

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

Interim Financial Report
31 December 2019

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INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Revenue	446,870	-	1,922,954	-
Cost of sales	(389,476)	-	(1,732,319)	-
Gross profit	57,394	-	190,635	-
Selling and distribution expenses	(44,914)	-	(256,387)	-
Administration expenses	(50,520)	-	(98,063)	-
Other expenses	(1,035)	-	(12,666)	-
Investment income	530	-	3,267	-
Loss from operations	(38,545)	-	(173,214)	-
Interest income	2,796	-	7,663	-
Finance costs	(13,859)	-	(48,692)	-
Share of results in joint venture	4,868	-	13,710	-
Loss before tax	(44,740)	-	(200,533)	-
Income tax credit	9,485	-	33,506	-
Loss for the period	(35,255)	-	(167,027)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(40)	-	611	-
Net fair value gains on cash flow hedges	5	-	85	-
Total other comprehensive income for the period, net of tax	(35)	-	696	-
Total comprehensive loss for the period	(35,290)	-	(166,331)	-

MALAYAN CEMENT BERHAD (Company No. 195001000048 (1877-T))
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
(Loss)/profit attributable to:				
Owners of the Company	(35,496)	-	(168,141)	-
Non-controlling interests	241	-	1,114	-
	(35,255)	-	(167,027)	-
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(35,531)	-	(167,445)	-
Non-controlling interests	241	-	1,114	-
	(35,290)	-	(166,331)	-
Basic and diluted loss per share (sen)	(4.2)	-	(19.8)	-

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.

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2019 RM'000	As at 31 December 2018 RM'000
Note		
ASSETS		
<u>Non-current assets</u>		
Property, plant and equipment	1,535,840	1,652,634
Right-of-use assets	61,664	-
Investment property	3,129	3,132
Prepaid lease payments on leasehold land	63,703	69,043
Goodwill on consolidation	1,387,089	1,387,089
Other intangible assets	16,004	18,151
Investment in joint venture	32,034	18,322
Other financial assets	4,106	4,106
Finance lease receivables	12,952	-
Deferred tax assets	227,992	170,086
	3,344,513	3,322,563
<u>Current assets</u>		
Inventories	297,931	345,368
Current tax assets	19,302	72,568
Trade receivables	350,794	378,139
Other receivables and prepaid expenses	49,930	74,359
Amounts owing by other related companies	78,688	-
Finance lease receivables	6,303	-
Derivative financial assets	-	60
Cash and bank balances	64,255	84,238
	867,203	954,732
Total assets	4,211,716	4,277,295
EQUITY AND LIABILITIES		
<u>Share capital and reserves</u>		
Share capital	1,950,692	1,950,692
Reserves:		
Exchange equalisation reserve	29,127	28,516
Investments revaluation reserve	2,212	2,212
Hedging reserve	-	(85)
Retained earnings	398,196	563,907
	2,380,227	2,545,242
Equity attributable to owners of the Company	2,380,227	2,545,242
Non-controlling interests	6,849	5,559
	2,387,076	2,550,801
Total equity	2,387,076	2,550,801

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2019 RM'000	As at 31 December 2018 RM'000
<u>Non-current liabilities</u>			
Borrowings	B6	99,756	279,639
Retirement benefits		57,102	54,462
Lease liabilities		57,858	-
Deferred tax liabilities		135,599	128,198
		<u>350,315</u>	<u>462,299</u>
<u>Current liabilities</u>			
Trade payables		402,148	535,703
Other payables and accrued expenses		159,870	152,524
Amounts owing to holding and other related companies		16,101	-
Loans from former related companies	B6	-	257,159
Borrowings	B6	873,197	300,635
Lease liabilities		20,298	-
Contract liabilities		-	14,141
Derivative financial liabilities		-	2,500
Current tax liabilities		2,711	1,533
		<u>1,474,325</u>	<u>1,264,195</u>
Total liabilities		<u>1,824,640</u>	<u>1,726,494</u>
Total equity and liabilities		<u>4,211,716</u>	<u>4,277,295</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<u>2.80</u>	<u>3.00</u>
Net tangible assets per share attributable to ordinary equity holders of the Company (RM)		<u>1.15</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	Exchange Equalisation Reserve	Investment Revaluation Reserve	Hedging Reserve	Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	(168,141)	(168,141)	1,114	(167,027)
Other comprehensive income for the period, net of tax	-	611	-	85	-	696	-	696
As at 31 December 2019	1,950,692	29,127	2,212	-	398,196	2,380,227	6,849	2,387,076
As at 1 January 2018	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
As at 31 December 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.

