

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

Interim Financial Report
30 September 2020

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INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		3 Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Revenue	367,907	-	367,907	-
Cost of sales	(313,520)	-	(313,520)	-
Gross profit	54,387	-	54,387	-
Other operating income	9,681	-	9,681	-
Other operating expenses	(51,745)	-	(51,745)	-
Profit from operations	12,323	-	12,323	-
Finance costs	(11,141)	-	(11,141)	-
Share of results in joint venture	138	-	138	-
Profit before tax	1,320	-	1,320	-
Income tax expense	(2,903)	-	(2,903)	-
Loss for the period	(1,583)	-	(1,583)	-
Loss attributable to:				
Owners of the Company	(1,317)	-	(1,317)	-
Non-controlling interests	(266)	-	(266)	-
	(1,583)	-	(1,583)	-
Basic and diluted loss per share (sen)	(0.15)	-	(0.15)	-

Notes:

1. The financial year end of the Group has been changed from 31st December 2019 to 30th June 2020. As such, there will be no comparative financial information available for the preceding year corresponding periods.
2. The Unaudited Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the financial period ended 30th June 2020 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		3 Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Loss for the period	(1,583)	-	(1,583)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(840)	-	(840)	-
Total other comprehensive income for the period, net of tax	(840)	-	(840)	-
Total comprehensive loss for the period	(2,423)	-	(2,423)	-
Total comprehensive loss attributable to:				
Owners of the Company	(2,157)	-	(2,157)	-
Non-controlling interests	(266)	-	(266)	-
	(2,423)	-	(2,423)	-

Notes:

1. The financial year end of the Group has been changed from 31st December 2019 to 30th June 2020. As such, 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 financial period ended 30th June 2020 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2020 RM'000	As at 30 June 2020 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,449,826	1,468,012
Right-of-use assets		114,214	119,539
Investment property		3,126	3,127
Goodwill on consolidation		1,387,089	1,387,089
Other intangible assets		14,399	14,934
Investment in joint venture		35,665	35,933
Other financial assets		2,772	2,772
Net investment in leases		10,648	11,693
Deferred tax assets		231,595	228,293
		<u>3,249,334</u>	<u>3,271,392</u>
Current assets			
Inventories		238,383	254,916
Current tax assets		10,817	22,386
Trade receivables		126,660	114,585
Other receivables, prepaid expenses and refundable deposits		50,967	41,630
Amounts owing by holding and related companies		178,999	68,727
Net investment in leases		4,193	4,193
Other financial assets		-	1,255
Cash and bank balances		27,023	77,152
		<u>637,042</u>	<u>584,844</u>
Total assets		<u>3,886,376</u>	<u>3,856,236</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital		1,950,692	1,950,692
Reserves:			
Exchange equalisation reserve		29,137	29,977
Investments revaluation reserve		2,133	2,133
Retained earnings		300,567	301,884
		<u>2,282,529</u>	<u>2,284,686</u>
Equity attributable to owners of the Company		2,282,529	2,284,686
Non-controlling interests		5,208	5,474
		<u>2,287,737</u>	<u>2,290,160</u>
Total equity		<u>2,287,737</u>	<u>2,290,160</u>

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2020 RM'000	As at 30 June 2020 RM'000
Non-current liabilities			
Borrowings	B9	399,821	279,817
Retirement benefits		21,531	21,937
Lease liabilities		47,331	50,151
Deferred tax liabilities		<u>124,408</u>	<u>119,463</u>
		<u>593,091</u>	<u>471,368</u>
Current liabilities			
Trade payables		208,331	259,197
Other payables and accrued expenses		163,448	119,869
Amounts owing to holding and related companies		120,716	48,305
Borrowings	B9	492,800	649,800
Lease liabilities		15,595	15,845
Current tax liabilities		<u>4,658</u>	<u>1,692</u>
		<u>1,005,548</u>	<u>1,094,708</u>
Total liabilities		<u>1,598,639</u>	<u>1,566,076</u>
Total equity and liabilities		<u>3,886,376</u>	<u>3,856,236</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)		<u>2.69</u>	<u>2.69</u>
Net tangible assets per share attributable to ordinary equity holders of the Company (RM)		<u>1.04</u>	<u>1.04</u>

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 30th June 2020 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT

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	Retained Earnings RM'000	Total RM'000		
As at 1 July 2020	1,950,692	29,977	2,133	301,884	2,284,686	5,474	2,290,160
Loss for the period	-	-	-	(1,317)	(1,317)	(266)	(1,583)
Other comprehensive loss for the period, net of tax	-	(840)	-	-	(840)	-	(840)
As at 30 September 2020	1,950,692	29,137	2,133	300,567	2,282,529	5,208	2,287,737
As at 1 July 2019	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-
As at 30 September 2019	-	-	-	-	-	-	-

Notes:

