



SARAWAK CABLE BERHAD
(456400-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME

	Note	Current quarter 3 months ended		Cumulative quarter 12 months ended	
		31.12.2018 RM'000	31.12.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000
Revenue		216,340	200,270	790,168	1,024,175
Cost of sales		(223,286)	(184,017)	(738,871)	(964,510)
Gross (loss)/ profit		(6,946)	16,253	51,297	59,665
Other operating income		5,654	1,939	7,898	8,873
Administrative expenses		(13,329)	(8,528)	(35,618)	(32,140)
Other operating expenses		(8,895)	(10,473)	(29,130)	(30,299)
Operating (loss)/ profit		(23,516)	(809)	(5,553)	6,099
Finance costs		(8,565)	(8,130)	(28,552)	(31,720)
Loss before tax	A7	(32,081)	(8,939)	(34,105)	(25,621)
Income tax expense	A8	1,762	6,252	(6,097)	(9,901)
Loss for the period		(30,319)	(2,687)	(40,202)	(35,522)
Other comprehensive income					
Exchange differences on translation of foreign operation		(89)	(126)	(387)	(1,096)
Net movement of cash flow hedges		(896)	128	(5,267)	191
Income tax related to cash flow hedges		217	(46)	1,226	(46)
Other comprehensive income for the period, net of tax		(768)	(44)	(4,388)	(951)
Total comprehensive income for the period, net of tax		(31,087)	(2,731)	(44,590)	(36,473)
Loss for the period attributable to:					
Equity holders of the company		(31,195)	(1,888)	(39,146)	(34,392)
Non-controlling interests		876	(799)	(1,056)	(1,130)
		(30,319)	(2,687)	(40,202)	(35,522)
Total comprehensive income for the period, net of tax attributable to:					
Equity holders of the company		(31,943)	(1,906)	(43,450)	(35,106)
Non-controlling interests		856	(825)	(1,140)	(1,367)
		(31,087)	(2,731)	(44,590)	(36,473)
Loss per share attributable to Equity holders of the company (sen per share):					
Basic	A9	(9.84)	(0.60)	(12.35)	(10.85)
Diluted	A9	(9.84)	(0.60)	(12.35)	(10.85)

The condensed consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.



SARAWAK CABLE BERHAD
(456400-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31.12.2018 RM'000	31.12.2017 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A10	424,401	448,628
Intangible assets		2,510	2,510
Deferred tax assets		36,536	36,116
Concession financial assets	A11	93,179	85,990
Trade receivables		50,223	51,548
		<u>606,849</u>	<u>624,792</u>
Current assets			
Inventories		124,016	117,204
Trade and other receivables		245,390	256,756
Other current assets		23,806	47,812
Tax recoverable		9,154	8,713
Derivatives assets	A12	-	953
Cash and bank balances	A13	45,149	46,909
		<u>447,515</u>	<u>478,347</u>
Assets held for sale		2,191	-
		<u>449,706</u>	<u>478,347</u>
TOTAL ASSETS		<u>1,056,555</u>	<u>1,103,139</u>
EQUITY AND LIABILITIES			
Current liabilities			
Loans and borrowings	A14	448,320	475,080
Trade and other payables		157,114	172,703
Other current liabilities		34,209	-
Derivatives liabilities	A12	4,314	-
Income tax payable		1,057	1,253
		<u>645,014</u>	<u>649,036</u>
Net current liabilities		<u>(195,308)</u>	<u>(170,689)</u>
Non-current liabilities			
Loans and borrowings	A14	124,518	139,285
Trade payables		30,959	12,524
Deferred tax liabilities		16,341	17,088
		<u>171,818</u>	<u>168,897</u>
Total liabilities		<u>816,832</u>	<u>817,933</u>
Net assets			
		<u>239,723</u>	<u>285,206</u>
Equity attributable to equity holders of the Company			
Share capital		238,321	238,321
Reverse acquisition reserve		(37,300)	(37,300)
Foreign currency translation reserve		(832)	(529)
Hedge reserve		(3,278)	723
Revenue reserves		43,559	83,598
		<u>240,470</u>	<u>284,813</u>
Non-controlling interests		(747)	393
Total equity		<u>239,723</u>	<u>285,206</u>
TOTAL EQUITY AND LIABILITIES		<u>1,056,555</u>	<u>1,103,139</u>
Net assets per share attributable to owners of the Company (sen)		76	90

The condensed consolidated statements of financial position should be read in conjunction with the accompanying notes attached to the interim financial statement.



