recovery in tourism-related sectors while investment activity and prospects continued to be supported by the realisation of multi-year projects⁴.

SCIB is cautiously optimistic that despite the challenges, there is a strong pipeline of civil infrastructure projects in which the Group can leverage on its expertise in the manufacturing of building materials and in particular the Industrialised Building System (IBS) complemented by the construction business to bid for jobs. As of 30 June 2022, the Group has an order book of RM1.52 billion with earnings visibility until 2026. While Sabah and Sarawak will continue to be mainstays for SCIB, the Group has built on its strength as the leading precast concrete and IBS manufacturer in East Malaysia to seek opportunities in Peninsular Malaysia and Southeast Asia.

The outlook is also supported by the announcement in June 2022 of the RM50.0 billion MRT3 project, which is Malaysia's largest civil infrastructure project to-date⁵. On top of this is the continuation or expediting of other large infrastructure projects such as the East Coast Rail Link, MRT2, LRT3, Johor-Singapore Rapid Transit System, Pan Borneo Highway, Central Spine Road, Klang Valley Double-Tracking Phase 2, and Electrified Double Track Gemas-Johor Bahru, which the Group believes will have positive spillover effects through the need for civil engineering works as well as building materials.

SCIB is also leveraging on its strength as a specialist in small to mid-sized projects to focus on the construction, expansion, maintenance or upgrades of healthcare, educational and utility facilities as well as rural infrastructure such as roads together with housing and logistics infrastructure that has been allocated under Budget 2022. The Group has also continued to seek opportunities in Sabah and Sarawak, in which RM5.2 billion and RM4.6 billion were allocated respectively under Budget 2022.

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NOTES (cont'd)

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

As a step forward in building technology and as part of the Group's innovation initiatives, SCIB plans to use the 3D printing system that was installed and commissioned earlier to support the production of IBS building materials following the successful completion of an IBS sample house using the 3D printing system in August 2022 in collaboration with the Construction Industry Development Board (CIDB). The sample house construction was undertaken as part of CIDB's Construction Strategy Plan 4.0⁶. The Group believes that the successful deployment of 3D technology for construction and manufacturing purposes will enhance efficiency as well as lower costs and can be used to support state-funded people-centric construction projects in Sarawak.

To ensure the Group's roadworks maintenance projects are effective, SCIB has also acquired an Artificial Intelligence Pothole Detection System (AIPODS) to optimise the effectiveness of roadworks maintenance projects and a lightweight system plant to improve its IBS offerings.

The Group is mitigating operational risks by actively managing existing projects and closely working with customers, suppliers and business partners to ensure smooth project delivery. An inhouse construction team has been established for better project execution while the Group's manufacturing facilities has been expanded to support projects in Peninsular Malaysia and in readiness for new projects. Advanced technology such as AIPODS and automation has also been adopted to enhance efficiency while lowering costs and to solve labour shortage. To ensure optimum cashflow and a smooth payment collection process, the Group undertakes thorough due diligence on project owners and has strengthened internal controls.

SCIB's three factories with the ability to supply 500,000 tonnes of building materials annually complement the Group's construction activities as it is an effective buffer to raw material price fluctuations, while the Group's wharf facility is able to make shipments across Borneo, which is an added advantage for projects in Indonesia.

SCIB has in recent months tendered for projects and have also explored projects in which the Group can leverage on its expertise and knowledge. Given the global landscape and domestic outlook, the Group will continue to be prudent to mitigate risks while seeking opportunities to grow the business.

Sources:

1 IMF World Economic Outlook July 2022 pg. 6

2 <https://www.theedgemarkets.com/article/imf-cuts-2022-gdp-growth-forecast-malaysia-51-56>

3 <https://www.bnm.gov.my/-/monetary-policy-statement-06072022>

4 <https://www.bnm.gov.my/-/monetary-policy-statement-06072022>

5 <https://www.theedgemarkets.com/article/cover-story-twists-and-turns-mrt3-project>

6 <https://www.cidb.gov.my/en/construction-info/technology/ir40-construction>

20. a) Variance of actual profit from forecast profit

Not applicable

b) Shortfall in the profit guarantee

Not applicable

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 JUNE 2022****NOTES (cont'd)****21. Income tax income**

	Individual Quarter 01.04.2022 to 30.06.2022 RM'000	Cumulative Quarter 01.07.2021 to 30.06.2022 RM'000
Current tax expense:		
- Malaysian tax	387	387
(Over)/ underprovision of tax in prior year:		
- Malaysian tax	340	340
- Foreign tax	<u>(10,103)</u>	<u>(10,103)</u>
Income tax income	<u><u>(9,376)</u></u>	<u><u>(9,376)</u></u>