- 1. The financial year end of the Group has been changed from 31st December 2019 to 30th June 2020. As such, 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 financial period ended 30th June 2020 and the accompanying explanatory notes attached to the interim financial statements.**

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 Months Financial Period Ended	
	30 September 2020 RM'000	30 September 2019 RM'000
Cash Flows From Operating Activities		
Profit before tax	1,320	-
Adjustments for:-		
Provision for inventory obsolescence	590	-
Amortisation of:		
- other intangible assets	535	-
Depreciation of:		
- investment property	1	-
- property, plant and equipment	35,445	-
- right-of-use assets	2,987	-
Finance costs	11,141	-
Reversal of loss allowance for trade receivables	(9)	-
Dividend income	(180)	-
Interest income	(2,043)	-
Gain on disposal of:		
- property, plant and equipment	(1)	-
Property, plant and equipment written off	2	-
Provision for retirement benefits	230	-
Unrealised loss on foreign exchange	460	-
Share of results in joint venture	(138)	-
Operating profit before changes in working capital	50,340	-
Decrease/(Increase) in:		
Inventories	15,943	-
Receivables	(21,403)	-
Amounts owing by holding and other related companies	(110,272)	-
(Decrease)/Increase in:		
Payables	(1,496)	-
Amounts owing to holding and other related companies	72,411	-
Cash generated from operations	5,523	-
Retirement benefits paid	(9,210)	-
Net tax refunded	13,305	-
Net cash generated from operating activities	9,618	-

INTERIM FINANCIAL REPORT

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 Months Financial Period Ended	
	30 September 2020 RM'000	30 September 2019 RM'000
Cash Flows Used In Investing Activities		
Additions to property, plant and equipment	(15,042)	-
Interest received	2,043	-
Dividend income received	180	-
Proceeds from net investment in lease	1,045	-
Proceeds from disposal of:		
- property, plant and equipment	1	-
Settlement of debenture matured	1,255	-
	<hr/>	<hr/>
Net cash used in investing activities	(10,518)	-
Cash Flows Used In Financing Activities		
Interest paid	(9,072)	-
Payments of lease liabilities	(2,950)	-
Repayment of borrowings (net)	(37,000)	-
	<hr/>	<hr/>
Net cash generated used in financing activities	(49,022)	-
Net Change in Cash and Cash Equivalents	(49,922)	-
Effects of currency translations	(207)	-
Cash and Cash Equivalents at beginning of the financial period	77,152	-
	<hr/>	<hr/>
Cash and Cash Equivalents at end of the financial period	27,023	-
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Notes:

- 1. The financial year end of the Group has been changed from 31st December 2019 to 30th June 2020. As such, 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 financial period ended 30th June 2020 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 financial statements of the Group for the financial period ended 30 June 2020.

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 period ended 30 June 2020.

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 period ended 30 June 2020.

The adoption of MFRSs or amendments to MFRSs which were effective for financial year beginning on or after 1 July 2020 do not have significant financial impact on the Group.

A2. 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.

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INTERIM FINANCIAL REPORT

Notes – Continued

A3. Disaggregation of Revenue

	Individual Quarter 3 Months Ended		Cumulative Quarter 3 Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Cement:				
Sales of clinker, cement and other building materials	295,588	-	295,588	-
Others	53	-	53	-
	<u>295,641</u>	<u>-</u>	<u>295,641</u>	<u>-</u>
Aggregates & Concrete				
Sales of aggregates	1,424	-	1,424	-
Sales of ready-mix concrete	70,638	-	70,638	-
Others	204	-	204	-
	<u>72,266</u>	<u>-</u>	<u>72,266</u>	<u>-</u>
Total Revenue	<u>367,907</u>	<u>-</u>	<u>367,907</u>	<u>-</u>

A4. Exceptional or Unusual Items

During the current financial quarter, there was no item of an exceptional or unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group.

A5. Changes in Estimates of Amount Reported

There was no significant change in estimates of amounts reported in prior interim periods or prior financial periods.

A6. Changes in Debt and Equity Securities

There was no issuances, cancellation, repurchase, resale and repayments of debt and equity securities during the financial period under review.

A7. Dividend Paid

There was no dividend payment during the financial period ended 30 September 2020.

INTERIM FINANCIAL REPORT

Notes – Continued

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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INTERIM FINANCIAL REPORT

Notes – Continued

A8. Segmental Information (continued)

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

3 Months Ended 30 September	Cement		Aggregates & Concrete		Elimination		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
External revenue	295,641	-	72,266	-	-	-	367,907	-
Inter-segment revenue	6,378	-	-	-	(6,378)	-	-	-
Total revenue	302,019	-	72,266	-	(6,378)	-	367,907	-
Segment results								
Profit from operations	17,633	-	(5,310)	-	-	-	12,323	-
Finance costs							(11,141)	-
Share of results in joint venture							138	-
Profit before tax							1,320	-
Finance costs							11,141	-
Depreciation and amortisation							38,968	-
EBITDA							51,429	-

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. Changes in Group Composition

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

A11. Contingent Liabilities

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

A12. Subsequent Events

There were no items, transactions or event of material or unusual in nature during the period from the end of the quarter under review to 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
	2020
	RM'000
In respect of capital expenditure:	
Approved and contracted for	<u>16,867</u>

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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

Domestic cement demand picked up following the gradual increase in construction activities since the commencement of the Government's Recovery Movement Control Order. The integration of the Group with YTL Cement has made significant progress in realising operational, distribution and logistical synergies. These have contributed to the Group's revenue and profit before tax of RM367.9 million and RM1.3 million for the current quarter.

