

TASEK CORPORATION BERHAD
(Company No: 4698-W)
(Incorporated in Malaysia)
and its subsidiaries

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 - UNAUDITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current quarter 3 months ended 30 September		Cumulative quarter 9 months ended 30 September	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue		149,883	146,546	419,786	413,854
Cost of sales		(123,248)	(114,106)	(344,102)	(316,648)
Gross profit		<u>26,635</u>	<u>32,440</u>	<u>75,684</u>	<u>97,206</u>
Other (expense)/income		336	371	3,452	1,134
Selling and Distribution Expenses		(28,395)	(26,875)	(82,031)	(76,732)
Administrative Expenses		(5,915)	(5,421)	(17,663)	(17,988)
Operating (loss)/profit		<u>(7,339)</u>	<u>515</u>	<u>(20,558)</u>	<u>3,620</u>
Finance income	8	630	1,258	2,560	4,454
Finance cost	8	(123)	(143)	(322)	(424)
Net finance income		<u>507</u>	<u>1,115</u>	<u>2,238</u>	<u>4,030</u>
		(6,832)	1,630	(18,320)	7,650
Share of results of associates, net of tax		1,203	874	4,110	1,809
(Loss)/Profit before tax	8	<u>(5,629)</u>	<u>2,504</u>	<u>(14,210)</u>	<u>9,459</u>
Income tax expense	9	(359)	(615)	(858)	(2,524)
(Loss)/Profit net of tax for the quarter/period ended		<u>(5,988)</u>	<u>1,889</u>	<u>(15,068)</u>	<u>6,935</u>
(Loss)/Profit net of tax for the quarter/period ended attributable to :					
Equity holders of the Company		<u>(5,988)</u>	<u>1,889</u>	<u>(15,068)</u>	<u>6,935</u>
(Loss)/Earnings per share attributable to equity holders of the Company (sen per share):					
- Basic and diluted	10	<u>(4.94)</u>	<u>1.56</u>	<u>(12.45)</u>	<u>5.69</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Current quarter 3 months ended 30 September		Cumulative quarter 9 months ended 30 September	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/Profit net of tax for the quarter/period ended		(5,988)	1,889	(15,068)	6,935
Other comprehensive income: <u>Items that may be reclassified subsequently to profit and loss:</u>					
Net changes on available-for-sale ("AFS") financial assets					
- Changes in fair value of AFS investment	32	(828)	1,876	(6,698)	967
Total comprehensive (expense)/income net of income tax for the quarter/period ended		<u>(6,816)</u>	<u>3,765</u>	<u>(21,766)</u>	<u>7,902</u>
Total comprehensive (expense)/income for the quarter/period ended attributable to :					
Equity holders of the Company		<u>(6,816)</u>	<u>3,765</u>	<u>(21,766)</u>	<u>7,902</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

