

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

Registration No. 197501003884 (25583-W)

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

	Note	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
		31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Continuing operations					
Revenue	4	38,089	36,001	77,492	66,332
Cost of sales		(29,063)	(31,385)	(60,470)	(57,151)
Gross profit		9,026	4,616	17,022	9,181
Other income		38	(609)	211	137
Selling and distribution expenses		(2,054)	(1,842)	(4,030)	(3,901)
Administrative expenses		(5,126)	(4,527)	(8,802)	(8,258)
Net impairment gain on financial assets		185	10	191	10
Operating profit/(loss)		2,069	(2,352)	4,592	(2,831)
Finance income		83	72	199	115
Finance costs		(621)	(532)	(1,140)	(1,038)
Net finance costs		(538)	(460)	(941)	(923)
Profit/(Loss) before tax		1,531	(2,812)	3,651	(3,754)
Income tax expense	21	(674)	-	(1,792)	-
Profit/(Loss) after tax		857	(2,812)	1,859	(3,754)
Other comprehensive income/(expenses):					
<u>Item that will not be reclassified subsequently to profit or loss</u>					
Surplus on revaluation of properties		(60)	-	52,116	-
Transfer of revaluation surplus on properties		440	-	586	-
<u>Item that will be reclassified subsequently to profit or loss</u>					
Foreign currency translation differences		302	735	223	61
Total comprehensive income/(expenses) for the period		1,539	(2,077)	54,784	(3,693)
Profit/(Loss) attributable to:					
Owners of the Company	26	846	(2,820)	1,772	(3,691)
Non-controlling interests		11	8	87	(63)
		857	(2,812)	1,859	(3,754)
Total comprehensive income/(expenses) attributable to:					
Owners of the Company		1,528	(2,085)	54,697	(3,630)
Non-controlling interests		11	8	87	(63)
		1,539	(2,077)	54,784	(3,693)
Earnings/(Loss) per share					
Basic and diluted (sen)	26	0.13	(0.48)	0.28	(0.63)

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 2023 and the accompanying explanatory notes attached to the interim financial statements.

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

	Note	Unaudited As at 31.12.2023 RM'000	Audited As at 30.06.2023 RM'000 (Restated)
ASSETS			
<u>Non-current assets</u>			
Property, plant and equipment	4	55,827	30,453
Investment properties	4	2,308	2,381
Right-of-use assets	4	59,529	16,429
		<u>117,664</u>	<u>49,263</u>
<u>Current assets</u>			
Inventories		21,868	22,735
Trade and other receivables		71,338	61,675
Prepayments		7,380	8,322
Contract assets		8,496	6,194
Current tax assets		399	449
Fixed deposits with licensed banks		10,567	10,421
Cash and bank balances		17,131	29,688
		<u>137,179</u>	<u>139,484</u>
TOTAL ASSETS		<u>254,843</u>	<u>188,747</u>
EQUITY AND LIABILITIES			
Share capital		166,259	166,259
Foreign currency translation reserves		(1,398)	(1,621)
Revaluation reserves		54,298	2,182
Accumulated losses		(81,804)	(84,162)
Equity attributable to owners of the Company		<u>137,355</u>	<u>82,658</u>
Non-controlling interests		952	865
Total equity		<u>138,307</u>	<u>83,523</u>
<u>Non-current liabilities</u>			
Other payables		147	142
Loans and borrowings	23	21,402	20,455
Lease liabilities		1,677	1,726
Deferred tax liabilities		16,900	593
		<u>40,126</u>	<u>22,916</u>
<u>Current liabilities</u>			
Trade and other payables		53,860	53,824
Contract liabilities		844	816
Loans and borrowings	23	18,798	26,168
Lease liabilities		604	554
Current tax liabilities		2,304	946
		<u>76,410</u>	<u>82,308</u>
Total liabilities		<u>116,536</u>	<u>105,224</u>
TOTAL EQUITY AND LIABILITIES		<u>254,843</u>	<u>188,747</u>
Net assets per share attributable to owners of the Company (RM)		<u>0.22</u>	<u>0.13</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 2023.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 31 DECEMBER 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
		Share capital RM'000	Non-distributable Foreign exchange translation reserve RM'000	Revaluation reserve RM'000	Accumulated losses RM'000			
6 months ended 31.12.2023								
Balance as at 01.07.2023, as previously reported		166,259	(1,621)	-	(81,980)	82,658	865	83,523
Effect of a change in accounting policy		-	-	2,182	(2,182)	-	-	-
Balance as at 01.07.2023, restated		166,259	(1,621)	2,182	(84,162)	82,658	865	83,523
Profit after tax for the period	26	-	-	-	1,772	1,772	87	1,859
Foreign currency translation differences		-	223	-	-	223	-	223
Revaluation of properties		-	-	52,116	586	52,702	-	52,702
Total comprehensive expenses for the period		-	223	52,116	2,358	54,697	87	54,784
Changes in ownership interests:								
Acquisition of a subsidiary with non-controlling interest		-	-	-	-	-	-	-
Disposal of non-controlling interest		-	-	-	-	-	-	-
Total changes in ownership interests		-	-	-	-	-	-	-
Balance as at 31.12.2023		166,259	(1,398)	54,298	(81,804)	137,355	952	138,307

