

MALAYAN CEMENT BERHAD
(Formerly known as Lafarge Malaysia Berhad)
Company No. 195001000048 (1877-T)
Incorporated in Malaysia

Interim Financial Report
30 September 2019

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Revenue	465,892	-	1,476,084	-
Cost of sales	(433,199)	-	(1,342,843)	-
Gross profit	32,693	-	133,241	-
Selling and distribution expenses	(55,160)	-	(211,473)	-
Administration expenses	(14,519)	-	(47,543)	-
Other income/(expenses)	563	-	(11,631)	-
Investment income	1,065	-	2,737	-
Loss from operations	(35,358)	-	(134,669)	-
Interest income	2,059	-	4,867	-
Finance costs	(13,110)	-	(34,833)	-
Share of results in joint venture	4,052	-	8,842	-
Loss before tax	(42,357)	-	(155,793)	-
Income tax credit	5,288	-	24,021	-
Loss for the period	(37,069)	-	(131,772)	-
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences for foreign operation	(292)	-	651	-
Net change in cash flow hedges	(31)	-	80	-
Total other comprehensive income for the period, net of tax	(323)	-	731	-
Total comprehensive loss for the period	(37,392)	-	(131,041)	-

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
(Loss)/profit attributable to:				
Owners of the Company	(37,295)	-	(132,645)	-
Non-controlling interests	226	-	873	-
	(37,069)	-	(131,772)	-
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(37,618)	-	(131,914)	-
Non-controlling interests	226	-	873	-
	(37,392)	-	(131,041)	-
Basic and diluted loss per share (sen)	(4.4)	-	(15.6)	-

Notes:

1. The financial year end of the Group has been changed from 31 December to 30 June. As such, the next set of audited financial statements shall be for a period of eighteen (18) months from 1 January 2019 to 30 June 2020. There will be no comparative financial information available for the preceding year corresponding periods.
2. The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31st December 2018 and the accompanying explanatory notes attached to the interim financial statements.

MALAYAN CEMENT BERHAD (Company No. 195001000048 (1877-T))

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INTERIM FINANCIAL REPORT**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
Note		
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	1,573,173	1,652,634
Right-of-use assets	66,996	-
Investment property	3,130	3,132
Prepaid lease payments on leasehold land	65,003	69,043
Goodwill on consolidation	1,387,089	1,387,089
Other intangible assets	16,543	18,151
Investment in joint venture	27,134	18,322
Other financial assets	4,106	4,106
Finance lease receivables	14,157	-
Deferred tax assets	216,573	170,086
	<u>3,373,904</u>	<u>3,322,563</u>
<u>Current assets</u>		
Inventories	310,652	345,368
Current tax assets	16,792	72,568
Trade receivables	259,042	355,646
Other receivables and prepaid expenses	62,434	74,359
Amounts owing by other related companies	70,271	-
Amounts owing by former holding and other related companies	10,082	22,493
Finance lease receivables	6,410	-
Derivative financial assets	5	60
Cash and bank balances	118,786	84,238
	<u>854,474</u>	<u>954,732</u>
Total assets	<u>4,228,378</u>	<u>4,277,295</u>
EQUITY AND LIABILITIES		
<u>Share capital and reserves</u>		
Share capital	1,950,692	1,950,692
Reserves:		
Exchange equalisation reserve	29,167	28,516
Investments revaluation reserve	2,212	2,212
Hedging reserve	(5)	(85)
Retained earnings	433,692	563,907
	<u>2,415,758</u>	<u>2,545,242</u>
Equity attributable to owners of the Company	2,415,758	2,545,242
Non-controlling interests	6,608	5,559
	<u>2,422,366</u>	<u>2,550,801</u>
Total equity	<u>2,422,366</u>	<u>2,550,801</u>