SARAWAK CABLE BERHAD
(456400-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Total Equity	Attributable to equity holders of the Company						Non-controlling interests
		Total equity attributable to equity holders of the Company, total	Non-distributable					
	RM'000	RM'000	Share capital RM'000	Reverse acquisition reserve RM'000	Foreign currency translation reserves RM'000	Hedge reserve RM'000	Revenue reserves RM'000	RM'000
At 1 January 2017	331,191	329,431	238,321	(37,300)	330	578	127,502	1,760
Loss for the period	(35,522)	(34,392)	-	-	-	-	(34,392)	(1,130)
Other comprehensive income	(951)	(714)	-	-	(859)	145	-	(237)
Total comprehensive income	(36,473)	(35,106)	-	-	(859)	145	(34,392)	(1,367)
	294,718	294,325	238,321	(37,300)	(529)	723	93,110	393
Transaction with owners:								
Dividends on ordinary shares	(9,512)	(9,512)	-	-	-	-	(9,512)	-
At 31 December 2017	285,206	284,813	238,321	(37,300)	(529)	723	83,598	393

The condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.



SARAWAK CABLE BERHAD
(456400-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Total Equity	Attributable to equity holders of the Company						Non-controlling interests
		Total equity attributable to equity holders of the Company, total	Share capital	Reverse acquisition reserve	Foreign currency translation reserves	Hedge reserve	Revenue reserves	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	285,206	284,813	238,321	(37,300)	(529)	723	83,598	393
Adjustments on initial adoption of MFRS 9	(893)	(893)	-	-	-	-	(893)	-
As restated	284,313	283,920	238,321	(37,300)	(529)	723	82,705	393
Loss for the period	(40,202)	(39,146)	-	-	-	-	(39,146)	(1,056)
Other comprehensive income	(4,388)	(4,304)	-	-	(303)	(4,001)	-	(84)
Total comprehensive income	(44,590)	(43,450)	-	-	(303)	(4,001)	(39,146)	(1,140)
At 31 December 2018	239,723	240,470	238,321	(37,300)	(832)	(3,278)	43,559	(747)

The condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.



SARAWAK CABLE BERHAD
(456400-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current period to date	Preceding year corresponding period
Note	31.12.2018 RM'000	31.12.2017 RM'000
Operating activities		
Loss before tax	(34,105)	(25,621)
Adjustments for:		
Allowance for impairment loss of trade receivables, net	2,997	1,445
Allowance for impairment loss of helicopters	4,253	-
Amortisation of intangible assets	-	9
Bad debts written off	112	31
Depreciation of property, plant and equipment	22,188	25,605
Finance income from concessions financial assets	(4,435)	(4,434)
Gain on disposal of property, plant and equipment	(410)	-
Interest expense	28,552	31,720
Interest income	(677)	(2,597)
Inventories written down	84	2,526
Net fair value gain on derivatives	-	(19)
Property, plant and equipment written off	-	2
Unrealised loss on foreign exchange	3,809	5,307
Unwinding of discount on finance lease	-	(6)
Operating cash flows before working capital changes	22,368	33,968
Changes in working capital:		
Increase in inventories	(6,895)	(595)
Decrease in trade and other receivables	9,580	83,394
Decrease in other current assets	58,215	106,797
Increase in assets held for sales	(2,191)	-
Increase/ (decrease) in trade and other payables	3,352	(67,367)
Decrease in derivative liabilities	-	(46)
Increase in concessions financial assets	(4,987)	(7,735)
Total changes in working capital	57,074	114,448
Cash generated from operations	79,442	148,416
Interest paid	(28,552)	(36,842)
Tax paid, net of refund	(7,526)	(8,120)
Net cash flows generated from operating activities	43,364	103,454



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(456400-V)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)