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 2023.

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**INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2023**

Unaudited Condensed Consolidated Statement of Changes in Equity (cont'd)

	Note	Attributable to owners of the Company			Total equity attributable to owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Foreign exchange translation reserve RM'000	Accumulated losses RM'000			
6 months ended 31.12.2022							
Balance as at 01.07.2022		153,624	(849)	(57,520)	95,255	(89)	95,166
Loss after tax for the period	26	-	-	(3,691)	(3,691)	(63)	(3,754)
Foreign currency translation differences		-	61	-	61	-	61
Total comprehensive expenses for the period		-	61	(3,691)	(3,630)	(63)	(3,693)
Transactions with owners of the Company:							
Issue of shares by a subsidiary to non-controlling interests		-	-	-	-	225	225
Changes in ownership interest in a subsidiary		-	-	(130)	(130)	40	(90)
Total transactions with owners of the Company		-	-	(130)	(130)	265	135
Balance as at 31.12.2022		153,624	(788)	(61,341)	91,495	113	91,608

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 2023.

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

		6 months ended	
	Note	31.12.2023 RM'000	31.12.2022 RM'000
Cash flows from operating activities			
Profit/(Loss) before tax		3,651	(3,754)
Adjustments for:			
Bad debts written off	28	1	-
Depreciation of property, plant and equipment, investment properties and right-of-use assets	28	3,414	3,013
Finance costs	28	1,140	1,038
Inventories written down	28	-	1
Inventories written (back)/off	28	(1)	20
Property, plant and equipment written off	28	9	-
Gain on disposal of property, plant and equipment	28	(10)	-
Finance income	28	(199)	(115)
Reversal of impairment loss on trade receivables	28	(188)	-
Reversal of impairment loss on other receivables	28	(3)	(10)
Unrealised loss on foreign exchange	28	223	63
Operating profit before working capital changes		8,037	256
Decrease in inventories		868	3,614
Increase in trade and other receivables		(8,530)	(5,311)
Increase in contract assets		(2,302)	(243)
Decrease in trade and other payables		(179)	(7,609)
Increase in contract liabilities		28	54
Cash used in operating activities		(2,078)	(9,239)
Interest paid		(1,140)	(1,038)
Interest received		199	115
Income tax paid		(704)	(423)
Income tax refunded		135	-
Net cash used in operating activities		(3,588)	(10,585)
Cash flows from investing activities			
Proceed from disposal of property, plant and equipment		10	-
Acquisition of property, plant and equipment and right-of-use assets	9	(2,630)	(169)
Increase in fixed deposits pledged to licensed banks		(146)	-
Net cash used in investing activities		(2,766)	(169)