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INTERIM FINANCIAL REPORT**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
<u>Non-current liabilities</u>			
Borrowings	B6	199,694	279,639
Retirement benefits		56,532	54,462
Lease liabilities		60,852	-
Deferred tax liabilities		134,934	128,198
		<u>452,012</u>	<u>462,299</u>
<u>Current liabilities</u>			
Trade payables		409,863	456,540
Other payables and accrued expenses		123,595	152,524
Amounts owing to holding and other related companies		19,235	-
Amounts owing to former holding and other related companies		46,361	79,163
Loans from former related companies	B6	-	257,159
Borrowings	B6	729,800	300,635
Lease liabilities		22,070	-
Contract liabilities		-	14,141
Derivative financial liabilities		52	2,500
Current tax liabilities		3,024	1,533
		<u>1,354,000</u>	<u>1,264,195</u>
Total liabilities		<u>1,806,012</u>	<u>1,726,494</u>
Total equity and liabilities		<u>4,228,378</u>	<u>4,277,295</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<u>2.84</u>	<u>2.99</u>
Net tangible assets per share attributable to ordinary equity holders of the Company (RM)		<u>1.19</u>	<u>1.34</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31st December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Non-distributable →				Distributable		Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Exchange Equalisation Reserve RM'000	Investment Revaluation Reserve RM'000	Hedging Reserve RM'000	Retained Earnings RM'000	Total RM'000		
As at 1 January 2019, as previously reported	1,950,692	28,516	2,212	(85)	563,907	2,545,242	5,559	2,550,801
Effects of adoption of MFRS 16	-	-	-	-	2,430	2,430	176	2,606
As at 1 January 2019, as restated	1,950,692	28,516	2,212	(85)	566,337	2,547,672	5,735	2,553,407
Loss for the period	-	-	-	-	(132,645)	(132,645)	873	(131,772)
Other comprehensive income for the period, net of tax	-	651	-	80	-	731	-	731
As at 30 September 2019	1,950,692	29,167	2,212	(5)	433,692	2,415,758	6,608	2,422,366
As at 1 January 2018	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
As at 30 September 2018	-	-	-	-	-	-	-	-

Notes:

1. The financial year end of the Group has been changed from 31 December to 30 June. As such, the next set of audited financial statements shall be for a period of eighteen (18) months from 1 January 2019 to 30 June 2020. There will be no comparative financial information available for the preceding year corresponding period.
2. The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31st December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM FINANCIAL REPORT**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	9 Months Financial Period Ended	
	30 September	30 September
	2019	2018
	RM'000	RM'000
<u>Cash Flows From Operating Activities</u>		
Loss before tax	(155,793)	-
Adjustments for:-		
Provision for inventory obsolescence	2,069	-
Amortisation of:		
- other intangible assets	1,608	-
- prepaid lease payments on leasehold land	3,550	-
Depreciation of:		
- investment property	2	-
- property, plant and equipment	112,473	-
- right-of-use assets	15,991	-
Unrealised gain on derivatives	(2,287)	-
Finance costs	34,833	-
Loss allowance for trade receivables	5,011	-
Interest income	(4,867)	-
Gain on disposal of:		
- property, plant and equipment	(2,421)	-
- prepaid lease payment	(680)	-
- right-of-use assets	(22)	-
Property, plant and equipment written off	11,561	-
Provision for retirement benefits	4,785	-
Allowance for doubtful debts no longer required	(1,595)	-
Unrealised gain on foreign exchange	(768)	-
Share of results in joint venture	(8,842)	-
Operating gain before changes in working capital	14,608	-
(Increase)/Decrease in:		
Inventories	32,638	-
Receivables	93,159	-
Amounts owing by holding and other related companies	(47,761)	-
Increase/(Decrease) in:		
Payables	10,028	-
Amounts owing to holding and other related companies	(59,869)	-
Contract liabilities	(14,141)	-
Cash generated from operations	28,662	-
Retirement benefits paid	(2,715)	-
Net tax refunded	41,512	-
Net cash generated from operating activities	67,459	-

