

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No. 197501003884 (25583-W)

**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 MARCH 2023****Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
		31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Continuing operations					
Revenue	4	32,370	37,545	98,702	102,176
Cost of sales		(26,039)	(33,193)	(83,190)	(89,883)
Gross profit		6,331	4,352	15,512	12,293
Other income		106	310	243	617
Selling and distribution expenses		(1,617)	(1,946)	(5,518)	(5,409)
Administrative expenses		(4,167)	(4,232)	(12,425)	(12,317)
Net impairment (loss)/gain on financial assets		(1)	(117)	9	(154)
Operating profit/(loss)		652	(1,633)	(2,179)	(4,970)
Finance income		51	115	166	311
Finance costs		(492)	(456)	(1,530)	(1,325)
Net finance costs		(441)	(341)	(1,364)	(1,014)
Share of profit/(loss) of an associate		-	3	-	(48)
Profit/(loss) before tax		211	(1,971)	(3,543)	(6,032)
Taxation	21	(670)	-	(670)	-
Loss after tax		(459)	(1,971)	(4,213)	(6,032)
Other comprehensive expenses:					
Item that will be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(84)	(132)	(23)	(172)
Total comprehensive expenses for the period		(543)	(2,103)	(4,236)	(6,204)
Loss attributable to:					
Owners of the Company	26	(1,034)	(1,871)	(4,725)	(5,904)
Non-controlling interests		575	(100)	512	(128)
		(459)	(1,971)	(4,213)	(6,032)
Total comprehensive expenses attributable to:					
Owners of the Company		(1,118)	(2,003)	(4,748)	(6,076)
Non-controlling interests		575	(100)	512	(128)
		(543)	(2,103)	(4,236)	(6,204)
Loss per share					
Basic and diluted (sen)	26	(0.18)	(0.37)	(0.81)	(1.17)

These Condensed Consolidated Statements 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 2022 and the accompanying explanatory notes attached to the interim financial statements.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 MARCH 2023****Unaudited Condensed Consolidated Statement of Financial Position**

	Note	Unaudited As at 31.03.2023 RM'000	Audited As at 30.06.2022 RM'000
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	4	33,977	36,336
Right-of-use assets	4	17,506	19,310
		<u>51,483</u>	<u>55,646</u>
<u>Current assets</u>			
Inventories		19,705	22,169
Contract assets		6,339	5,650
Trade and other receivables		72,563	67,898
Current tax assets		809	583
Prepayments		10,159	5,414
Cash and cash equivalents		19,663	36,236
		<u>129,238</u>	<u>137,950</u>
TOTAL ASSETS		<u>180,721</u>	<u>193,596</u>
EQUITY AND LIABILITIES			
Share capital		153,624	153,624
Foreign exchange translation reserves		(872)	(849)
Accumulated losses		(62,375)	(57,520)
Equity attributable to owners of the Company		<u>90,377</u>	<u>95,255</u>
Non-controlling interests		688	(89)
Total equity		<u>91,065</u>	<u>95,166</u>
<u>Non-current liabilities</u>			
Loans and borrowings	23	21,122	23,140
Lease liabilities		1,474	2,611
Other payables		146	152
Deferred tax liabilities		597	597
		<u>23,339</u>	<u>26,500</u>
<u>Current liabilities</u>			
Loans and borrowings	23	18,065	21,784
Lease liabilities		1,711	1,482
Trade and other payables		45,434	47,755
Contract liabilities		490	509
Provision for taxation		617	400
		<u>66,317</u>	<u>71,930</u>
Total liabilities		<u>89,656</u>	<u>98,430</u>
TOTAL EQUITY AND LIABILITIES		<u>180,721</u>	<u>193,596</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.16</u>	<u>0.16</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 2022.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 MARCH 2023****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
		← Non-distributable →	Distributable			
		Share capital RM'000	Foreign exchange translation reserve RM'000	Accumulated losses RM'000		
9 months ended 31.03.2023						
Balance as at 01.07.2022		153,624	(849)	(57,520)	95,255	(89)
Loss after tax for the period	26	-	-	(4,725)	(4,725)	512
Other comprehensive expenses for the period:						
Foreign currency translation difference for the period		-	(23)	-	(23)	-
Total comprehensive expenses for the period		-	(23)	(4,725)	(4,748)	512
Transactions with owners of the Company:						
Issue of ordinary shares		-	-	-	-	-
Capital reduction by court order		-	-	-	-	-
Issue of shares by a subsidiary to non-controlling interests		-	-	-	-	225
Changes in ownership interest in a subsidiary	13	-	-	(130)	(130)	40
Total transactions with owners of the Company		-	-	(130)	(130)	265
Balance as at 31.03.2023		153,624	(872)	(62,375)	90,377	688