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 Months Financial Period Ended	
	31 December 2019 RM'000	31 December 2018 RM'000
<u>Cash Flows From Operating Activities</u>		
Loss before tax	(200,533)	-
Adjustments for:-		
Provision for inventory obsolescence	2,759	-
Amortisation of:		
- other intangible assets	2,147	-
- prepaid lease payments on leasehold land	4,624	-
Depreciation of:		
- investment property	3	-
- property, plant and equipment	150,201	-
- right-of-use assets	21,026	-
Unrealised gain on derivatives	(2,328)	-
Finance costs	48,692	-
Loss allowance for trade receivables	4,125	-
Interest income	(7,663)	-
Gain on disposal of:		
- property, plant and equipment	(2,634)	-
- prepaid lease payment	(680)	-
- right-of-use assets	(22)	-
Property, plant and equipment written off	12,680	-
Provision for retirement benefits	6,375	-
Unrealised gain on foreign exchange	(1,025)	-
Share of results in joint venture	(13,710)	-
Operating gain before changes in working capital	<u>24,037</u>	<u>-</u>
(Increase)/Decrease in:		
Inventories	44,707	-
Receivables	45,853	-
Amounts owing by holding and other related companies	(78,797)	-
Increase/(Decrease) in:		
Payables	(88,544)	-
Amounts owing to holding and other related companies	16,066	-
Contract liabilities	(14,141)	-
Cash used in operations	<u>(50,819)</u>	<u>-</u>
Retirement benefits paid	(3,735)	-
Net tax refunded	<u>37,419</u>	<u>-</u>
Net cash used in operating activities	<u>(17,135)</u>	<u>-</u>

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 Months Financial Period Ended	
	31 December	31 December
	2019	2018
	RM'000	RM'000
<u>Cash Flows From Investing Activities</u>		
Additions to property, plant and equipment	(89,233)	-
Interest received	7,663	-
Proceeds from finance lease receivables	5,038	-
Proceeds from disposal of:		
- property, plant and equipment	5,949	-
- prepaid lease payment	1,044	-
	<u>(69,539)</u>	<u>-</u>
Net cash used in investing activities		
<u>Cash Flows From Financing Activities</u>		
Interest paid	(45,106)	-
Payments of lease liabilities	(24,493)	-
Loan repaid to former related companies	(353,475)	-
Drawdown of borrowings	491,710	-
	<u>68,636</u>	<u>-</u>
Net cash generated from financing activities		
Net Change in Cash and Cash Equivalents	(18,038)	-
Effects of currency translations	77	-
Cash and Cash Equivalents at beginning of the year	38,819	-
	<u>20,858</u>	<u>-</u>
Cash and Cash Equivalents at end of the year		
	<u>64,255</u>	<u>-</u>
Cash and bank balances		
Bank overdraft	(43,397)	-
	<u>20,858</u>	<u>-</u>

Notes:

- 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.**
- 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.**

INTERIM FINANCIAL REPORT

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 of 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.

INTERIM FINANCIAL REPORT

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. Disaggregation of Revenue

	Individual Quarter 3 Months Ended		Cumulative Quarter 12 Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Cement:				
Sales of clinker, cement and other building materials	333,613	-	1,424,352	-
Others	86	-	640	-
	<u>333,699</u>	<u>-</u>	<u>1,424,992</u>	<u>-</u>
Aggregates & Concrete				
Sales of aggregates	1,542	-	14,787	-
Sales of ready-mix concrete	110,582	-	473,857	-
Others	1,047	-	9,318	-
	<u>113,171</u>	<u>-</u>	<u>497,962</u>	<u>-</u>
Total Revenue	<u>446,870</u>	<u>-</u>	<u>1,922,954</u>	<u>-</u>

A5. 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.

A6. 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.

A7. 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.

A8. Dividend Paid

There was no dividend payment during the financial period ended 31 December 2019.