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 Months Financial Period Ended	
	30 September 2019 RM'000	30 September 2018 RM'000
<u>Cash Flows From Investing Activities</u>		
Additions to property, plant and equipment	(85,724)	-
Interest received	4,867	-
Proceeds from finance lease receivables	3,726	-
Proceeds from disposal of:		
- property, plant and equipment	4,033	-
- prepaid lease payment	1,042	-
	(72,056)	-
Net cash used in investing activities	(72,056)	-
<u>Cash Flows From Financing Activities</u>		
Interest paid	(33,637)	-
Payments of lease liabilities	(20,024)	-
Loan repaid to former related companies	(256,350)	-
Drawdown of borrowings	394,584	-
	84,573	-
Net cash generated from financing activities	84,573	-
Net Change in Cash and Cash Equivalents	79,976	-
Effects of currency translations	(9)	-
Cash and Cash Equivalents at beginning of the year	38,819	-
Cash and Cash Equivalents at end of the year	118,786	-

Notes:

- 1. The financial year end of the Group has been changed from 31 December to 30 June. As such, the next set of audited financial statements shall be for a period of eighteen (18) months from 1 January 2019 to 30 June 2020. There will be no comparative financial information available for the preceding year corresponding period.**
- 2. The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31st December 2018 and the accompanying explanatory notes attached to the interim financial statements.**

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A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134

The interim financial report should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2018.

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting” and Chapter 9, part K paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The explanatory notes contained herein provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

The accounting policies and methods of computations adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 31 December 2018, except for changes arising from the adoption of MFRS 16 “Leases” as described below:

MFRS 16 “Leases” (“MFRS 16”)

MFRS 16 supersedes MFRS 117 “Leases” and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in the Income Statement.

The Group applies MFRS 16 using the modified retrospective approach, therefore the comparative information was not restated and continues to be reported under MFRS 117 Leases (“MFRS 117”) and IC Interpretation 4 Determining Whether an Arrangement Contain a Lease (“IC 4”). The retrospective impact of applying MFRS 16 for the leasing contracts assessed to be relevant to MFRS 16 as at 1 January 2019 is adjusted to the Group’s retained earnings as at 1 January 2019.

The purchases and sales of rights to access and rights to use licenses of intellectual property are excluded from the scope of MFRS 16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Subsequently, the lease liability is measured at amortised cost using the effective interest rate method, re-measured when there is a change in the Group’s estimates of future lease payments arising from changes in circumstances relating to the contractor if the Group changes its assessment of whether it will exercise a purchase, extension or termination options.

INTERIM FINANCIAL REPORT

Notes – Continued

A1. Accounting Policies and Methods of Computation (continued)

In such re-measurements, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in Income Statement if the carrying value of the right-of-use asset has been reduced to zero.

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at inception or at initial application of MFRS 16 and low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The adoption of MFRS 16 impacts the Group’s performance in the current financial period as below:

- (a) On the Income Statement, expenses which previously included leasing expenses within Loss from Operations were replaced by interest expense on lease liabilities and depreciation of the right-of-use assets.
- (b) On the Statements of Cash Flows, operating lease rental outflows previously recorded within “net cash flows from operating activities” were reclassified as “net cash flows used in financing activities” for repayment of principal and interest of lease liabilities.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

- (i) Consolidated statement of financial position (extract)

	As previously reported	Re- classification	Measurements	As restated
	31.12.2018			1.1.2019
	RM’000	RM’000	RM’000	RM’000
Right-of-use assets	-	1,706	69,484	71,190
Finance lease receivables	-	-	21,191	21,191
Other receivables and prepaid expenses	74,359	(1,706)	-	72,653
Lease liabilities	-	-	(88,069)	(88,069)
Retained earnings	(563,907)	-	(2,430)	(566,337)
Non-controlling interests	(5,559)	-	(176)	(5,735)

INTERIM FINANCIAL REPORT

Notes – Continued

A1. Accounting Policies and Methods of Computation (continued)

- (ii) Reconciliation of operating lease commitment as at 31 December 2018 to the opening balance of lease liabilities as at 1 January 2019 is as follow:

	RM'000
Operating lease commitments disclosed as at 31 December 2018	78,614
(Less): short-term leases recognised on a straight-line basis as expense	(1,197)
	<u>77,417</u>
Discounted using the lessee's incremental borrowing rate at the date of initial application	69,735
Add: contracts reassessed as lease contracts	11,546
Add: adjustments as a result of a different treatment of extension and termination options	6,788
Lease liabilities as at 1 January 2019	<u>88,069</u>
Of which are:	
Current lease liabilities	20,555
Non-current lease liabilities	67,514
	<u>88,069</u>

- (iii) The recognition of Group's right-of-use assets on 1 January 2019 is as follows:

The right-of-use assets were measured on modified retrospective approach as if the new standard had always been applied since the initial date of the contract.