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 2022.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 MARCH 2023****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	
		← Non-distributable → Share capital RM'000	Distributable Foreign exchange translation reserve RM'000				
9 months ended 31.03.2022							
Balance as at 01.07.2021		152,269	(45)	(53,920)	98,304	68	98,372
Loss after tax for the period	26	-	-	(5,904)	(5,904)	(128)	(6,032)
Other comprehensive expenses for the period:							
Foreign currency translation difference for the period		-	(172)	-	(172)	-	(172)
Total comprehensive expenses for the period		-	(172)	(5,904)	(6,076)	(128)	(6,204)
Transactions with owners of the Company:							
Issue of ordinary shares		37,510	-	-	37,510	-	37,510
Capital reduction by court order		(40,000)	-	40,000	-	-	-
Issue of shares by a subsidiary to non-controlling interests		-	-	-	-	-	-
Changes in ownership interest in a subsidiary		-	-	-	-	-	-
Total transactions with owners of the Company		(2,490)	-	40,000	37,510	-	37,510
Balance as at 31.03.2022		<u>149,779</u>	<u>(217)</u>	<u>(19,824)</u>	<u>129,738</u>	<u>(60)</u>	<u>129,678</u>

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 2022.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 MARCH 2023****Unaudited Condensed Consolidated Statement of Cash Flows**

		9 months ended	
	Note	31.03.2023	31.03.2022
		RM'000	RM'000
Cash flows from operating activities			
Loss before tax		(3,543)	(6,032)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	28	4,448	3,359
Finance costs	28	1,530	1,325
Impairment loss on trade receivables	28	-	154
Impairment loss on other receivables	28	1	-
Inventories written down	28	1	-
Inventories written off	28	20	13
Share of loss of an associate	28	-	48
Unrealised gain on foreign exchange	28	(19)	(292)
Finance income	28	(166)	(311)
Gain on bargain purchase of a new subsidiary	28	-	(20)
Reversal of impairment loss on other receivables	28	(10)	-
Operating profit/(loss) before working capital changes		2,262	(1,756)
Decrease in inventories		2,443	5,180
Increase in trade and other receivables		(9,401)	(29,660)
Increase in contract assets		(689)	(6,799)
(Decrease)/increase in trade and other payables		(2,308)	2,998
Decrease in contract liabilities		(19)	(210)
Cash used in operating activities		(7,712)	(30,247)
Interest paid		(1,530)	(1,325)
Interest received		166	311
Income tax paid		(680)	(459)
Income tax refunded		-	38
Net cash used in operating activities		(9,756)	(31,682)
Cash flows from investing activities			
Acquisition of a subsidiary		-	(4,980)
Acquisition of property, plant and equipment		(284)	(1,765)
Increase in pledged fixed deposits with licensed banks		(4,581)	(302)
Net cash used in investing activities		(4,865)	(7,047)

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD QUARTER ENDED 31 MARCH 2023****Unaudited Condensed Consolidated Statement of Cash Flows (cont'd)**

	Note	9 months ended	
		31.03.2023	31.03.2022
		RM'000	RM'000
Cash flows from financing activities			
Proceeds from the issue of shares to non-controlling interests		225	-
Payment from changes in ownership interests in a subsidiary		(90)	-
Proceeds from the issue of ordinary shares		-	37,510
Drawdown of term loan		-	19,045
Drawdown of bankers' acceptances		25,044	24,296
Repayment of lease liabilities		(907)	(536)
Repayment of term loans		(1,930)	(7,632)
Repayment of revolving credit		-	(11,196)
Repayment of bankers' acceptances		(28,852)	(22,130)
Net cash (used in)/generated from financing activities		(6,510)	39,357
Net (decrease)/increase in cash and cash equivalents		(21,131)	628
Effects of foreign exchange translation		(22)	(214)
Cash and cash equivalents at the beginning of the period		35,645	18,346
Cash and cash equivalents at the end of the period		14,492	18,760
Cash and cash equivalents at the end of the financial period comprise the following:			
Deposits, cash and bank balances		19,663	19,344
(Less) Fixed deposits pledged		(5,171)	(584)
		14,492	18,760

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 2022.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

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 2022. 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 2022.