TASEK CORPORATION BERHAD
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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2018 - UNAUDITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2018 RM'000	31 December 2017 RM'000 (Audited)
Assets			
Non - current assets			
Property, plant and equipment	11	244,044	242,578
Intangible assets	12	1,208	1,285
Available-for-sale investment		6,305	9,617
Investment in associates		76,659	80,048
Other receivables		-	242
Total non - current assets		<u>328,216</u>	<u>333,770</u>
Current assets			
Inventories	13	135,700	130,072
Trade and other receivables		118,886	99,645
Tax recoverable		11,093	11,339
Cash and bank balances	14	73,394	132,832
Total current assets		<u>339,073</u>	<u>373,888</u>
Total assets		<u>667,289</u>	<u>707,658</u>
Equity attributable to equity holders of the Company			
Share Capital		258,300	258,300
Reserves		283,443	329,525
Total equity		<u>541,743</u>	<u>587,825</u>
Liabilities			
Non - current liabilities			
Provision	16	1,894	1,572
Deferred tax liabilities		16,512	17,601
Total non - current liabilities		<u>18,406</u>	<u>19,173</u>
Current liabilities			
Provision	16	532	745
Income tax payable		-	658
Loans and borrowings	17	10,101	9,061
Trade and other payables		96,507	90,196
Total current liabilities		<u>107,140</u>	<u>100,660</u>
Total liabilities		<u>125,546</u>	<u>119,833</u>
Total equity and liabilities		<u>667,289</u>	<u>707,658</u>
Net Assets per Share (RM)		<u>4.47</u>	<u>4.85</u>
Net Tangible Assets per Share (RM)		<u>4.46</u>	<u>4.84</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Total RM'000
	Non - distributable				Distributable			
	Share Capital RM'000	Share Premium RM'000	Capital Redemption Reserve RM'000	Fair Value Adjustment Reserve RM'000	Treasury Shares RM'000	General Reserve RM'000	Retained Profits RM'000	
At 1 January 2018	258,300	-	-	99	(20,633)	115,347	234,712	587,825
Total comprehensive income	-	-	-	(6,698)	-	-	(15,068)	(21,766)
Final dividend totalling 20 sen per share in respect of the financial year ended 31 December 2017	-	-	-	-	-	-	(24,316)	(24,316)
At 30 September 2018	258,300	-	-	(6,599)	(20,633)	115,347	195,328	541,743
At 1 January 2017	123,956	133,946	398	-	(20,633)	115,347	306,608	659,622
Effect of implementation of Companies Act 2016	134,344	(133,946)	(398)	-	-	-	-	-
Total comprehensive income	-	-	-	967	-	-	6,935	7,902
Final dividend totalling 40 sen per share in respect of the financial year ended 31 December 2016	-	-	-	-	-	-	(48,611)	(48,611)
First interim dividend totalling 20 sen per share in respect of the financial year ended 31 December 2017	-	-	-	-	-	-	(24,295)	(24,295)
At 30 September 2017	258,300	-	-	967	(20,633)	115,347	240,637	594,618

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 - UNAUDITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 Months ended	
	30 September 2018	30 September 2017
	RM'000	RM'000
<u>Operating activities</u>		
(Loss)/Profit before taxation	(14,210)	9,459
Adjustments for:		
Amortisation of intangible assets	272	304
Amortisation of prepaid lease payments	-	3
Depreciation of property, plant and equipment	26,830	36,323
Finance cost	322	424
Finance income	(2,560)	(4,454)
Net gain on disposal of property, plant and equipment	(11)	(217)
Property, plant and equipment written off	37	97
Reversal of provision for voluntary separation scheme	-	(40)
Share of results of associates	(4,110)	(1,809)
	20,780	30,631
Operating cash flows before changes in working capital	6,570	40,090
<u>Changes in working capital:</u>		
Change in inventories	(5,628)	(27,731)
Change in trade and other receivables	(19,000)	769
Change in trade and other payables	6,420	3,455
Total changes in working capital	(18,208)	(23,507)
Interest received	2,560	4,454
Interest paid	(322)	(424)
Income taxes paid	(2,359)	(10,516)
	(121)	(6,486)
Net cash flows (used in)/generated from operating activities	(11,759)	10,097
<u>Investing activities</u>		
Acquisition of available-for-sales investment	(3,386)	(9,518)
Purchase of property, plant and equipment	(28,347)	(18,109)
Purchase of intangible assets	(195)	(60)
Net proceeds from disposal of property, plant and equipment	25	432
Withdrawal/(Placement) of short term deposits more than three months	10,000	(19,000)
Dividend income	7,500	3,000
Net cash flows used in investing activities	(14,403)	(43,255)
<u>Financing activities</u>		
Dividends paid	(24,316)	(72,906)
Net proceeds from/(repayments of) loans & borrowings	1,040	(1,743)
Net cash flows used in financing activities	(23,276)	(74,649)
Net decrease in cash and cash equivalents	(49,438)	(107,807)
Cash & cash equivalents at 1 January	92,832	201,550
Cash & cash equivalents at 30 September (Note 14)	43,394	93,743

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 - UNAUDITED

1. Corporate information

Tasek Corporation Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements were approved by the Board of Directors on 18 October 2018.

2. Accounting policies and methods of computation

These condensed consolidated interim financial statements, for the period ended 30 September 2018, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The audited consolidated financial statements of the Group for the year ended 31 December 2017 which were prepared under MFRS and IFRS are available upon request from the Company's registered office at 6th Floor, Office Block, Grand Millennium Kuala Lumpur, 160 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its audited consolidated financial statements as at and for the year ended 31 December 2017.

3. Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year. New standards and amendments that apply for the first time in 2018 do not have a material impact on the annual consolidated financial statements of the Group nor to the interim condensed consolidated financial statements of the Group.