Non-current assets	RM'000
Right-of-use assets - Land	57,217
Right-of-use assets - Building and installation	1,135
Right-of-use assets - Machinery	6,504
Right-of-use assets - Furniture, vehicles and tools	6,334
Total	<u>71,190</u>

The adoption of MFRSs, amendments to MFRSs and IC interpretation which were effective for financial year beginning on or after 1 January 2019 do not have significant financial impact to the Group other than explained above.

A2. Audit Report of Preceding Audited Financial Statements

The audit reports of the preceding annual financial statements of the Company and of the Group were not subject to any qualification.

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Notes – Continued

A3. Seasonal or Cyclical Factors

The operations of the Group are closely linked to the construction sector which would normally experience a slow-down in construction activities during the festive seasons in Malaysia and Singapore.

A4. Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting the Group's assets, liabilities, equity, net income or cash flows that are material and unusual because of their nature, size or incidence.

A5. Material Changes in Accounting Estimates

There were no material changes in estimates of amounts reported in prior interim periods or in previous financial years which have a material effect in the current quarter.

A6. Capital Issues, Dealings in Own Shares and Repayment of Debt

There were no issuances and repayments of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares nor resale of treasury shares during the financial period under review.

A7. Dividend Paid

There was no dividend payment during the financial period ended 30 September 2019.

A8. Segmental Information

Segment information is presented in respect of the Group's business segments, which reflect the Group's internal reporting structure that are regularly reviewed by the Group's chief operating decision maker.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and liabilities that relate to investing and financing activities and cannot be reasonably allocated to individual segments. These include mainly corporate assets, other investments, deferred tax assets/liabilities and current tax assets/liabilities.

The Group is organised into the following main operating segments:

Cement	Cement business and trading of other building materials
Aggregates & Concrete	Aggregates and ready-mixed concrete business

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Notes – Continued

A8. Segmental Information (continued)

Analysis of the Group's segment information is as follows:

9 Months Ended 30 September	Cement		Aggregates & Concrete		Elimination		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Segment revenue								
External revenue	1,091,293	-	384,791	-	-	-	1,476,084	-
Internal revenue	166,883	-	5,850	-	(172,733)	-	-	-
	<u>1,258,176</u>	<u>-</u>	<u>390,641</u>	<u>-</u>	<u>(172,733)</u>	<u>-</u>	<u>1,476,084</u>	<u>-</u>
Segment (loss)/profit	<u>(158,131)</u>	<u>-</u>	<u>23,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,669)</u>	<u>-</u>
Reconciliation of segment (loss)/profit to consolidated loss before tax:								
Interest income							4,867	-
Finance costs							(34,833)	-
Share of results in joint venture							8,842	-
Consolidated loss before tax							<u>(155,793)</u>	<u>-</u>

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Notes – Continued

A8. Segmental Information (continued)

9 Months Ended 30 September	Cement		Aggregates & Concrete		Elimination		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Segment assets	3,886,558	-	283,635	-	(325,206)	-	3,844,987	-
Reconciliation of segment assets to consolidated total assets:								
Investment in joint venture							27,134	-
Unallocated corporate assets							356,257	-
Consolidated total assets							<u>4,228,378</u>	-
Segment liabilities	783,572	-	202,331	-	(330,265)	-	655,638	-
Reconciliation of segment liabilities to consolidated total liabilities:								
Interest bearing instruments							1,012,416	-
Unallocated corporate liabilities							137,958	-
Consolidated total liabilities							<u>1,806,012</u>	-

INTERIM FINANCIAL REPORT

Notes – Continued

A9. Valuation of Property, Plant and Equipment

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

A10. Material Events Subsequent to Quarter End

There were no other material events subsequent to the current financial quarter ended 30 September 2019 up to the date of this report which are likely to substantially affect the results of the operations of the Group.