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

	Note	6 months ended	
		31.12.2023	31.12.2022
		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)
Additions of new lease liabilities		286	-
Drawdown of revolving credit		5,000	-
Drawdown of bankers' acceptances		15,934	15,423
Repayment of lease liabilities		(285)	(786)
Repayment of term loans		(961)	(1,279)
Repayment of bankers' acceptances		(20,724)	(19,073)
Net cash used in financing activities		(750)	(5,580)
Net decrease in cash and cash equivalents			
Effects of foreign exchange translation		219	27
Cash and cash equivalents at beginning of the period		24,016	35,645
Cash and cash equivalents at end of the period		17,131	19,338
Cash and cash equivalents at end of the financial period comprise the following:			
Deposits, cash and bank balances		27,698	19,928
(Less) Bank overdraft		-	-
(Less) Fixed deposits pledged		(10,567)	(590)
		17,131	19,338

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 2023.

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INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 2023. 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 2023.

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 2023 except for the following:-

MFRSs and/or IC Interpretations (including the Consequential Amendments)	Effective Date
Amendments to MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements	1 January 2024
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 107, Statement of Cash Flows – Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121, The Effect of Changes in Foreign Exchange Rates – Lack of Exchangeability	1 January 2025
Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

3. Qualification of audit report of the preceding annual financial statements

The auditors’ report on the financial statements for the financial year ended 30 June 2023 was not qualified.

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

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter-segment sales	29,166	9,434	-	38,600
(Less) inter-segment sales	(411)	(100)	-	(511)
External revenue	<u>28,755</u>	<u>9,334</u>	<u>-</u>	<u>38,089</u>
Segment results				
Segment profit/(loss)	4,356	(161)	(2)	4,193
Finance costs	(599)	(19)	(3)	(621)
Corporate expenses				(2,041)
Share of profit/(loss) of an associate				-
Profit before tax				<u>1,531</u>
Income tax expense				<u>(674)</u>
Profit after tax				<u>857</u>
Other information				
Finance income	<u>40</u>	<u>7</u>	<u>36</u>	<u>83</u>

Results for 3 months ended 31 December 2022

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter-segment sales	21,820	14,776	365	36,961
(Less) inter-segment sales	(230)	(730)	-	(960)
External revenue	<u>21,590</u>	<u>14,046</u>	<u>365</u>	<u>36,001</u>

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

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment results				
Segment profit/(loss)	1,541	(1,385)	49	(205)
Finance costs	(496)	(24)	(12)	(532)
Corporate expenses				(2,485)
Share of profit/(loss) of an associate				-
Loss before tax				(2,812)
Income tax expense				-
Loss after tax				(2,812)
Other information				
Finance income	38	7	27	72

Results for 6 months ended 31 December 2023

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter- segment sales	58,812	19,734	-	78,546
(Less) inter-segment sales	(454)	(600)	-	(1,054)
External revenue	58,358	19,134	-	77,492
Segment results				
Segment profit/(loss)	9,019	(447)	(16)	8,556
Finance costs	(1,089)	(44)	(7)	(1,140)
Corporate expenses				(3,765)
Share of profit/(loss) of an associate				-
Profit before tax				3,651
Income tax expense				(1,792)
Profit after tax				1,859
Other information				
Finance income	78	49	72	199

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STANDARD (MFRS) 134 – INTERIM FINANCIAL REPORTING (cont'd)****4. Segment information (cont'd)****Results for 6 months ended 31 December 2022**

	Manufacturing RM'000	Construction / EPCC RM'000	Property trading / Others RM'000	Consolidated RM'000
Segment revenue				
Total revenue including inter segment sales	46,344	21,658	365	68,367
(Less) inter-segment sales	(592)	(1,443)	-	(2,035)
External revenue	<u>45,752</u>	<u>20,215</u>	<u>365</u>	<u>66,332</u>
Segment results				
Segment profit/(loss)	3,049	(1,401)	41	1,689
Finance costs	(962)	(50)	(26)	(1,038)
Corporate expenses				(4,405)
Share of profit/(loss) of an associate				-
Loss before tax				<u>(3,754)</u>
Income tax expense				-
Loss after tax				<u>(3,754)</u>
Other information				
Finance income	<u>69</u>	<u>13</u>	<u>33</u>	<u>115</u>