INTERIM FINANCIAL REPORT

A9. 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

A9. Segmental Information (continued)

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

12 Months Ended 31 December	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	1,424,992	-	497,962	-	-	-	1,922,954	-
Internal revenue	393,518	-	7,342	-	(400,860)	-	-	-
	<u>1,818,510</u>	-	<u>505,304</u>	-	<u>(400,860)</u>	-	<u>1,922,954</u>	-
Segment (loss)/profit	<u>(199,618)</u>	-	<u>26,404</u>	-	-	-	<u>(173,214)</u>	-
Reconciliation of segment (loss)/profit to consolidated loss before tax:								
Interest income							7,663	-
Finance costs							(48,692)	-
Share of results in joint venture							13,710	-
Consolidated loss before tax							<u>(200,533)</u>	-

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INTERIM FINANCIAL REPORT

Notes – Continued

A9. Segmental Information (continued)

12 Months Ended 31 December	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	3,923,113	-	267,434	-	(326,520)	-	3,864,027	-
Reconciliation of segment assets to consolidated total assets:								
Investment in joint venture							32,034	-
Unallocated corporate assets							315,655	-
Consolidated total assets							<u>4,211,716</u>	<u>-</u>
Segment liabilities	765,013	-	191,089	-	(320,881)	-	635,221	-
Reconciliation of segment liabilities to consolidated total liabilities:								
Interest bearing instruments							1,051,109	-
Unallocated corporate liabilities							138,310	-
Consolidated total liabilities							<u>1,824,640</u>	<u>-</u>

INTERIM FINANCIAL REPORT

Notes – Continued

A10. 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.

A11. Material Events Subsequent to Quarter End

There were no other material events subsequent to the current financial quarter ended 31 December 2019 up to the date of this report which are likely to substantially affect the results of the operations of the Group.

A12. Changes in Group Composition

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

A13. Contingent Liabilities

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

A14. 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 31 December 2019 RM'000
In respect of capital expenditure:	
Approved and contracted for	7,324
Approved but not contracted for	30,619
	<hr/>
	37,943
	<hr/>

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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 31 December 2019 vs. the same quarter in 2018

	3 Months Ended 31 December 2019 RM'000	3 Months Ended 31 December 2018 RM'000
Revenue	446,870	548,158
Loss before tax	<u>(44,740)</u>	<u>(80,073)</u>

The Group's revenue decreased by 18% to RM447 million in the current quarter from RM548 million recorded in the corresponding quarter last year. This decrease was mainly attributable to lower sales in the Cement segment caused by lower domestic demand but compensated partially by higher export sales.

The Group's performance has improved with a lower loss before tax for the current quarter at RM45 million compared to the loss before tax of RM80 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.

12 months ended 31 December 2019 vs. the same period in 2018

	12 Months Ended 31 December 2019 RM'000	12 Months Ended 31 December 2018 RM'000
Revenue	1,922,954	2,122,297
Loss before tax	<u>(200,533)</u>	<u>(405,388)</u>

For the period ended 31 December 2019, the Group registered a drop in revenue by 9% from RM2,122 million recorded in the same period last year to RM1,923 million this year. This was mainly due to the lower cement sales caused by lower domestic demand. The above was mitigated 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 RM201 million compared to a loss before tax of RM405 million in corresponding period last year. The improvement was 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.

INTERIM FINANCIAL REPORT

Notes – Continued

B1. Review of Group’s Performance (continued)

Quarter ended 31 December 2019 vs. 30 September 2019

	3 Months Ended 31 December 2019 RM’000	3 Months Ended 30 September 2019 RM’000
Revenue	446,870	465,892
Loss before tax	<u>(44,740)</u>	<u>(42,357)</u>

The Group’s revenue in the current quarter is 4% lower than the preceding quarter despite an improvement in cement sales. The increase in cement sales was more than offset by the lower sales of our Singapore subsidiary, lower clinker exports and the scaling down in sales of special products.

The Group recorded a higher loss before tax of RM45 million compared to RM42 million recorded in the preceding quarter due to the lower revenue. Impact of the lower revenue was compensated partially by the reduction in production cost arising from various cost cutting measures.

B2. Prospects

Domestic cement demand is anticipated to remain soft. However, Group’s results is anticipated to improve as a result of operational synergies from logistics, distribution and procurement following the acquisition of a 76.98% stake in the Company by YTL Cement Berhad. In addition, there would also be more cost savings through economies of scale, the reduction of duplicated functions and corporate overheads.