A11. Changes in Group Composition

There was no change in the composition for the Group in this quarter.

A12. Contingent Liabilities

The Group has no material contingent liabilities as at the date of this report.

A13. Commitments

Outstanding commitments in respect of capital commitments at end of reporting date not provided for in the financial statements are as follows:

	As at 30 September 2019 RM'000
In respect of capital expenditure:	
Approved and contracted for	8,335
Approved but not contracted for	32,944
	<hr/> 41,279 <hr/>

INTERIM FINANCIAL REPORT

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Group's Performance

For reference purpose, the Group has provided an analysis on the performance for the following periods:

Quarter ended 30 September 2019 vs. the same quarter in 2018

	3 Months Ended 30 September 2019 RM'000	3 Months Ended 30 September 2018 RM'000
Revenue	465,892	495,115
Loss before tax	<u>(42,357)</u>	<u>(134,471)</u>

The Group's revenue decreased by 6% to RM466 million in the current quarter from RM495 million recorded in the corresponding quarter last year. This decrease is mainly attributable to lower sales in the Cement segment caused by weak domestic market conditions but compensated partially by higher export sales as well as improved sales by our Singapore subsidiary.

The Group's performance has improved with a lower loss before tax for the current quarter at RM42 million compared to the loss before tax of RM134 million for the same period last year, although revenue has reduced. The better performance was mainly due to lower loss by the Cement segment which was attributable to vigorous cost cutting measures and savings from manpower rationalisation. The losses in the quarter of previous year also included the employee separation cost and RM22 million inventory write-off.

9 months ended 30 September 2019 vs. the same period in 2018

	9 Months Ended 30 September 2019 RM'000	9 Months Ended 30 September 2018 RM'000
Revenue	1,476,084	1,574,139
Loss before tax	<u>(155,793)</u>	<u>(325,315)</u>

For the period ended 30 September 2019, the Group registered a drop in revenue by 6% from RM1,574 million recorded in the same period last year to RM1,476 million this year. This is mainly due to the lower cement sales caused by weak domestic market conditions coupled with the competitive environment which continued to put downward pressure on selling prices. The above was compensated partially by higher export volume and prices as well as improved sales by our Singapore subsidiary.

Despite the lower revenue, the Group's performance improved with a lower loss before tax of RM156 million compared to a loss before tax of RM325 million in corresponding period last year. The improvement is mainly attributed to savings from vigorous cost cutting measures, lower distribution costs, lower depreciation and savings from manpower rationalisation. The aforementioned savings were partially offset by increases in electricity prices.

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Notes – Continued

B1. Review of Group’s Performance (continued)

Quarter ended 30 September 2019 vs. 30 June 2019

	3 Months Ended 30 September 2019 RM’000	3 Months Ended 30 June 2019 RM’000
Revenue	465,892	471,491
Loss before tax	<u>(42,357)</u>	<u>(71,651)</u>

The Group’s revenue in the current quarter is marginally lower than the preceding quarter mainly due to lower sales in the Cement segment.

The Group recorded a lower loss before tax of RM42 million compared to RM72 million recorded in the preceding quarter despite the lower revenue. The improvement is mainly attributable to the savings from manpower rationalisation, higher gain on disposal and lower write off of property, plant and equipment.

B2. Prospects

Domestic demand is expected to remain fragile in the final quarter of the year. This coupled with the excess capacity continue to make domestic market conditions challenging. On the upside, there continues to be healthy demand from the export market, which the Langkawi Plant is well-positioned to capitalise on, and market conditions in Singapore is turning around.

The Group will continue to focus on improving the efficiency of its operations to reap further cost savings.

B3. Profit Forecast and Profit Guarantee

The Group did not publish any profit forecast or profit guarantee during the current quarter ended 30 September 2019.

INTERIM FINANCIAL REPORT

Notes – Continued

B4. Income Tax Credit

Income tax credit comprises the following:

	Individual Quarter 3 Months Ended 30 September 2019 RM'000	Cumulative Quarter 9 Months Ended 30 September 2019 RM'000
In respect of current year:		
- income tax	(2,829)	(15,760)
- deferred tax	12,031	43,677
 In respect of prior year:		
- income tax	22	4
- deferred tax	(3,936)	(3,900)
Total tax credit	<u>5,288</u>	<u>24,021</u>

The tax credit has an effective tax rate that is lower than the statutory tax rate of 24% in Malaysia mainly due to the non-tax deductible expenses and under provision of tax in prior year.