There are no preceding quarter and year-to-date comparisons due to the change of the financial year end from 31 December 2019 to 30 June 2020.

B2. Comparison with Preceding Quarter's Results

Quarter ended 30 September 2020 vs. 30 June 2020

	3 Months Ended 30 September 2020 RM'000	3 Months Ended 30 June 2020 RM'000
Revenue	367,907	126,039
Profit/(Loss) before tax	<u>1,320</u>	<u>(77,309)</u>

The Group's results in the preceding quarter was significantly impacted by the lower revenue following the Government's Movement Control Order. With the increase in revenue and bolstered by the vigorous cost cutting measures, the Group's results improved significantly in the current quarter recording a profit before tax of RM1.3 million compared to a loss before tax of RM77.3 million in the preceding quarter.

B3. Audit Report of the Preceding Financial Period Ended 30 June 2020

The Auditors' Reports on the financial statements of the financial period ended 30 June 2020 did not contain any qualification.

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INTERIM FINANCIAL REPORT

Notes – Continued

B4. Prospects

The Group remains cautious over the outlook for the last quarter of 2020 due to the uncertainties caused by COVID-19 and the measures necessary to control the pandemic. Notwithstanding, the Group maintains its views that the solid dynamics of its main markets remain intact and is confident that the key growth drivers e.g. infrastructure requirements and demand for housing from urbanisation, will continue to underpin demand growth in the longer term.

The Group will continue with its cost cutting initiatives and pursuing further operational, distribution and logistical synergies following its integration with YTL Cement. It will also continue to be vigilant on its capital expenditure and focus on cash conservation.

B5. Profit Forecast

The Group did not publish any profit forecast or profit guarantee during the current financial quarter.

B6. Loss for the period

	Individual Quarter 3 Months Ended		Cumulative Quarter 3 Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Loss for the period is arrived after charging:				
Provision for inventory obsolescence	590	-	590	-
Amortisation of:				
- other intangible assets	535	-	535	-
Depreciation of:				
- investment property	1	-	1	-
- property, plant and equipment	35,445	-	35,445	-
- right-of-use assets	2,987	-	2,987	-
Property, plant and equipment written off	2	-	2	-
Provision for retirement benefits	230	-	230	-
Unrealised loss on foreign exchange	460	-	460	-
and after crediting:				
Gain on disposal of:				
- property, plant and equipment	1	-	1	-
Reversal of loss allowance for trade receivables	9	-	9	-
Realised gain on foreign exchange	947	-	947	-

INTERIM FINANCIAL REPORT

Notes – Continued

B7. Income Tax Expense

Income tax credit comprises the following:

	Individual Quarter 3 Months Ended 30 September 2020 RM'000	Cumulative Quarter 3 Months Ended 30 September 2020 RM'000
In respect of current year:		
- income tax	1,229	1,229
- deferred tax	1,034	1,034
 In respect of prior year:		
- deferred tax	640	640
Total tax credit	2,903	2,903

The tax expense for the 3 months ended 30 June 2020 has an effective tax rate that is higher 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.

B8. Status of Corporate Proposals

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

B9. Group Borrowings

The Group borrowings are as follows:

	As at 30 September 2020 RM'000	As at 30 June 2020 RM'000
Short-term borrowings		
Non-secured		
Bonds	100,000	220,000
Revolving credit and banker's acceptance	392,800	429,800
	492,800	649,800
 Long-term borrowings		
Non-secured		
Bonds (non-current)	399,821	279,817
Total Group borrowings	892,621	929,617

All borrowings are denominated in Ringgit Malaysia.

INTERIM FINANCIAL REPORT

Notes – Continued

B10. 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	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2020				
Assets				
Financial assets at fair value through other comprehensive income	395	-	2,377	2,772

B11. Material Litigation

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

B12. Dividend

No dividend has been declared for the current financial quarter.

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INTERIM FINANCIAL REPORT

Notes – Continued

B13. Loss per share

Loss per share is calculated as follows:

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		3 Months Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
Loss attributable to equity holders of the Company (RM'000)	(1,317)	-	(1,317)	-
Weighted average number of ordinary shares in issue ('000)	849,695	-	849,695	-
Basic and diluted loss per share (sen)	(0.15)	-	(0.15)	-

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 2020