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

2. Significant accounting policies

The significant accounting policies and methods of computation applied in the interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the financial year ended 30 June 2022 except for the following:

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 17, Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information	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
Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 16 Leases - Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101 Presentation of Financial Statements - Non-Current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10 Consolidated Financial Statements	Deferred
Amendments to MFRS 128 Investments in Associates and Joint Ventures - 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.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont’d)

3. 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 2022 was qualified and the details of the qualification are as described below: -

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 2022, 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

Matters arising from previous financial period ended 30 June 2021

Our independent auditors’ report dated 30 December 2021 contains a qualified opinion on the financial statements for the previous financial period ended 30 June 2021 and the basis for our qualified opinion is as disclosed in the financial statements. Consequently, the matters referred in our qualifications for the financial period ended 30 June 2021 are included in the opening balances for the financial year ended 30 June 2022. We were unable to satisfy ourselves that the subsequent transactions, if any affecting these balances, that they do not contain material misstatements that materially affect the current period’s financial statements. We are therefore unable to satisfy ourselves in respect of the following assertions and obtain sufficient appropriate audit evidence to determine whether the following do not contain material misstatements:

- a) The accuracy, existence and completeness of trade receivable balances in relation to foreign project owners’ as at 1 July 2021 of the Group and the Company amounting to RM60,673,723 and RM11,857,355 respectively; and
- b) The accuracy and correctness of accumulated losses balance as at 1 July 2021 of the Group and the Company amounting to RM53,920,051 and RM38,106,746 respectively.

As disclosed in the financial statements, the status of EPCC contracts have further developed to the extent that the termination clause of the Settlement Agreements have been triggered with the non-payment of the instalment due by 30 June 2022. Nonetheless, on 20 September 2022, Novation Agreements were entered into with the same parties and the Group and the Company had novated their liabilities due to the Sub-contractors, to the Project Owners (“Employer”). The Group’s legal representative has agreed to be appointed as stakeholder for the purpose of payment, execution and/or administration of the Novation and Settlement Agreements.

Our opinion on the current year’s financial statements of the Group and of the Company is also qualified because of the possible effects of these matters on the comparability of the current year’s figures and the corresponding figures.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
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**PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)**

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

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

Basis for qualified opinion (cont'd)

Matters arising from previous financial period ended 30 June 2021 (cont'd)

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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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****4. Segment information****Results for 3 months ended 31 March 2023**

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter-segment sales	23,662	9,628	-	33,290
(Less) inter-segment sales	(496)	(424)	-	(920)
External revenue	<u>23,166</u>	<u>9,204</u>	<u>-</u>	<u>32,370</u>
Segment results				
Results	3,152	32	(109)	3,075
Finance costs	(459)	(23)	(10)	(492)
Corporate expenses				(2,372)
Share of profit/(loss) of an associate				-
Profit before tax				<u>211</u>
Taxation				(670)
Loss after tax				<u>(459)</u>
Other information				
Finance income	<u>15</u>	<u>2</u>	<u>34</u>	<u>51</u>

Results for 3 months ended 31 March 2022

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter-segment sales	22,101	15,138	319	37,558
(Less) inter-segment sales	(13)	-	-	(13)
External revenue	<u>22,088</u>	<u>15,138</u>	<u>319</u>	<u>37,545</u>

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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****4. Segment information (cont'd)****Results for 3 months ended 31 March 2022 (cont'd)**

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment results				
Results	1,106	(625)	(53)	428
Finance costs	(424)	(32)	-	(456)
Corporate expenses				(1,946)
Share of profit/(loss) of an associate				3
Loss before tax				(1,971)
Taxation				-
Loss after tax				(1,971)
Other information				
Finance income	14	1	100	115

Results for 9 months ended 31 March 2023

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter- segment sales	70,006	31,286	365	101,657
(Less) inter-segment sales	(1,088)	(1,867)	-	(2,955)
External revenue	68,918	29,419	365	98,702
Segment results				
Results	6,201	(1,369)	(68)	4,764
Finance costs	(1,421)	(73)	(36)	(1,530)
Corporate expenses				(6,777)
Share of profit/(loss) of an associate				-
Loss before tax				(3,543)
Taxation				(670)
Loss after tax				(4,213)
Other information				
Finance income	84	15	67	166

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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****4. Segment information (cont'd)****Results for 9 months ended 31 March 2022**