B5. Status of Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report.

B6. Group Borrowings

The Group borrowings are as follows:

	As at 30 September 2019 RM'000	As at 31 December 2018 RM'000
<u>Short-term borrowings</u>		
Non-secured		
Borrowings	-	257,159
Sukuk Wakalah	300,000	-
Revolving credit and banker acceptance	429,800	255,216
Bank overdraft	-	45,419
	<u>729,800</u>	<u>557,794</u>
 <u>Long-term borrowings</u>		
Non-secured		
Sukuk Wakalah (non-current)	199,694	279,639
Total Group borrowings	<u>929,494</u>	<u>837,433</u>

All borrowings are denominated in Ringgit Malaysia.

INTERIM FINANCIAL REPORT

Notes – Continued

B7. Material Litigation

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

B8. Dividend

The Directors do not recommend any interim dividend for the current quarter under review.

B9. Loss for the period

	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Loss for the period is arrived after charging:				
Provision for inventory obsolescence	664	-	2,069	-
Amortisation of:				
- other intangible assets	539	-	1,608	-
- prepaid lease payments on leasehold land	1,155	-	3,550	-
Depreciation of:				
- investment property	1	-	2	-
- property, plant and equipment	39,255	-	112,473	-
- right-of-use assets	5,277	-	15,991	-
Derivative loss	1,859	-	5,158	-
Loss allowance for trade receivables	1,394	-	5,011	-
Property, plant and equipment written off	3,130	-	11,561	-
Provision for retirement benefits	1,595	-	4,785	-
and after crediting:				
Gain on disposal of:				
- property, plant and equipment	3,310	-	2,421	-
- prepaid lease payment	-	-	680	-
Allowance for doubtful debts no longer required	227	-	1,595	-
Realised gain on foreign exchange	254	-	769	-
Unrealised gain on foreign exchange	2,247	-	768	-

MALAYAN CEMENT BERHAD (Company No. 195001000048 (1877-T))
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(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

Notes – Continued

B10. Loss per share

Loss per share is calculated as follows:

	Individual Quarter 3 Months Ended		Cumulative Quarter 9 Months Ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
Loss attributable to equity holders of the Company (RM'000)	(37,295)	-	(132,645)	-
Weighted average number of ordinary shares in issue ('000)	849,695	-	849,695	-
Basic and diluted loss per share (sen)	(4.4)	-	(15.6)	-

The basic and diluted loss per share are the same as the Company has no dilutive potential ordinary shares.

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 26 November 2019

INTERIM FINANCIAL REPORT

APPENDIX – Financial Statements of Preceding Year Corresponding Periods

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter 3 Months Ended	Cumulative Quarter 9 Months Ended
	30 September 2018 RM'000	30 September 2018 RM'000
Revenue	495,115	1,574,139
Cost of sales	<u>(516,759)</u>	<u>(1,515,369)</u>
Gross profit/(loss)	(21,644)	58,770
Selling and distribution expenses	(81,143)	(284,717)
Administration expenses	(16,411)	(62,965)
Other expenses	(8,577)	(16,798)
Investment income	<u>2,680</u>	<u>7,748</u>
Loss from operations	(125,095)	(297,962)
Interest income	918	3,068
Finance costs	(9,082)	(26,878)
Share of results in joint venture	<u>(1,212)</u>	<u>(3,543)</u>
Loss before tax	(134,471)	(325,315)
Income tax credit	25,261	63,680
Loss for the period	<u>(109,210)</u>	<u>(261,635)</u>
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operation	(2,298)	265
Net change in cash flow hedges	<u>(58)</u>	<u>2,106</u>
Total other comprehensive income for the period, net of tax	<u>(2,356)</u>	<u>2,371</u>
Total comprehensive loss for the period	<u><u>(111,566)</u></u>	<u><u>(259,264)</u></u>
(Loss)/profit attributable to:		
Owners of the Company	(109,287)	(261,812)
Non-controlling interests	<u>77</u>	<u>177</u>
	<u>(109,210)</u>	<u>(261,635)</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(111,643)	(259,441)
Non-controlling interests	<u>77</u>	<u>177</u>
	<u>(111,566)</u>	<u>(259,264)</u>
Basic and diluted loss per share (sen)	<u>(12.9)</u>	<u>(30.8)</u>