The Group are subject to income tax at the applicable statutory tax rates in Malaysia. Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 JUNE 2022****NOTES (cont'd)****22. Corporate proposals****(i) Utilization of proceeds from private placement 1.0 on 30 June 2022**

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 30.06.2022 RM'000 *	Balance as at 30.06.2022 RM'000
Working capital for on-going projects	Fully utilized	6,806	6,806	-
Estimated expenses for future projects	Fully utilized	59,408	59,408	-
Estimated expenses in relation to the proposals	Fully utilized	671	671	-
		<u>66,885</u>	<u>66,885</u>	<u>-</u>

Note:

* Utilization as at 30 June 2022.

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NOTES (cont'd)

22. Corporate proposals (cont'd)

(ii) Utilization of proceeds from private placement 2.0 on 30 June 2022

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.

On 22 December 2021, the Company announced that the private placement is deemed completed following the listing and quotation of 56,000,000 placement shares, being the third tranche, on the Main Market of Bursa Malaysia Securities Berhad on 14 October 2021 and the Company has decided not to proceed to place out the remaining placement shares under the private placement.

As at 30 June 2022, the gross proceeds from the private placement 2.0 of RM41.8 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 30.06.2022 RM'000 *	Balance as at 30.06.2022 RM'000
Capital expenditure requirements for current operations	Fully utilized	4,173	4,173	-
Partial settlement of a new business	Fully utilized	3,431	3,431	-
Working capital for on-going projects	Fully utilized	25,809	25,809	-
Estimated expenses for upcoming projects	Fully utilized	5,150	5,150	-
Estimated expenses	Fully utilized	3,200	3,200	-
		<u>41,763</u>	<u>41,763</u>	<u>-</u>

Note:

* Utilization as at 30 June 2022.

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NOTES (cont'd)

22. 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.

The Company confirmed that the capital reduction has been lodged with the Registrar of Companies on 15 November 2021. Pursuant thereto, the capital reduction shall therefore take effect and be deemed completed on 15 November 2021, as confirmed by the notice of confirming reduction of share capital dated 25 November 2021 pursuant to Section 116(7) of the Act.

(iv) Acquisition of a subsidiary

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 the registration of share transfer was completed on 10 December 2021.

Upon completion of the Proposed Acquisition, KPCSB is now a wholly-owned subsidiary of the Company.

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	Unaudited As At 30.06.2022 RM'000	Audited As At 30.06.2021 RM'000
Short-term borrowings		
Secured	22,750	26,698
Long-term borrowings		
Secured	23,139	15,904
	<u>45,889</u>	<u>42,602</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

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

26. Loss per share

	Individual Quarter 01.04.2022 to 30.06.2022 RM'000	Cumulative Quarter 01.07.2021 to 30.06.2022 RM'000
Loss attributable to:		
Owners of the Company	(36,501)	(42,405)
Non-controlling interests	(4)	(132)
	<u>(36,505)</u>	<u>(42,537)</u>

	As At 30.06.2022
Weighted average number of ordinary shares in issue	<u>514,304,199</u>

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE QUARTER ENDED 30 JUNE 2022****NOTES (cont'd)****26. Loss per share (cont'd)**

	Individual Quarter 01.04.2022 to 30.06.2022 RM'000	Cumulative Quarter 01.07.2021 to 30.06.2022 RM'000
Basic loss per share (sen)	(7.10)	(8.25)

27. Material litigation

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

28. Additional disclosure on loss for the period

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

	Individual Quarter 01.04.2022 to 30.06.2022 RM'000	Cumulative Quarter 01.07.2021 to 30.06.2022 RM'000
Depreciation of property, plant and equipment and right-of-use assets	1,574	4,933
Impairment loss on investment in an associate	300	300
Impairment loss on trade receivables	16,254	16,408
Impairment loss on other receivables	3,715	3,715
Inventories written off	61	74
Inventories written down	96	96
Property, plant and equipment written off	1	1
Lease interest expense	16	16
Finance costs	503	1,828
Reversal of impairment loss on trade receivables	(1,958)	(1,958)
Reversal of impairment loss on inventories	(135)	(135)
Inventories written back	(131)	(131)
Share of profit / (loss) of an associate	46	(2)
Unrealised gain on foreign exchange	(1,183)	(1,475)
Gain on bargain purchase of a new subsidiary	(2,364)	(2,384)
Finance income	(162)	(473)

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 August 2022.