B3. Profit Forecast and Profit Guarantee

The Group did not publish any profit forecast or profit guarantee during the current quarter ended 31 December 2019.

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INTERIM FINANCIAL REPORT

Notes – Continued

B4. Income Tax Credit

Income tax credit comprises the following:

	Individual Quarter 3 Months Ended 31 December 2019 RM'000	Cumulative Quarter 12 Months Ended 31 December 2019 RM'000
In respect of current year:		
- income tax	4,337	(11,423)
- deferred tax	10,904	54,581
 In respect of prior year:		
- income tax	(5,607)	(5,603)
- deferred tax	(149)	(4,049)
Total tax credit	<u>9,485</u>	<u>33,506</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 31 December 2019 RM'000	As at 31 December 2018 RM'000
<u>Short-term borrowings</u>		
Non-secured		
Borrowings	-	257,159
Sukuk Wakalah	400,000	-
Revolving credit and banker acceptance	429,800	255,216
Bank overdraft	43,397	45,419
	<u>873,197</u>	<u>557,794</u>
 <u>Long-term borrowings</u>		
Non-secured		
Sukuk Wakalah (non-current)	99,756	279,639
Total Group borrowings	<u>972,953</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		Cumulative Quarter	
	3 Months Ended		12 Months Ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Loss for the period is arrived after charging:				
Provision for inventory obsolescence	690	-	2,759	-
Amortisation of:				
- other intangible assets	539	-	2,147	-
- prepaid lease payments on leasehold land	1,074	-	4,624	-
Depreciation of:				
- investment property	1	-	3	-
- property, plant and equipment	37,728	-	150,201	-
- right-of-use assets	5,035	-	21,026	-
Derivative loss	17	-	5,175	-
Loss allowance for trade receivables	709	-	4,125	-
Property, plant and equipment written off	1,119	-	12,680	-
Provision for retirement benefits	1,590	-	6,375	-
and after crediting:				
Gain on disposal of:				
- property, plant and equipment	213	-	2,634	-
- prepaid lease payment	-	-	680	-
- right-of-use assets	-	-	22	-
Realised gain on foreign exchange	88	-	857	-
Unrealised gain on foreign exchange	257	-	1,025	-

INTERIM FINANCIAL REPORT

Notes – Continued

B10. Derivatives Financial Instruments, Fair Value Changes of Financial Liabilities and Fair Value Hierarchy

(a) Derivatives Financial Instruments

As at 31 December 2019, the Group does not have any outstanding derivatives.

(b) Fair Value Changes of Financial Liabilities

The gains arising from fair value changes of financial liabilities for the current financial year ended 31 December 2019 are as follows:

Type of Financial Liabilities	Basis of Fair Value Measurement	Reason for the Gains	Fair value (loss)/gain	
			Individual Quarter 3 Months Ended 31 December 2019	Cumulative Quarter 12 Months Ended 31 December 2019
			RM'000	RM'000
Forward foreign currency exchange contracts	Foreign exchange differential between the contracted rate and the market forward rate	Foreign exchange rates differential between the contracted rate and the market forward rate which have moved in favour of the Group	(17)	(5,175)

(c) Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- (i) Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- (iii) Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the reporting date, the Group held the following financial instruments carried at fair value on the statement of financial position:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2019				
Assets				
Financial assets at fair value through other comprehensive income	581	-	2,270	2,851

INTERIM FINANCIAL REPORT

B11. Loss per share

Loss per share is calculated as follows:

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		12 Months Ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Loss attributable to equity holders of the Company (RM'000)	(35,496)	-	(168,141)	-
Weighted average number of ordinary shares in issue ('000)	849,695	-	849,695	-
Basic and diluted loss per share (sen)	(4.2)	-	(19.8)	-