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue				
including inter- segment sales	64,950	36,578	707	102,235
(Less) inter-segment sales	(59)	-	-	(59)
External revenue	<u>64,891</u>	<u>36,578</u>	<u>707</u>	<u>102,176</u>
Segment results				
Results	2,246	(1,694)	(108)	444
Finance costs	(1,281)	(42)	(2)	(1,325)
Corporate expenses				(5,103)
Share of profit/(loss) of an associate				<u>(48)</u>
Loss before tax				(6,032)
Taxation				-
Loss after tax				<u>(6,032)</u>
Other information				
Finance income	<u>32</u>	<u>1</u>	<u>278</u>	<u>311</u>

Segment revenue by countries

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Malaysia	<u>32,370</u>	<u>37,545</u>	<u>98,702</u>	<u>102,176</u>

Segment non-current assets by countries

	Unaudited As at 31.03.2023 RM'000	Audited As at 30.06.2022 RM'000
Malaysia	<u>51,483</u>	<u>55,646</u>

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)

5. Changes in estimates

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

6. Unusual items due to their nature, size and incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash during the current 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.

8. Dividend paid

There was no dividend paid by the Company during the quarter and financial period under review.

9. Acquisitions and disposals of property, plant and equipment

Acquisition and disposal/written off of items of property, plant and equipment by the Group is as follows:

	Individual Quarter		Cumulative Quarter	
	3 months ended	3 months ended	9 months ended	9 months ended
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM	RM	RM	RM
Acquisition (cost)	114,683	1,156,673	283,889	3,472,300
Disposal/written off (net book value)	-	-	26	-

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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****10. Related party transactions**

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Expenditure:				
Insurance premium paid or payable to a related party, Transnational Insurance Brokers (M) Sdn. Bhd.	149	54	519	366
Purchase of AIPODS devices from a related party, Serba Dinamik IT Solutions Sdn. Bhd.	-	-	-	35
	<hr/>	<hr/>	<hr/>	<hr/>
			Unaudited	Audited
			As at	As at
			31.03.2023	30.06.2022
			RM'000	RM'000
Amount due by related parties			-	7,725
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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****10. Related party transactions (cont'd)**(ii) Transactions with an associate¹:

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Purchase of working attire	-	-	2	-
Purchase of motorcycle jacket	-	-	2	-
Purchase of signage	-	-	11	-
Purchase of safety personal protective equipment	-	-	-	2
Construction and progress claim of PPAM show house gallery	40	178	201	178
Construction and progress claim of batching plant	-	-	-	25
Consultancy fee paid or payable	-	200	-	200

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

Note:

¹ Associate refers to Edaran Kencana Sdn. Bhd.

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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****11. Investment in an associate**

	Unaudited	Audited
	As at	As at
	31.03.2023	30.06.2022
	RM'000	RM'000
Unquoted shares, at cost	300	302
Share of post-acquisitions reserve	-	(2)
(Less) Impairment loss on investment in an associate	(300)	(300)
	<u>-</u>	<u>-</u>

Details of the associate are as follows:

Name of associate	Country of incorporation	Principal activities	Effective equity interest	
			Unaudited	Audited
			As at	As at
			31.03.2023	30.06.2022
Edaran Kencana Sdn. Bhd.	Malaysia	General contractors and builders, engineering consultancy and other related services	30%	30%

12. Debt and equity securities

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter and financial period under review.

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13. Changes in composition of the group

There were no changes in the composition of the Group during the quarter and financial period under review, except for the following:

Acquisition of remaining equity shareholdings

On 21 June 2022, the Company’s wholly-owned subsidiary, SCIB Industrialised Building System Sdn. Bhd. has acquired the remaining 30% equity shareholdings in existing subsidiary, SCIB LW System Sdn. Bhd. (“LWS”) for a cash consideration of RM90,000.

The registration of shares transfer was completed on 6 July 2022. Upon the completion of the proposed acquisition, LWS became a wholly-owned subsidiary of the Group.

Incorporation of SCIB Trading Sdn. Bhd.

On 30 December 2022, SCIB Trading Sdn. Bhd. (“SCIBT”), a wholly owned subsidiary of the Company, was incorporated in Malaysia with a paid-up capital of RM100,000. SCIBT is currently dormant and its intended principal activity is investment holding in dealing with capital market and derivatives instruments locally and internationally as well as in general merchants.