On 1 January 2018, the Group adopted the following new and amended MFRS mandatory for annual financial periods beginning on or after 1 January 2018:

Description	Effective for annual financial periods beginning on or after
Annual Improvements to MFRSs 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
MFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018

The Group applies, for the first time, MFRS 15 Revenue on Contracts with Customers and MFRS 9 Financial Instruments that require restatement of previous financial statements. As required by MFRS 134, the nature and effect of these changes are disclosed below:

The Group adopted MFRS 15 using the full retrospective method and has ensured that goods or services provided to customers are in an amount that reflects the consideration to which the entity expects to be entitled for the goods and services and recognition of revenue on the transfer of performance obligation to customer. There was no significant impact that would require retrospective reinstatement of the statement of financial position by the adoption of this approach during the current quarter and the financial period to date.

On the adoption of MFRS 9, the Group has assessed all the three aspects of the accounting for the financial assets and liabilities for classification and measurement, impairment and hedge accounting. During the current quarter and the financial period to date, there is no requirement for any reclassification for loans and receivables nor any significant impact on the statement of financial position on fair value measurement on the financial assets and quoted equity shares held as available-for-sale (AFS) and there is no expectation of any impairment on trade receivables.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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MFRSs and Amendments to MFRSs issued but not yet effective

At the date of issuance of the condensed consolidated interim financial statements, the following Standards were issued but not yet effective and have not been adopted by the Group.

	Effective for annual financial periods beginning on or after
Annual Improvements to MFRSs 2015 – 2017 Cycle	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
MFRS 9: Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
MFRS 16: Leases	1 January 2019
MFRS 128: Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
MFRS 119: Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above standards and amendments will not have any material effect on the financial performance or position of the Group and the Company.

4. Changes in estimates of amount reported previously with material effect in current interim period.

There were no estimations of amount used in our previous reporting period having a material impact in the current reporting period.

5. Changes in composition of the Group

There were no changes to the composition of the Group during the current quarter ended 30 September 2018.

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6. Segmental information

The segment information provided to the chief operating decision maker for the current financial period to date is as follows:

	Cement	Ready-mixed Concrete	All other segments	Adjustment and Elimination	Total
<u>30.9.2018</u>	RM'000	RM'000	RM'000	RM'000	RM'000
Segment revenue	313,918	166,135	1,342	-	481,395
Inter-segment revenue	(60,267)	-	(1,342)	-	(61,609)
Revenue from external customers	<u>253,651</u>	<u>166,135</u>	<u>-</u>	<u>-</u>	<u>419,786</u>
Segment profit/(loss)	(13,135)	2,925	(512)	(9,836)	(20,558)
Inter-segment elimination	(1,204)	1,070	134	-	0
	<u>(14,339)</u>	<u>3,995</u>	<u>(378)</u>	<u>(9,836)</u>	<u>(20,558)</u>
Segment profit/(loss)	(13,135)	2,925	(512)	(9,836)	(20,558)
Finance income	2,677	211	1	(329)	2,560
Finance cost	(22)	(300)	(329)	329	(322)
Share of profit from associates	-	-	-	4,110	4,110
Profit/(loss) before tax	<u>(10,480)</u>	<u>2,836</u>	<u>(840)</u>	<u>(5,726)</u>	<u>(14,210)</u>
	Cement	Ready-mixed Concrete	All other segments	Adjustment and Elimination	Total
<u>30.9.2017</u>	RM'000	RM'000	RM'000	RM'000	RM'000
Segment revenue	302,331	178,629	3,269	-	484,229
Inter-segment revenue	(67,106)	-	(3,269)	-	(70,375)
Revenue from external customers	<u>235,225</u>	<u>178,629</u>	<u>-</u>	<u>-</u>	<u>413,854</u>
Segment profit/(loss)	1,647	5,445	(325)	(3,147)	3,620
Inter-segment elimination	(1,056)	899	157	-	-
	<u>591</u>	<u>6,344</u>	<u>(168)</u>	<u>(3,147)</u>	<u>3,620</u>
Segment profit/(loss)	1,647	5,445	(325)	(3,147)	3,620
Finance income	4,246	231	4	(27)	4,454
Finance cost	-	(451)	-	27	(424)
Share of profit of associates	-	-	-	1,809	1,809
Profit/(loss) before tax	<u>5,893</u>	<u>5,225</u>	<u>(321)</u>	<u>(1,338)</u>	<u>9,459</u>