	Note	Current period to date 31.12.2018 RM'000	Preceding year corresponding period 31.12.2017 RM'000
Investing activities			
Proceeds from disposal of property, plant and equipment		350	-
Purchase of property, plant and equipment		(2,154)	(8,814)
Interest received		677	2,597
Net cash used in investing activities		<u>(1,127)</u>	<u>(6,217)</u>
Financing activities			
Repayment from borrowings		(29,158)	(129,942)
Dividend paid on ordinary shares		-	(9,512)
Decrease in cash and bank balances pledged for bank borrowings		1,318	8,032
Net cash used in financing activities		<u>(27,840)</u>	<u>(131,422)</u>
Net increase/ (decrease) in cash and cash equivalents		14,397	(34,185)
Effect on exchange rate changes		877	3,771
Cash and cash equivalents at 1 January		17,678	48,092
Cash and cash equivalents at 31 December	A13	<u>32,952</u>	<u>17,678</u>

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.



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(456400-V)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A1. Corporate information

Sarawak Cable Berhad (“the Company”) is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 28 February 2019.

A2. Significant accounting policies

These interim financial statements are unaudited and have been prepared in accordance with applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad, MFRS 134 *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board and with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These interim financial statements do not include all of the information required for annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

The audited financial statements of the Group for the year ended 31 December 2017 were prepared in accordance with Malaysian Financial Reporting Standards (MFRS). The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2017 except for the adoption of new standards effective as at 1 January 2018:

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRS Standards 2014 - 2016 Cycle:	
(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
(ii) Amendments to MFRS 128: Investments in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018



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(456400-V)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A2. Significant accounting policies (Contd.)

The Group has adopted the new standards that are relevant and effective for accounting period beginning on or after 1 January 2018. The adoption of these new standards have not resulted in any material impact on the financial statements of the Group as mentioned below:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group has concluded that the initial application of MFRS 15 does not have any material financial impacts to the current period and prior period financial statements of the Group.

MFRS 9 Financial Instruments

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not required to be restated.

Based on the analysis of the Group’s financial assets and liabilities, the Group has assessed the impact of MFRS 9 and the adjustment arising from the initial application of the new impairment model has been recognised in the opening balance of revenue reserves and the carrying amount of the financial assets as at 1 January 2018 are disclosed below:

	Impact of adoption of MFRS 9 to opening balance at 1 January 2018 RM’000
Decrease in revenue reserves	(893)
Decrease in trade receivables	(1,175)



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A3. Changes in estimates

There were no changes in estimates that have a material effect in the current interim results.

A4. Item of unusual nature, size or incidence

There was no item of unusual nature, size or incidence.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A5. Segment information

	Sales of power and telecommunication cables		Sales of galvanised products and steel structures		Transmission lines construction		Power generation, helicopter services and corporate		Total		Adjustments/ elimination		Per condensed consolidated financial statements	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Revenue														
External customers	667,623	888,044	20,258	25,604	78,830	92,362	23,457	18,165	790,168	1,024,175	-	-	790,168	1,024,175
Inter-segment	-	1,131	-	-	-	-	20,625	27,726	20,625	28,857	(20,625)	(28,857)	-	-
Total revenue	<u>667,623</u>	<u>889,175</u>	<u>20,258</u>	<u>25,604</u>	<u>78,830</u>	<u>92,362</u>	<u>44,082</u>	<u>45,891</u>	<u>810,793</u>	<u>1,053,032</u>	<u>(20,625)</u>	<u>(28,857)</u>	<u>790,168</u>	<u>1,024,175</u>
Segment profit/(loss)	<u>25,310</u>	<u>59,438</u>	<u>(145)</u>	<u>1,047</u>	<u>(25,245)</u>	<u>(47,617)</u>	<u>(20,025)</u>	<u>(14,683)</u>	<u>(20,105)</u>	<u>(1,815)</u>	<u>(14,000)</u>	<u>(23,806)</u>	<u>(34,105)</u>	<u>(25,621)</u>

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A5. Segment information (contd.)

The Group is organised into business units based on their products and services, and has four operating segments as follows:

- (a) The sales of power and telecommunication cables segment supplies power and telecommunication cables and cable components to consumers.
- (b) The sales of galvanised products and steel structures segment supplies galvanised products and steel structures. It also offers galvanising services.
- (c) The transmission lines construction segment involves the supply, installation and commissioning of transmission line projects.
- (d) The power generation, helicopter services and corporate segment is involved in power generation business, provision of helicopter services and Group-level corporate and management services.