Segment revenue by countries

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Malaysia	<u>38,089</u>	<u>36,001</u>	<u>77,492</u>	<u>66,332</u>

Segment non-current assets by countries

	Unaudited As at 30.06.2023 RM'000	Audited As at 30.06.2023 RM'000
Malaysia	<u>117,664</u>	<u>49,263</u>

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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. Property, plant and equipment and Right-of-use assets

(i) Acquisition and disposal/written off

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM	RM	RM	RM
Acquisition (cost)	448,885	1,699	2,630,563	169,206
Disposal/written off (net book value)	<u>71,863</u>	<u>-</u>	<u>71,863</u>	<u>26</u>

(ii) Valuation of Lands and Buildings under Property, plant and equipment and Right-of-use assets

Pursuant to change of accounting policy for land and buildings, the Group's land and buildings are subsequently measured at revalued amount less accumulated depreciation and any accumulated impairment losses.

The valuations were carried out by independent firms of professional valuers namely Rahim & Co International Sdn. Bhd. and VPC Alliance (Sarawak) Sdn. Bhd. using the comparison method depending on the nature of the property. The comparison method entails comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as locations and accessibility, size, building construction and finishes, building services, management and maintenance, age and stat of repair, market conditions and other relevant characteristics.

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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 3 months ended		Cumulative Quarter 6 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Expenditure:				
Insurance premium paid or payable to a related party, Transnational Insurance Brokers (M) Sdn. Bhd.	118	187	236	370
			Unaudited As at 31.12.2023 RM'000	Audited As at 30.06.2023 RM'000
Amount due by related parties			2,000	-

(ii) Transactions with an associate¹:-

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Purchase of working attire	26	-	26	2
Purchase of motorcycle jacket	-	2	-	2
Purchase of signage	-	11	-	11
Construction and progress claim of PPAM show house gallery	-	161	-	161
Construction and progress claim of batching plant	87	-	87	-

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

11. Investment in an associate

	Unaudited	Audited
	As at	As at
	31.12.2023	30.06.2023
	RM'000	RM'000
Unquoted shares, at cost	300	300
Share of post-acquisitions reserve	-	-
(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
			31.12.2023	30.06.2023
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.

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.

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

14. Capital commitments

	Unaudited As at 31.12.2023 RM'000	Audited As at 30.06.2023 RM'000
Capital expenditure not provided for in the financial statements:		
Contracted for but not provided for	<u>1,353</u>	<u>2,271</u>

15. Contingent liabilities – Unsecured

	Unaudited As at 31.12.2023 RM'000	Audited As at 30.06.2023 RM'000
Corporate guarantee given to bank for credit facilities granted to subsidiaries	<u>41,364</u>	<u>42,266</u>

16. Significant and subsequent events

Settlement agreement and termination of contract in relation to Muallim Project

On 6 July 2023, the Company and its wholly owned subsidiary company, SCIB Properties Sdn. Bhd. (“SCIBP”) entered into a settlement agreement with their client who is also the project owner of the abovementioned project that has been awarded to the Group on 7 May 2021, to mutually terminate the Contract and confirm the obligation on the full and final settlement of debts and establish the term and payment schedule for the amount due between the parties after taking into consideration of protecting the Group’s interests in mitigating the risks arising from the non-movement of project progress.

The key salient terms of the said agreements included that the said parties acknowledged and confirmed their obligations on the settlement of the debt of RM18,715,250 only (“Debt”) and it shall assume the sole obligation and responsibility to reimburse the Debt to SCIBP in accordance with Schedule A in the said agreement.

The first payment which amounted to RM75,000 has been received by SCIBP on 21 August 2023.