Breakdown of the revenue from all services is as follows:

Analysis of revenue by geographical segment

	<u>30.9.2018</u>	<u>30.9.2017</u>
	RM'000	RM'000
Malaysia	407,974	413,854
Outside Malaysia	11,812	-
	<u>419,786</u>	<u>413,854</u>

The commentary on the performance of each of the business activity and the factors that have resulted in the revenue or profits improving or declining as compared with the corresponding periods of last quarter and year is discussed in Note 22.

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7. Seasonal or cyclical factors

The operations of the Group generally follow the performance of the property development, infrastructure and construction industry.

8. (Loss)/Profit before tax

Included in the (loss)/profit before tax are the following items:

	Note	Current quarter 3 months ended		Cumulative quarter 9 months ended	
		30 September 2018	30 September 2017	30 September 2018	30 September 2017
		RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax is arrived at after charging/(crediting):					
Amortisation of prepaid lease payments		-	-	-	3
Amortisation of intangible assets	12	92	97	272	304
Depreciation of property, plant and equipment	11	8,490	12,129	26,830	36,323
Finance income		(630)	(1,258)	(2,560)	(4,454)
Finance cost		123	143	322	424
Net gain on disposal of property, plant and equipment		-	(133)	(11)	(217)
Property, plant and equipment written off	11	-	32	37	97
Net gain on foreign exchange - realised		(134)	-	(217)	1
Reversal of provision for voluntary separation scheme		-	-	-	(40)
Rental income		(239)	(235)	(839)	(738)

There were no investment income, gain or loss on disposal of investments or properties, impairment of assets and other exceptional items in current financial period to date except as disclosed above.

9. Income tax expense

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
<u>Current Income tax</u>				
Malaysia - Current year	40	(1,507)	(1,909)	(5,560)
- Prior year	(39)	(242)	(39)	(242)
	1	(1,749)	(1,948)	(5,802)
<u>Deferred tax</u>				
Reversal of temporary differences	(385)	853	1,065	3,001
Under provision in respect of prior years	25	281	25	277
	(359)	(615)	(858)	(2,524)

Despite the Group's loss in the current quarter and period to date, the tax incurred is mainly for other incomes which are subjected to tax and tax of profit from subsidiaries.

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10. Earnings per share

	Current quarter 3 months ended		Cumulative quarter 9 months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RM'000	RM'000	RM'000	RM'000
(I) Basic earnings per share				
(Loss)/Profit net of tax attributable to equity holders of the Company	(5,988)	1,889	(15,068)	6,935
Less : 6% Preference Dividend	-	-	(20)	(20)
Less : Proportion of profit attributable to preference shareholders	-	(5)	-	(19)
(Loss)/Profit net of tax attributable to equity holders of the Company used in the computation of basic earnings per share	(5,988)	1,884	(15,088)	6,896
Weighted average number of ordinary shares in issue at 30 September ('000)	121,143	121,143	121,143	121,143
Basic earnings per share (sen)	(4.94)	1.56	(12.45)	5.69

(II) Diluted earnings per share

There is no dilutive effect on earnings per share as the Company has no potential issue of ordinary shares.

11. Property, plant and equipment

Note	30 September 2018	31 December 2017
	RM'000	RM'000
Net carrying amount:		
Balance at the beginning of year	242,578	262,067
Additions	28,347	29,464
Disposals	(14)	(236)
Less: Depreciation 8	(26,830)	(48,575)
Less: Written off 8	(37)	(142)
Balance at end of period/year	244,044	242,578

12. Intangible assets

Note	30 September 2018	31 December 2017
	RM'000	RM'000
Net carrying amount:		
Balance at the beginning of year	1,285	1,625
Additions	195	61
Less: Amortisation 8	(272)	(396)
Less: Written off	-	(5)
Balance at end of period/year	1,208	1,285

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13. Inventories

During the period ended 30 September 2018, there were no material write-down of inventories to net realisable value nor the reversal of such write-down recognised in the Group's statement of comprehensive income.