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: 20 February 2020

INTERIM FINANCIAL REPORT

APPENDIX – Financial Statements of Preceding Year Corresponding Periods

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter 3 Months Ended	Cumulative Quarter 12 Months Ended
	31 December 2018 RM'000	31 December 2018 RM'000
Revenue	548,158	2,122,297
Cost of sales	(489,607)	(2,004,976)
Gross profit	58,551	117,321
Selling and distribution expenses	(98,578)	(383,295)
Administration expenses	(21,304)	(84,269)
Other expenses	(14,514)	(31,312)
Investment income	2,541	10,289
Loss from operations	(73,304)	(371,266)
Interest income	741	3,809
Finance costs	(9,129)	(36,007)
Share of results in joint venture	1,619	(1,924)
Loss before tax	(80,073)	(405,388)
Income tax credit	22,841	86,521
Loss for the period	(57,232)	(318,867)
Items that may not be reclassified subsequently to profit or loss:		
Defined benefits retirement plan actuarial gains	12,639	12,639
Net fair value gains on investments in equity instruments designated as at FVTOCI	1,078	1,078
	13,717	13,717
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	382	647
Net fair value gains/(losses) on cash flow hedges	(999)	1,107
Total other comprehensive income for the period, net of tax	13,100	15,471
Total comprehensive loss for the period	(44,132)	(303,396)

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

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter 3 Months Ended	Cumulative Quarter 12 Months Ended
	31 December 2018 RM'000	31 December 2018 RM'000
(Loss)/profit attributable to:		
Owners of the Company	(57,539)	(319,351)
Non-controlling interests	307	484
	<u>(57,232)</u>	<u>(318,867)</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(44,524)	(303,965)
Non-controlling interests	392	569
	<u>(44,132)</u>	<u>(303,396)</u>
Basic and diluted loss per share (sen)	<u>(6.8)</u>	<u>(37.6)</u>

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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	Total Equity
	Share Capital	Exchange Equalisation Reserve	Investment Revaluation Reserve	Hedging Reserve	Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	-	(319,351)	(319,351)	484	(318,867)
Other comprehensive income for the period, net of tax	-	647	1,078	1,107	12,554	15,386	85	15,471
Dividend to non-controlling interests	-	-	-	-	-	-	(1,550)	(1,550)
As at 31 December 2018	1,950,692	28,516	2,212	(85)	563,907	2,545,242	5,559	2,550,801

INTERIM FINANCIAL REPORT

APPENDIX – Financial Statements of Preceding Year Corresponding Period

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months Financial Period Ended 31 December 2018 RM'000
<u>Cash Flows From Operating Activities</u>	
Loss before tax	(405,388)
Adjustments for:-	
Provision for inventory obsolescence	(544)
Amortisation of:	
- other intangible assets	2,148
- prepaid lease payments on leasehold land	5,776
Depreciation of:	
- investment property	3
- property, plant and equipment	182,639
Unrealised gain on derivatives	2,189
Dividend income	(225)
Finance costs	36,007
Loss allowance for trade receivables	3,593
Interest income	(3,809)
Loss on disposal of:	
- property, plant and equipment	519
- unquoted investment	96
Property, plant and equipment written off	4,687
Provision for retirement benefits	4,540
Impairment of goodwill	9,045
Unrealised loss on foreign exchange	1,035
Share of results in joint venture	1,924
Operating loss before changes in working capital	(155,765)
(Increase)/Decrease in:	
Inventories	13,346
Receivables	45,921
Amounts owing by holding and other related companies	2,640
Increase/(Decrease) in:	
Payables	(57,276)
Amounts owing to holding and other related companies	(3,200)
Contract liabilities	(19,010)
Cash used in operations	(173,344)
Retirement benefits paid	(7,212)
Net tax paid	(4,693)
Net cash used in operating activities	(185,249)

INTERIM FINANCIAL REPORT

APPENDIX – Financial Statements of Preceding Year Corresponding Period

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months Financial Period Ended 31 December 2018 RM'000
<u>Cash Flows From Investing Activities</u>	
Additions to property, plant and equipment	(148,033)
Dividend received	225
Interest received	3,809
Proceeds from disposal of:	
- property, plant and equipment	558
- unquoted investment	85
	<hr/>
Net cash used in investing activities	(143,356)
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<u>Cash Flows From Financing Activities</u>	
Dividends paid to non-controlling interests	(1,550)
Interest paid	(37,578)
Loan received from former related companies	256,350
Drawdown of borrowings	150,216
Repayment of borrowings	(100,000)
	<hr/>
Net cash generated from financing activities	267,438
	<hr/>
Net Change in Cash and Cash Equivalents	(61,167)
Effects of currency translations	80
Cash and Cash Equivalents at beginning of the year	99,906
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Cash and Cash Equivalents at end of the year	38,819
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Cash and bank balances	84,238
Bank overdraft	(45,419)
	<hr/>
	38,819
	<hr/> <hr/>