14. Capital commitments

	Unaudited	Audited
	As at	As at
	31.03.2023	30.06.2022
	RM’000	RM’000
Capital expenditure not provided for in the financial statements:		
Contracted for but not provided for	238	491

15. Contingent liabilities – unsecured

	Unaudited	Audited
	As at	As at
	31.03.2023	30.06.2022
	RM’000	RM’000
Corporate guarantee given to bank for credit facilities granted to a subsidiary	40,575	47,666
Financial guarantee provided to a licensed bank for credit facilities granted to a subsidiary	-	1,183

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16. Significant and subsequent events

Termination and novation of the contracts in relation to Qatar and Oman projects

The Company and its wholly-owned subsidiary, SCIB International (Labuan) Ltd. (“SCIBIL”) had on 10 November 2021 signed the respective Settlement Agreements with their Clients, who are the Project Owners, and the respective subcontractors for six projects carried out in Qatar and Oman that have been awarded to the Group. The salient terms of the said agreements were to terminate the Contracts and confirm the Parties’ obligations on the full and final settlement of debts and establish the terms and payment schedule for the amount owing between the Parties, after taking into consideration the following factors:

- a) The project progress was greatly affected by the manpower issues caused by the COVID-19 pandemic;
- b) The prolonged pandemic and travelling and operational restrictions posed challenges in the project management; and
- c) Slow payment and long outstanding debts owing by the Project Owners.

The final outstanding balances of the six projects with Settlement Agreements are reflected in the previous financial statements aggregating to:

	Group 2021 RM	Company 2021 RM
Trade receivables – others (Due from Project Owners)	561,122,581	67,082,549
Trade payables (Due to Sub-contractors)	561,122,581	67,082,549

The terms of the Settlement Agreements states that the Project Owners have guaranteed their obligations for settlement of the receivables and they have also guaranteed the payments to the sub-contractors in the event that the Settlement Agreements are terminated due to the non-compliance of the payment schedules. Based on the guarantee, the Group’s liability to the sub-contractors can be deemed to be novated to the Project Owners and set-off against the receivables due. The final claims stated in the Settlement Agreements are consistent with the provisions that were taken up in the financial statements.

Subsequently, on 20 September 2022, the Company and its wholly-owned subsidiary, SCIBIL has signed the respective Novation Agreements with the Project Owners and the respective subcontractors to novate all their obligations, rights, benefits and interest due to subcontractors to the Project Owners.

Due to the default in payment by the Project Owners which triggered the termination clause of the Settlement Agreements, the Company and SCIBIL had agreed to enter into the Novation Agreements to discharge all of the Company’s and SCIBIL’s liabilities/obligations towards the Settlement Agreements in regards to Debt 2.

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16. Significant and subsequent events (cont'd)

Termination and novation of the contracts in relation to Qatar and Oman projects (cont'd)

The Project Owners, the Company and SCIBIL have agreed to novate all of the Company's and SCIBIL's obligations, rights, benefits, and interests under Debt 2 pursuant to the Settlement Agreements to the Project Owners and the parties have also agreed that the Project Owners shall pay to the Company and SCIBIL the differential sum between Debt 1 and Debt 2 ("Differential Sum"), and that the Differential Sum shall be paid to the Company and SCIBIL on or before the next financial year ending 30 June 2023.

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REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD****17. Performance review**

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
<u>By business segments</u>				
Revenue				
- Manufacturing	23,166	22,088	68,918	64,891
- Construction/EPCC	9,204	15,138	29,419	36,578
- Property trading /Others	-	319	365	707
Group revenue	<u>32,370</u>	<u>37,545</u>	<u>98,702</u>	<u>102,176</u>
Profit/(loss) before tax				
- Manufacturing	2,693	682	4,780	965
- Construction/EPCC	9	(657)	(1,442)	(1,736)
- Property trading /Others	(119)	(53)	(104)	(110)
	<u>2,583</u>	<u>(28)</u>	<u>3,234</u>	<u>(881)</u>
(Less) Corporate expenses	(2,372)	(1,946)	(6,777)	(5,103)
Share of profit/(loss) of an associate	-	3	-	(48)
Group profit/(loss) before tax	<u>211</u>	<u>(1,971)</u>	<u>(3,543)</u>	<u>(6,032)</u>

The Group recorded revenue of RM32.4 million and profit before tax of RM211,000 for the current quarter ended 31 March 2023, compared to revenue of RM37.5 million and loss before tax of RM2 million in the corresponding quarter of the preceding financial year, representing a decrease of 14% in revenue and an increase of 110% in profit before tax.