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	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
<u>By business segments</u>				
Revenue				
- Manufacturing	28,755	21,590	58,358	45,752
- Construction/EPCC	9,334	14,046	19,134	20,215
- Property trading				
/Others	-	365	-	365
Group revenue	38,089	36,001	77,492	66,332
Profit/(Loss) before tax				
- Manufacturing	3,757	1,045	7,930	2,087
- Construction/EPCC	(180)	(1,409)	(491)	(1,451)
- Property trading				
/Others	(5)	37	(23)	15
	3,572	(327)	7,416	651
(Less) Corporate expenses	(2,041)	(2,485)	(3,765)	(4,405)
Group profit/(loss) before tax	1,531	(2,812)	3,651	(3,754)

The Group recorded revenue of RM38.1 million and profit before tax of RM1.5 million for the current quarter ended 31 December 2023, compared to revenue of RM36.0 million and loss before tax of RM2.8 million in the corresponding quarter of the preceding financial year, representing an increase of 5.8% in revenue and an increase of RM4.3 million 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 RM28.8 million and profit before tax of RM3.8 million for the current quarter, compared to revenue of RM21.6 million and profit before tax of RM1.0 million in the corresponding quarter of the preceding financial year. The higher revenue in the current quarter was primarily driven by the increase in sales volume of foundation piles. The improvement of profitability in the current quarter was mainly contributed by higher profit margin and sales growth.

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17. Performance review (cont'd)

Construction/EPCC

Construction/EPCC segment registered revenue of RM9.3 million with loss before tax of RM180,000 for the current quarter, compared to revenue of RM14 million and loss before tax of RM1.4 million in the corresponding quarter of the preceding financial year. Revenue saw a decline in the current quarter mainly due to slower construction progress and the completion of two school projects. However, profitability has improved in the current quarter as a result of lower project-related expenses.

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 RM38.1 million and profit before tax of RM1.5 million for the current quarter, compared to revenue of RM39.4 million and profit before tax of RM2.1 million in the immediate preceding quarter, representing 3.3% decrease in revenue and RM589,000 decrease in profit before tax. Revenue in the current quarter was marginally reduced in both the manufacturing and construction segments. The lower profit before tax in the current quarter was mainly impacted by the increase in administrative expenses.

Manufacturing division reported revenue of RM28.8 million and profit before tax of RM3.8 million for the current quarter, compared to revenue of RM29.6 million and profit before tax of RM4.2 million in the immediate preceding quarter. The slight decline in revenue and profit before tax in the current quarter was mainly due to lower sales volume of its foundation piles for the roads upgrading, extension of factories and school projects in Sarawak.

Construction/EPCC division recorded revenue of RM9.3 million and loss before tax of RM180,000 for the current quarter, compared to revenue of RM9.8 million and loss before tax of RM311,000 in the immediate preceding quarter. The lower revenue in the current quarter compared to the immediate preceding quarter is mainly attributed to slower construction progress. The lower loss before tax in the current quarter was mainly due to relatively lower project-related expenses.

Property trading and other divisions have not registered any revenue for the current and immediate preceding quarter.

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19. Prospects

As the Group navigates the evolving global economic landscape, we maintain a cautiously optimistic outlook, buoyed by moderate growth forecasts for both advanced and emerging markets. With advanced economies expected to see modest growth rates of 1.5% and 1.4% over the next two years, and emerging markets, including ours (Malaysia), projected to experience a slight deceleration to around 4.0%, we are mindful of the broader challenges and adjustments within the global economic environment.

This tempered outlook, shaped by the intricate dynamics of global market adjustments and policy interventions, particularly highlights the pivotal role of central banks worldwide in managing inflation amidst geopolitical tensions and commodity flow disruptions, especially in critical regions like the Red Sea.

In Malaysia, the year 2024 marks a significant phase of transformation for the construction and infrastructure sector, driven by the government's strategic focus and budgetary allocations aimed at revitalising key projects. The revised Budget 2023 sets a precedent for cost efficiencies, notably with the MRT3 project, where efforts to reduce procurement costs could lower the project's budget to below RM45 billion from the initial RM68 billion.