Sales of power and telecommunication cables

The sales of power and telecommunication cables segment contributed 84.5% (31 December 2017: 86.7%) of the total revenue of the Group for the year ended 31 December 2018 and is the main contributor to the Group’s operating profit in 2018.

The segment recorded a revenue and profit before tax of RM667.6 million and RM25.3 million respectively for the year ended 31 December 2018 as compared to revenue and profit before tax of RM888.0 million and RM59.4 million respectively in the corresponding year ended 31 December 2017. Revenue was higher in the previous year due to several exceptional orders received. Operating costs have remained fairly consistent. Market demand for products under this segment has shown improvement. The Group is currently exploring to the opportunity to increase its overseas market.

Sales of galvanised products and steel structures

The sales of galvanised products and steel structures segment contributed 2.6% (31 December 2017: 2.5%) of the total revenue of the Group for the year ended 31 December 2018.

The Group’s subsidiary whose sales and services are in this segment, concentrates mainly in East Malaysia.

This segment recorded loss before tax of RM0.1 million when compared with corresponding year ended 31 December 2017 profit before tax of RM1.0 million. Market demand for products under this segment has been relatively weak.

The Group expects to participate in the supply of galvanised products and steel structures to Pan Borneo highway; a road network on Borneo Island connecting the State of Sabah and Sarawak in Malaysia, with Brunei and Kalimantan in Indonesia, and other projects initiation by the State of Sarawak comprising of Second Trunk Road, upgrading of Coastal Road and proposed roads and bridges under Regional Corridor Development Authority (RECODA).



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A5. Segment information (contd.)

Transmission lines construction

The transmission line construction segment contributed 10.0% (31 December 2017: 9.0%) of the total revenue of the Group for the year ended 31 December 2018.

The segment recorded a revenue and loss before tax of RM78.8 million and RM25.2 million respectively for the financial year ended 31 December 2018 as compared to revenue of RM92.4 million and loss before tax of RM47.6 million respectively for the corresponding year in 2017.

Despite the Group effort in terms of manpower and financial resources to complete a project to meet completion timeline and additional requests from the client, the Group was faced with yet additional requests as well as the client’s ultimate decision to impose a reduced Liquidated Ascertained Damages (“LAD”) amounted to RM12.8 million.

The Group agreed to the client’s decision only after having reached a settlement with the client. The client has issued all the Taking Over Certificate (“TOC”).

The Group continuous plans for the power transmission industry, include moving operation to focus on works in the State of Sarawak, actively participating in works as subcontractors and implement and strengthen our project management team to better manage the cost and completion timeline of on-going projects.

Power generation, helicopter services and corporate

The power generation, helicopter services and corporate segment provides power generation business, provision of helicopter services and Group-level corporate and management services. In the financial year ended 31 December 2018, power generation, helicopter services and corporate segment contributed RM23.5 million to the total revenue of the Group.

The hydro dam in Medan Indonesia is still under construction and is expected to commission by mid 2019 and commenced operation by second half of 2019.

In the current year under review, we have recognized finance cost amounting to RM5.4 million. This finance cost represents loan taken to finance construction of the hydro dam.

The Group also recognized an unrealized foreign exchange loss of approximately RM3.7 million upon translation from Indonesia Rupiah to Ringgit Malaysia.

Currently, all but two (2) units of helicopters are leased out on long term contracts. The aviation segment incurred rather high expenses in terms of finance costs and maintenance costs and therefore the Group is actively seeking to lease the balance of its helicopters.



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UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A5. Segment information (contd.)

Consolidated profit before tax

The Group recorded a loss before tax of RM34.1 million (31 December 2017: loss before tax of RM25.6 million) for the year ended 31 December 2018, principally due to losses incurred in transmission lines construction segment, power generation and aviation segment. The Group records a solid EBITA at RM16.6 million for the year ended 31 December 2018.

The other factors which had affected the current quarter’s profit before tax are explained above.

A6. Seasonality of operations

The Group's operations were not significantly affected by seasonal or cyclical factors.