MALAYAN CEMENT BERHAD (Company No. 195001000048 (1877-T))
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INTERIM FINANCIAL REPORT

APPENDIX – Financial Statements of Preceding Year Corresponding Period

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	← Non-distributable →				Distributable		Non-controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Exchange Equalisation Reserve RM'000	Investment Revaluation Reserve RM'000	Hedging Reserve RM'000	Retained Earnings RM'000	Total RM'000		
As at 1 January 2018	1,950,692	27,869	1,134	(1,192)	870,704	2,849,207	6,540	2,855,747
Loss for the period	-	-	-	-	(261,812)	(261,812)	177	(261,635)
Other comprehensive income for the period, net of tax	-	265	-	2,106	-	2,371	-	2,371
Dividend to non-controlling interests	-	-	-	-	-	-	(1,348)	(1,348)
As at 30 September 2018	1,950,692	28,134	1,134	914	608,892	2,589,766	5,369	2,595,135

INTERIM FINANCIAL REPORT

APPENDIX – Financial Statements of Preceding Year Corresponding Period

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

**9 months Financial Period Ended
 30 September
 2018
 RM'000**

Cash Flows From Operating Activities

Loss before tax	(325,315)
Adjustments for:-	
Provision for inventory obsolescence	2,070
Amortisation of:	
- other intangible assets	1,609
- prepaid lease payments on leasehold land	4,563
Depreciation of:	
- investment property	3
- property, plant and equipment	143,963
Unrealised gain on derivatives	(4,389)
Finance costs	26,878
Loss allowance for trade receivables	5,185
Interest income	(3,068)
Loss on disposal of:	
- property, plant and equipment	561
- unquoted investment	96
Property, plant and equipment written off	3,702
Provision for retirement benefits	2,753
Allowance for doubtful debts no longer required	(1,109)
Reversal of provision for inventory obsolescence	(200)
Unrealised loss on foreign exchange	5,063
Share of results in joint venture	3,543
Operating loss before changes in working capital	(134,092)
(Increase)/Decrease in:	
Inventories	(32,968)
Receivables	48,756
Amounts owing by holding and other related companies	4,281
Increase/(Decrease) in:	
Payables	(128,822)
Amounts owing to holding and other related companies	(3,741)
Contract liabilities	(27,523)
Cash generated from/(used in) operations	(274,109)
Retirement benefits paid	(4,628)
Net tax refunded/(paid)	(2,658)
Net cash used in operating activities	(281,395)

INTERIM FINANCIAL REPORT

APPENDIX – Financial Statements of Preceding Year Corresponding Period

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months Financial Period Ended 30 September 2018 RM'000
<u>Cash Flows From Investing Activities</u>	
Additions to property, plant and equipment	(75,496)
Interest received	3,068
Proceeds from disposal of:	
- property, plant and equipment	123
- unquoted investment	85
	<hr/>
Net cash used in investing activities	(72,220)
	<hr/>
<u>Cash Flows From Financing Activities</u>	
Dividends paid to non-controlling interests	(1,348)
Interest paid	(29,579)
Loan (repaid to)/received from former related companies	256,350
Drawdown of borrowings	153,000
Repayment of borrowings	(100,000)
	<hr/>
Net cash generated from financing activities	278,423
	<hr/>
Net Change in Cash and Cash Equivalents	(75,192)
Effects of currency translations	(171)
Cash and Cash Equivalents at beginning of the year	99,906
	<hr/>
Cash and Cash Equivalents at end of the year	24,543
	<hr/>
Cash and bank balances	72,097
Bank overdraft	(47,554)
	<hr/>
	<u>24,543</u>