This strategic move towards fiscal prudence ensures the project's viability as a pivotal growth catalyst for the construction industry post-MRT2. Furthermore, the Bayan Lepas Light Rapid Transit (BLLRT) in Penang and the Pan Borneo Highway, especially critical for Sabah and Sarawak, promise to enhance connectivity and stimulate economic synergies across the region. The Budget 2024 further bolsters optimism, allocating RM72.7 billion for government construction efforts, with significant projects like the Sarawak-Sabah Link Road Phase 2 and the expansion of the North-South Expressway set to commence, alongside the revitalisation of the LRT3 project, enhancing the national transportation grid and urban mobility. The ongoing 5G rollout, adopting a dual network model, is pivotal in Malaysia's transition towards a more interconnected and technologically advanced landscape.

On the corporate front, SCIB is taking decisive steps to strengthen financial health and align shareholder interests through strategic initiatives such as the capitalisation of RM11.3 million in debt owed to Goh Hardware & Construction Sdn. Bhd. via issuance of shares, and the establishment of a Long-Term Incentive Plan (LTIP) for up to 15.0% of our total issued shares. These measures are part of our broader commitment to robust governance and operational integrity, further reinforced by the timely publication of our FY2023 annual report and enhanced governance practices in the wake of Bursa Malaysia Securities' directive concerning former board members.

Our operational achievements are underscored by securing a RM16.8 million EPCC contract from S & I Urban Designers Sdn. Bhd., reflecting our continued competitiveness in the industry. The leadership transition, welcoming Dato Sri Zaini Bin Jass as the new Non-Executive Chairman, marks a new chapter in SCIB's journey towards strategic growth and excellence. Our development portfolio expansion is evident in the MOU signed by SCIB Properties Sdn. Bhd. with Kemena City Development Sdn. Bhd. for a residential project in Bintulu with an estimated gross development value of RM250 million. These projects, along with the strategic acquisition of a 21.88-acre plot in Demak Laut Industrial Park to boost our production capacity, underscore our commitment to growth and operational efficiency.

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19. Prospects (cont'd)

In conclusion, SCIB's outlook for Q2 FY2024 is characterised by strategic recalibrations, a renewed focus on governance, and a proactive approach to capitalising on growth opportunities. Despite the challenges posed by market fluctuations and share price volatility, our unwavering focus remains on delivering sustained value to our stakeholders. Through strategic initiatives, robust governance, and operational excellence, we are poised to navigate the complexities of the current economic environment, leveraging opportunities to drive sustainable growth and deliver long-term value to our stakeholders.

Source:

1. [The risks to global growth are broadly balanced and a soft landing is a possibility](#)
2. [Economic Focus: 2024 Outlook - Brighter prospects](#)
3. [Revival of mega infrastructure projects sparks construction sector growth, sustainability at work](#)
4. [Premier: Sarawak's Budget 2024 to focus on development, RM9b allocated for spending](#)

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

Not applicable

(ii) Shortfall in the profit guarantee

Not applicable

21. Income tax expense

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense	813	-	1,977	-
Crystallisation of deferred taxation upon depreciation of revalued assets	(139)	-	(185)	-
	<u>674</u>	<u>-</u>	<u>1,792</u>	<u>-</u>

The Group is 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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22. Corporate proposals

Private placement of up to 82,722,252 new ordinary shares representing up to 10% of the issued ordinary shares (“Private Placement”)

As at date of this report, the Company had allotted and issued 58,203,753 new ordinary shares with total proceeds raised of RM12,759,058 pursuant to the previous General Mandate as follows:-

- i) 25,000,000 Placement Shares at an issue price of RM0.1078 per Placement Share pursuant to the 1st Tranche Private Placement; and
- ii) 33,203,753 Placement Shares at an issue price of RM0.3031 per Placement Share pursuant to the 2nd tranche of the Private Placement (“2nd Tranche Private Placement”).

On 6 September 2023, the Company had completed Private Placement 2023.