14. Cash and bank balances

	30 September 2018	31 December 2017
	RM'000	RM'000
Cash at banks and on hand	21,824	40,432
Short term deposits with licensed banks	51,570	92,400
Cash and cash equivalents	73,394	132,832
Less: Short-term deposits more than three months	(30,000)	(40,000)
	<u>43,394</u>	<u>92,832</u>

15. Changes in Debt and Equity Securities

There were no issuance and repayment of any debt or equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial period to date.

16. Provision

	Restoration and other environmental cost	
	30 September 2018	31 December 2017
	RM'000	RM'000
Balance at the beginning of year	2,317	2,548
Arose during the period/year	420	850
Unwinding of discount	49	79
Reversal of provision	-	(168)
Payments during the period/year	(360)	(992)
Balance at end of period/year	<u>2,426</u>	<u>2,317</u>

At 30 September 2018

Current	532	745
Non-current:		
- Later than 1 year but not later than 5 years	279	764
- Later than 2 year but not later than 5 years	860	75
- More than 10 years	755	733
	<u>2,426</u>	<u>2,317</u>

Provision for restoration costs

A provision is recognised for restoration cost associated with its subsidiary, Tasek Concrete Sdn Bhd's obligations to restore the lands at the end of the tenancy period. It is expected that most of these costs will be incurred in the next two financial years and all will have been incurred within three years from the reporting date. Assumptions used to calculate the expected cost to dismantle and remove the batching plants from the site and the cost of restoring the land to its original state were based on management's best estimates.

Other environmental cost is recognised on the basis of legal or constructive obligation and the expected cost is based on management's best estimates.

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17. Group borrowings and debts securities

Total Group's short term borrowing (denominated in local currency) is as follows:

	30 September 2018	31 December 2017
	RM'000	RM'000
Bankers' Acceptances (unsecured)	10,101	9,061

18. Dividends

Since the end of the previous financial year, the Company paid a final dividend totalling RM24.229 million on 25 May 2018, comprising single-tier final dividend of 20 sen per share on the ordinary shares and single-tier dividends totalling RM87,100 comprising preference dividend of 6 sen per share and single-tier final dividend of 20 sen per share on the 6% Cumulative Participating Preference Shares in respect of the financial year ended 31 December 2017.

19. Commitments

The outstanding commitments in respect of capital expenditure at reporting date not provided for in the financial statements are as follows:

	30 September 2018	30 September 2017
	RM'000	RM'000
<u>Property, plant & equipment</u>		
- Approved and contracted for	8,651	18,796
- Approved but not contracted for	8,099	4,885
	<u>16,750</u>	<u>23,681</u>

20. Contingencies

There were no changes or any major contingent liabilities or assets arising at the date of issuance of this report.

21. Events after the reporting period

There were no material events subsequent to the end of the period reported up to the date of issuance of this report.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 - UNAUDITED

22. Review of performance

(a) Current Quarter vs. Corresponding Quarter of Previous Year

The Group registered net revenue of RM149.9 million and loss after tax of RM6.0 million for the current quarter compared with net revenue of RM146.5 million and profit after tax of RM1.9 million of the corresponding quarter of previous year. The Group's results felt the impact of the intense pricing competition due to lower demand of cement in the domestic market. Rising costs of production for both cement and ready-mixed concrete segments and lower interest income further affected the performance of the Group during the current quarter. However, higher share of profit from associate company in the current quarter partly mitigated the Group's loss.

The cement segment recorded a net revenue of RM111.7 million and a loss of RM8.6 million for the current quarter compared with net revenue of RM107.4 million and loss of RM2.3 million of the previous year's corresponding quarter. Demand for cement in the domestic market during the current quarter remained low compared with the corresponding quarter of previous year while the intense pricing competition reduced margins. In addition, higher production costs from rising electricity and fuel costs also affected performance for the current quarter.

The ready-mixed concrete segment recorded lower net revenue of RM57.4 million and profit of RM1.4 million for the current quarter compared with net revenue of RM62.3 million and profit of RM2.9 million of the corresponding quarter of previous year. The lower sales volume and profit were mainly due to closures of two major site batching plants during the current quarter and the lower average net pricing arising from price competition and higher cartage costs.

The Group's interest income of RM630,000 for the current quarter was lower than the RM1.3 million of the corresponding quarter of previous year due to lesser amount of funds placed on term deposits.