Manufacturing

Manufacturing segment being the pillar of the Group, continued to thrive and remained as the largest contributor to the Group's revenue. The segment reported revenue of RM23.2 million and profit before tax of RM2.7 million for the current quarter, compared to revenue of RM22.1 million and profit before tax of RM682,000 in the corresponding quarter of the preceding financial year. The growth in revenue in the current quarter was primarily driven by the increase in sales volume of foundation piles. The improvement in profit before tax in the current quarter was mainly due to the increase in contribution margins from the sales of concrete products.

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17. Performance review (cont'd)

Construction/EPCC

Construction/EPCC segment registered revenue of RM9.2 million with profit before tax of RM9,000 for the current quarter, compared to revenue of RM15.1 million and loss before tax of RM657,000 in the corresponding quarter of preceding financial period. The lower revenue in the current quarter was mainly due to slower construction progress. The higher profit before tax was mainly contributed by lower administrative expenses in the current quarter.

Property trading/Others

The property trading and other segments have not recorded any revenue for the current quarter.

18. Variation of results against preceding quarter

The Group recorded revenue of RM32.4 million and profit before tax of RM211,000 for the current quarter, compared to revenue of RM36 million and loss before tax of RM2.8 million in the immediate preceding quarter, representing a 10% decrease in revenue and 107% increase in profit before tax. The Group's revenue has declined as compared to the immediate preceding quarter, mainly due to slower construction progress in the construction/EPCC segment. The higher profit before tax in the current quarter was mainly attributable to the decrease in administrative expenses and improved margin in manufacturing segment.

19. Prospects for the next year

The prospects for the Malaysian construction industry will hinge on the growth momentum of the domestic economy, which will be driven by private consumption and investment amid a challenging global economic outlook.

The International Monetary Fund (IMF) projected Malaysia's gross domestic product (GDP) for 2023 at about 4.5% due to external headwinds following the 8.7% growth in 2022. Inflation is projected to remain elevated at about 3.25% on persistent core inflation.¹ The Malaysian government has also projected 4.5% growth for 2023 supported by domestic economic activities and comprehensive measures for sustainable growth as well as initiatives to instil investor confidence under the revised Budget 2023.²

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

Bank Negara Malaysia (BNM) expects the domestic economy to expand at a more moderate pace in 2023 amid a challenging external environment, with growth driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects as well as the services and manufacturing sectors while weaker exports performance will be cushioned by higher tourism activities.³

The IMF, in its April update to the World Economic Outlook (WEO), projected global GDP growth of 2.8% in 2023 compared with the estimated 2.9% in the January 2023 WEO update.⁴ The IMF noted that the global economy is not currently expected to return over the medium-term to the rates of growth that prevailed before the COVID-19 pandemic, forecasting growth forecast over the next five years at 3.0%.⁵

BNM has also maintained the benchmark overnight policy rate (OPR) at 2.75% following the March 2023 monetary policy committee meeting. BNM, which last raised the OPR in November 2022, expects headline and core inflation to remain elevated amid lingering demand and cost factors that are expected to moderate over the course of the year. Existing price controls and fuel subsidies, and the remaining spare capacity in the economy, will partly mitigate the inflationary pressure.⁶

SCIB continues to be cautiously optimistic based on the latest developments at the domestic and global levels. The Group has also clinched a total of RM37.45 million in engineering, procurement, construction, and commissioning (“EPCC”) contracts for the third quarter as it continues to actively pursue small-to-mid-sized construction projects across Malaysia. As of the end of the third quarter, the Group’s order book stood at total cumulative contract value of RM495.29 million as of 31 March 2023.

The Group views positively the RM170 billion worth of investment commitments from China that was secured during the recent state visit of Datuk Seri Anwar Ibrahim to the country.⁷ Besides being a show of confidence from Malaysia’s leading trading partner, SCIB believes that there will be positive spillover effects not just for the economy but also for the domestic construction industry.

Furthermore, the Malaysian government has reiterated its commitment to the continuation of the Pan Borneo Highway project, while the Trans Borneo highway project will start following the appointment of a contractor to be finalised in 2024.⁸

As part of measures to reduce gearing and increase the net assets while strengthening the Group’s financial and capital position as well as potentially improving the liquidity of SCIB shares in the market, a private placement to raise gross proceeds of up to approximately RM10.98 million for working capital, repayment of bank borrowings and estimated expenses for the proposed private placement was announced in January 2023. The first tranche of the private placement was successfully listed on the Main Market on 13 April 2023.