A7. The following items have been included in arriving at loss/profit before tax:

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	
	31	31	31	31
	Dec	Dec	Dec	Dec
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment loss of trade receivables, net	3,052	1,553	2,997	1,445
Allowance for impairment loss of helicopters	4,253	-	4,253	-
Amortisation of payables	-	186	-	-
Amortisation of intangible assets	-	9	-	9
Bad debts written off	12	31	112	31
Depreciation of property, plant and equipment	5,622	7,245	22,188	25,605
Finance income from concession financial assets	(4,435)	(1,129)	(4,435)	(4,434)
Gain on disposal of property, plant and equipment	(314)	-	(410)	-
Interest expense	8,565	8,130	28,552	31,720
Interest income	(324)	(360)	(677)	(2,597)
Inventories written down	79	2,196	84	2,526
Net fair value gain on derivatives	-	(19)	-	(19)
Property, plant and equipment written off	-	2	-	2
Unrealised (gain)/ loss on foreign exchange	(2,028)	4,552	3,809	5,307
Unwinding of discount on finance lease	-	-	-	(6)

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A8. Income tax expense

	Current quarter 3 months ended		Cumulative quarter 12 months ended	
	31 Dec 2018 RM'000	31 Dec 2017 RM'000	31 Dec 2018 RM'000	31 Dec 2017 RM'000
Current income tax:				
Based on results for the year	(3,757)	(2,659)	3,241	2,242
Over provision of deferred tax in respect of previous period	(1,964)	(919)	(2,489)	(1,073)
Deferred income tax	3,959	(2,674)	5,345	8,732
	<u>(1,762)</u>	<u>(6,252)</u>	<u>6,097</u>	<u>9,901</u>

The effective tax rate for the current quarter ended 31 December 2018 and 2017 was lower than the statutory rate principally due to group relief recognised for losses incurred in certain subsidiaries.

A9. Loss per share

Basic loss per share amounts are calculated by dividing loss for the period, net of tax, attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the period.

The Group had no potential ordinary shares in issue as at the reporting date and therefore, diluted loss per share is presented as equal to basic loss per share.

The following are the loss and share data used in the computation of basic and diluted loss per share:

	Current year quarter		Current year to date	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Loss net of tax attributable to equity holders The Company (RM'000)	<u>(31,195)</u>	<u>(1,888)</u>	<u>(39,146)</u>	<u>(34,392)</u>
Weighted average number of ordinary shares in issue (‘000)	<u>317,050</u>	<u>317,050</u>	<u>317,050</u>	<u>317,050</u>
Basic loss per share (sen per ordinary share)	<u>(9.84)</u>	<u>(0.60)</u>	<u>(12.35)</u>	<u>(10.85)</u>
Diluted loss per share (sen per ordinary share)	<u>(9.84)</u>	<u>(0.60)</u>	<u>(12.35)</u>	<u>(10.85)</u>



SARAWAK CABLE BERHAD
(456400-V)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A10. Property, plant and equipment

During the year ended 31 December 2018, the Group acquired assets at the cost of RM2.2 million (31 December 2017: RM8.8 million).

A11. Concession financial assets

	31 December 2018 RM'000	31 December 2017 RM'000
At 1 January	85,990	83,729
Concession construction revenue	4,987	7,735
Accrued financial income	4,435	4,434
Exchange difference	(2,233)	(9,908)
At 31 December 2018/31 December 2017	<u>93,179</u>	<u>85,990</u>

A12. Fair Value hierarchy

The Group held commodity forward contracts carried at fair value based on Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. The identical assets and liabilities as follows:

	31 December 2018 RM'000	31 December 2017 RM'000
Derivatives assets	-	953
Derivatives liabilities	<u>4,314</u>	<u>-</u>

There was no transfer between any levels of the fair value hierarchy and there was no change in the purpose of any financial asset that subsequently resulted in a different classification of that asset during the quarter.

A13. Cash and bank balances

Cash and bank balances comprised the following amounts:

	31 December 2018 RM'000	31 December 2017 RM'000
Cash in hand and at banks	31,015	19,121
Deposits with licensed banks	<u>14,134</u>	<u>27,788</u>
Cash and bank balances	<u>45,149</u>	<u>46,909</u>



SARAWAK CABLE BERHAD
(456400-V)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A13. Cash and bank balances (Contd.)