The details and status of the utilisation of proceeds are as follows:

Description	Estimated timeframe for utilisation of proceeds from the date of listing of the placement shares*	Proposed utilisation		Actual utilisation RM'000	Balance RM'000
		Maximum scenario#	Based on actual proceeds		
		RM'000	RM'000		
Working capital ⁽ⁱ⁾	Within 12 months	3,500	3,753	3,753	-
Repayment of bank borrowings ⁽ⁱⁱ⁾	Within 12 months	7,077	8,859	8,859	-
Estimated expenses for the Proposed Private Placement ⁽ⁱⁱⁱ⁾	Within 3 months	400	147	147	-
Total proceeds		10,977	12,759	12,759	-

Notes:

* From the date of listing of the Placement Shares.

Assuming all of the 245,184,997 outstanding Warrants as at 30 December 2022 are exercised prior to the implementation of the Private Placement.

- (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 RM7.077 million of the proceeds to reduce the bank borrowings (banker's acceptance) of SCIB Group. The excess in the actual proceeds as compared to the maximum scenario was due to differences in the issue price, the proceeds will be allocated to repayment of bank borrowings.
- (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.

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	Unaudited As at 31.12.2023 RM'000	Audited As at 30.06.2023 RM'000
Long-term borrowings		
Secured	21,402	20,455
Short-term borrowings		
Secured	18,798	26,168
	<u>40,200</u>	<u>46,623</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.

26. Earnings/(Loss) per share

The basic earnings/(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 3 months ended		Cumulative Quarter 6 months ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Profit/(Loss) attributable to owners of the Company (RM'000)	846	(2,820)	1,772	(3,691)
Weighted average number of ordinary shares in issue ('000)	640,241	582,038	640,241	582,038
Basic earnings/(loss) per share (sen)	<u>0.13</u>	<u>(0.48)</u>	<u>0.28</u>	<u>(0.63)</u>

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27. Material litigation

Dynamic Prestige Consultancy Sdn. Bhd. (“Dynamic Prestige”) vs Sarawak Consolidated Industries Berhad – Shah Alam High Court Civil Suit No. BA-22NCC-83-07/2023

On 6 July 2023, the Company (“the Plaintiff”) filed in Shah Alam High Court (Civil Suit No. BA-22NCC-83-07/2023) against Dynamic Prestige (“Defendant”) for:

- i) Writ and Statement of Claim to, among others, claim for the payment or refund of the sum of RM14,000,000 pursuant to the Defendant’s undertaking that it would return the sum of RM14,000,000 paid by the Company to the Dynamic Prestige in the event the Company decides not to proceed with the Redeemable Convertible Preference Shares scheme offered by Dynamic Prestige (“Main Suit”).
- ii) Ex-parte Notice of Application for an injunction to prevent the Defendant from dissipating its assets pending the hearing and disposal of the Main Suit. (“Injunction Application”).

On 1 August 2023, the High Court granted an ad-interim injunction to the Company and directed the parties file their respective cause papers and pleadings.

An application for recusal (“Recusal Application”) was filed on 7 September 2023 against the solicitors for the Defendant.

The High Court has fixed the hearing for the Recusal Application on 6 November 2023.

The High Court has fixed 1 November 2023 for the case management of the Main Suit and the hearing for the Injunction Application, Refusal Application, and Expunge Application on 16 January 2024 which was then extended to 30 January 2024.

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

	Individual Quarter 3 months ended		Cumulative Quarter 6 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Bad debts written off	1	-	1	-
Depreciation of property, plant and equipment, investment properties and right-of-use assets	1,924	1,507	3,414	3,013
Finance costs	621	532	1,140	1,038
Inventories written down	-	1	-	1
Inventories written (back)/off	(2)	20	(1)	20
Property, plant and equipment written off	9	-	9	-
Finance income	(83)	(72)	(199)	(115)
Gain on disposal of property, plant and equipment	(10)	-	(10)	-
Reversal of impairment loss on trade receivables	(185)	-	(188)	-
Reversal of impairment loss on other receivables	-	(10)	(3)	(10)
Unrealised loss on foreign exchange	304	719	223	63

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 29 February 2024.