On top of leveraging on our core EPCC expertise, the Group’s other core strength is its market presence as the leading precast concrete and Industrialised Building System (IBS) manufacturer in East Malaysia with the ability to supply 500,000 tonnes of building materials annually together with wharf facilities in Kuching, Sarawak that complements projects across Borneo as an added advantage for projects in neighbouring Kalimantan, Indonesia.

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

Given the rapid advances in building technology and its impact on the construction sector, the need to stay abreast and remain competitive while pushing the SCIB's sustainability measures has meant a continued emphasis on technology. The Group, partnering the Construction Industry Development Board (CIDB), unveiled an IBS sample house built using 3D printing technology. The sample house construction was undertaken as part of CIDB's Construction Strategy Plan 4.0.

Other measures for business and operational sustainability continues to be explored and where feasible, implemented. Among these measures, the Group implemented the Artificial Intelligence Pothole Detection System (AIPODS) to optimise the effectiveness of roadworks maintenance projects and the incorporation of a lightweight system plant to improve IBS offerings. The Group believes that advanced technology such as AIPODS and automation will in the long-run ensure that operations are sustainable.

SCIB will continue to mitigate operational risks by actively managing existing projects and closely work with stakeholders across the value chain to ensure smooth project delivery. For better execution of projects under the construction arm, an inhouse team was established to monitor operations while manufacturing facilities has been expanded to support projects in Peninsular Malaysia and in readiness for new projects. To ensure optimum cashflow and a smooth payment collection process, the Group undertakes thorough due diligence on project owners and has strengthened internal controls.

The Group's outlook is further reinforced by the allocation of RM5.6 billion for Sarawak and RM6.5 billion for Sabah under the revised Budget 2023. This is on top of an additional allocation of RM920 million for dilapidated schools in Sarawak and Sabah. SCIB is actively pursuing leads for projects in which it can leverage on its EPCC expertise supported by the ability to supply precast and IBS building materials together with building technology.

¹ <https://www.imf.org/en/News/Articles/2023/03/20/pr2380-imf-staff-completes-2023-article-iv-mission-to-malaysia#:~:text=%E2%80%9CThe%20Malaysian%20economy%20registered%20a,to%20have%20closed%20in%202022>

² Revised Budget 2023 speech pg. 7

³ BNM 4Q Quarterly Bulletin pg. 35

⁴ IMF World Economic Outlook April 2023 pg. 7

⁵ IMF World Economic Outlook April 2023 pg. 12

⁶ <https://www.bnm.gov.my/-/monetary-policy-statement-09032023>

⁷ <https://www.theedgemarkets.com/node/661736>

⁸ <https://www.nst.com.my/news/nation/2023/01/867268/federal-govt-committed-dealing-ma63-issue>

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Not applicable

b) Shortfall in the profit guarantee

Not applicable

21. Taxation

	Individual Quarter 3 months ended		Cumulative Quarter 9 months ended	
	31.03.2023 RM'000	31.03.2022 RM'000	31.03.2023 RM'000	31.03.2022 RM'000
Current tax expense	920	-	920	-
Overprovision of tax in prior year	(250)	-	(250)	-
	<u>670</u>	<u>-</u>	<u>670</u>	<u>-</u>

The Group's effective tax rates for the current quarter and cumulative quarter ended 31 March 2023 were higher than the statutory income tax rate mainly due to certain expenses which are not deductible for tax purposes.

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22. Corporate proposals

On 11 January 2023, the Company has proposed to undertake a private placement of up to 10% of the issued ordinary shares of SCIB at an issue price to be determined later ("Proposed Private Placement").

On 16 January 2023, the Company has submitted the listing application to Bursa Securities in relation to the Proposed Private Placement. The listing application is subject to Bursa Securities' approval.

The Bursa Securities had vide its letter dated 6 March 2023, resolved to approve the listing of and quotation for up to 82,722,252 Placement Shares to be issued pursuant to the Proposed Private Placement.

On 4 April 2023, the Company has resolved to fix the issue price for the 1st tranche of the Private Placement at RM0.1078 per Placement Share. The issue price of RM0.1078 per Placement Share represents a discount of RM0.0119 or approximately 9.94% to the five (5)-day volume weighted average market price of SCIB Shares for the last five (5) market days up to and including 4 April 2023 of RM0.1197 per SCIB Share.

On 13 April 2023, it is announced that the 1st tranche of the Private Placement comprising 25,000,000 Placement Shares were listed and quoted on the Main Market of Bursa Securities.