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	31 December 2018 RM'000	31 December 2017 RM'000
Cash in hand and at banks	34,892	19,090
Deposits with licensed banks	-	12,367
Less: Bank overdraft	(1,940)	(13,779)
Cash and cash equivalents	<u>32,952</u>	<u>17,678</u>

A14. Loans and borrowings

	31 December 2018 RM'000	31 December 2017 RM'000
Current		
Secured	51,621	96,264
Unsecured	396,699	378,816
	<u>448,320</u>	<u>475,080</u>
Non-current		
Secured	119,842	132,170
Unsecured	4,676	7,115
	<u>124,518</u>	<u>139,285</u>
	<u>572,838</u>	<u>614,365</u>

Included in the secured borrowing is a borrowing denominated in foreign currency:-

	31 December 2018 USD'000	31 December 2017 USD'000
USD term loan	6,874	7,157

A15. Dividend paid

No dividend had been paid for the year ended 31 December 2018.

A16. Commitments

	31 December 2018 RM'000	31 December 2017 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	415	29,949
Approved but not contracted for:		
Property, plant and equipment	10,649	5,501
	<u>11,064</u>	<u>35,450</u>



SARAWAK CABLE BERHAD
(456400-V)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. Contingencies

There were no significant contingencies as at the end of the current financial quarter.

B2. Related party transactions

The following table provides information on the transactions which were entered into with related parties during the period ended 31 December 2018 and 31 December 2017 as well as the balances with the related parties as at 31 December 2018 and 31 December 2017.

		December	December		
		Sales to related parties RM'000	Purchases from related parties RM'000	Amounts owed by related parties RM'000	Amounts owed to related parties RM'000
Transactions with subsidiaries of Sarawak Energy Berhad:					
Sarawak Energy Berhad	2018	-	-	-	-
	2017	6,141	-	993	-
Syarikat SESCO Berhad	2018	15,806	-	1,967	-
	2017	20,722	-	6,572	-
Transactions with subsidiaries of Hng Capital Sdn Bhd:					
Alpha Industries Sdn. Bhd.	2018	4,635	181,323	-	8,513
	2017	5,252	226,740	350	15,648
Leader Universal Aluminium Sdn. Bhd.	2018	240	7,376	-	-
	2017	4,556	218,542	14	12,393



SARAWAK CABLE BERHAD
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UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

B3. Review of performance

Explanatory comments on the performance of each of the Group's business segments are provided in Note A5.

B4. Comment on material change in profit before taxation

The loss before taxation for the quarter ended 31 December 2018 is more than the immediate preceding quarter mainly due to losses incurred in transmission lines construction segment recognized in the current quarter.

B5. Commentary on prospects

The State of Sarawak's initiatives such as Pan Borneo Highway, Second Trunk Road, upgrading of Coastal Road and expansion of roads and bridges is expected to generate strong demand for power and telecommunication cables, steel products and construction services augurs well for the Group.

The Group has a strong track record, capability and capacity to supply power and telecommunication cables, steel products and construction services.

The power generation segment comprising of mini hydro dam which will be commissioned in 2019 and will be contributing positively to the Group.

The Group is currently addressing a challenging segment such as the aviation segment. The main focus is to optimise utilisation of all aviation assets with the possibility of disposing under-utilised aviation assets.

B6. Profit forecast or profit guarantee

Not applicable as the Group did not publish any profit forecast or profit guarantee.

B7. Corporate proposals

There were no corporate proposals.

B8. Changes in material litigation

There were no material litigation during the current financial period up to the date of this quarterly report.

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SARAWAK CABLE BERHAD
(456400-V)
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PART B – EXPLANATORY NOTES PURSUANT TO PART A OF APPENDIX 9B OF THE LISTING REQUIREMENTS

B9. Dividends payable

No dividend was payable for the year ended 31 December 2018.

B10. Disclosure of nature of outstanding derivatives

The outstanding derivatives were for the forward hedges with the London Metal Exchange (“LME”) brokers.

B11. Risks and policies of derivatives

The Group will only enter into a LME or currency derivative to hedge against potential commodity or currency fluctuation.

B12. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 31 December 2018 and 31 December 2017 other than the derivatives as disclosed in Note B10 above.

B13. Auditors’ report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2017 was not qualified.

B14. Authorised for issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 February 2019.

By order of the Board

Teoh Wen Jinq
Company Secretary
28 February 2019