Based on the proposed placement size of up to 82,722,252 Placement Shares at the Indicative Placement Issue Price, the Proposed Private Placement is expected to raise total gross proceeds of up to approximately RM7.724 million based on the minimum scenario which is intended to be utilised 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 31.03.2023 RM'000	Balance as at 31.03.2023 RM'000
Working capital ⁽ⁱ⁾	Within 12 months	3,500	-	3,500
Repayment of bank borrowings ⁽ⁱⁱ⁾	Within 12 months	3,824	-	3,824
Estimated expenses for the Proposed Private Placement ⁽ⁱⁱⁱ⁾	Within 3 months	400	-	400
Total proceeds		7,724	-	7,724

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22. Corporate proposals (cont'd)

Notes:

* From the date of listing of the Placement Shares.

- (i) The Company intends to utilise part of the proceeds to be raised from the Proposed Private Placement for payroll (staff salary) to supplement the existing working capital of the Group and to help improve the cash flow of the Group.
- (ii) The Company proposes to utilise up to approximately RM3.8 million of the proceeds to reduce the bank borrowings (banker's acceptance) of SCIB Group.
- (iii) This includes payment of fees to Bursa Securities, adviser and placement agent. Any deviation in the actual amount of expenses for the Proposed Private Placement will be adjusted accordingly to/from the working capital of SCIB Group.

23. Loans and borrowings

	Unaudited As at 31.03.2023 RM'000	Audited As at 31.06.2022 RM'000
Short-term borrowings		
Secured	18,065	21,784
Long-term borrowings		
Secured	<u>21,122</u>	<u>23,140</u>
	<u>39,187</u>	<u>44,924</u>

All of the above borrowings are denominated in Ringgit Malaysia.

24. Derivatives financial instruments

There were no outstanding derivatives as at the date of this report.

25. Proposed dividend

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

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26. Loss per share

The basic loss per share is computed by dividing the profit or loss for the period by the number of weighted average ordinary shares of the Group in issue during the period:

	Individual Quarter		Cumulative Quarter	
	3 months ended	3 months ended	9 months ended	9 months ended
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Loss attributable to owners of the Company (RM'000)	(1,034)	(1,871)	(4,725)	(5,904)
Weighted average number of ordinary shares in issue ('000)	582,038	506,735	582,038	506,735
Basic loss per share (sen)	<u>(0.18)</u>	<u>(0.37)</u>	<u>(0.81)</u>	<u>(1.17)</u>

27. Material litigation

On 24 June 2021, the Company's wholly-owned subsidiary, SCIB Properties Sdn. Bhd. ("SCIBP") filed a civil suit against Puncak Gemilang Melati Sdn. Bhd. ("PGM") for the return of the sum of RM1.000 million paid to PGM. The Group's claim was that PGM had no legal standing to have issued a Letter of Award for the position of subcontractor to SCIBP. PGM has counterclaimed, among others, for a declaration that the Letter of Award issued to SCIBP is valid and binding and for damages amounting to RM22.100 million for alleged loss of profit, exemplary damages and legal fees.

The Case Management of the main suit has been fixed on 17 February 2022 and subsequently, the trial date was fixed for 13 September 2022 to 15 September 2022.

On 13 September 2022, the trial was concluded and the parties were directed as follows:

- Parties are to finalise the Notes of Proceedings on/before 4 October 2022;
- Parties are to file their respective written submissions on/before 1 November 2022;
- Parties are to file their respective written submissions in reply on/before 22 November 2022; and
- The matter is fixed for decision/clarification on 14 December 2022.

SCIBP's claims and PGM's counterclaims were both dismissed on 14 December 2022 as decided by the Shah Alam High Court in Civil Suit No.:BA-22NCVC-247-06/2021.

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REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD (cont'd)****28. Additional disclosure on loss for the period**

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

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment and right-of-use assets	1,435	1,181	4,448	3,359
Finance costs	492	456	1,530	1,325
Impairment loss on trade receivables	-	117	-	154
Impairment loss on other receivables	1	-	1	-
Inventories written down	-	-	1	-
Inventories written off	-	-	20	13
Share of (profit)/loss of an associate	-	(3)	-	48
Unrealised gain on foreign exchange	(82)	(212)	(19)	(292)
Finance income	(51)	(115)	(166)	(311)
Gain on bargain purchase of a new subsidiary	-	-	-	(20)
Reversal of impairment loss on other receivables	-	-	(10)	-
	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>-</u>

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 25 May 2023.