Share of profit from associate company in the current quarter improved to RM1.2 million from RM874,000 in the corresponding quarter of previous year due to the increase in cement demand in Sabah and improved sales margin from lower cost of sales.

(b) Current Period To Date vs. Corresponding Period To Date of Previous Year

The Group registered net revenue of RM419.8 million and loss after tax of RM15.1 million for the current period to date compared to net revenue of RM413.8 million and profit after tax of RM6.9 million of the corresponding period to date of previous year. The higher Group net revenue was mainly contributed by the increase in domestic demand for cement in the first half of the year. However, the prolonged pricing competition in the domestic market resulted in lower average net selling price for both the cement and ready-mixed concrete segments which affected the Group's performance. Higher cement production cost and lower interest income further affected the performance of the Group. However, higher share of profit from associate company in the current period to date partly mitigated the Group's loss.

The cement segment recorded net revenue of RM313.9 million and loss of RM23.9 million for the current period to date compared to net revenue of RM302.3 million and loss of RM2.2 million of the corresponding period to date of previous year. The higher revenue was mainly due to increase in domestic demand for cement in the first half of the year while the prolonged price competition remained intense during the current period to date with average net pricing continuously under pressure and hence contributing to lower sales margin. In addition, higher production costs arising from higher electricity and fuel costs affected the performance for the current period to date.

The ready-mixed concrete segment registered a lower profit of RM3.8 million for the current period to date compared with RM6.2 million in the corresponding period to date of previous year mainly due to lower sales following closures of two major site batching plants during the current period to date. In addition, the prolonged pricing competition in the cement industry had led to price instability in the ready-mixed concrete market and hence resulted in lower average net selling price which affected performance during the current period to date.

The Group's interest income of RM2.6 million for the current period to date was RM1.9 million lower compared to the corresponding period to date of previous year due to lesser amount of funds placed on term deposits.

Share of profit of associate company for the current period to date improved to RM4.1 million from RM1.8 million of the corresponding period to date of previous year mainly due to improvement in cement demand in Sabah and lower cost of sales.

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23. Material change in the loss before tax for the current financial quarter compared with the immediate preceding quarter

	Current quarter 30 September 2018	Immediate preceding quarter 30 June 2018
	RM'000	RM'000
Revenue	149,883	133,574
Net loss before tax	(6,832)	(6,048)
Share of profit of associates	1,203	1,467
Consolidated loss before tax	(5,629)	(4,581)

The Group recorded higher revenue of RM149.9 million for the current financial quarter compared with RM133.6 million in the immediate preceding quarter mainly due to higher sales volume by both the cement and ready-mixed concrete segments. Despite the higher turnover, the continuous intense pricing competition in the domestic market for cement and ready-mixed concrete affected the average net selling price and the sales contribution for both segments. Lower interest income resulting from lower fund placements in term deposits also affected the Group's performance for the current financial quarter. Hence, the Group incurred loss before tax of RM6.8 million compared to RM6.0 million in the immediate preceding quarter. The decrease in the Group's share of profit of associate company to RM1.20 million for the current financial quarter from RM1.47 million in the immediate preceding quarter also affected the Group's loss for the current financial quarter.

24. Commentary on prospects

The Board views the outlook for domestic demand of cement for the remaining quarter to remain soft brought on by the slowing construction sector and review of some major projects.

25. Profit forecast or profit guarantee

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

26. Corporate proposals

There were no announcement of any corporate proposal during the current quarter and the financial period to date.

27. Material litigation

There were no pending material litigation at the date of issuance of this report.

28. Dividends

No interim dividend has been declared for the current quarter ended 30 September 2018 (3rd Quarter of 2017 : Nil).

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29. Derivative financial instruments

There were no outstanding forward foreign currency exchange contracts during the current quarter ended.

30. Gains/Losses arising from fair value changes of financial assets and liabilities

There were no gain/loss on fair value changes of financial assets and liabilities for the current quarter ended (3rd Quarter of 2017 : Nil).

31. Sales of unquoted investments and properties.

There were no sale of unquoted investments and properties during the current financial quarter and the financial period to date.

32. Purchases and sales of quoted securities

Investment in quoted securities held by the Group as at 30 September 2018 was as follows:

	Current quarter 3 months ended 30 September 2018	Cumulative quarter 9 months ended 30 September 2018
	RM'000	RM'000
Quoted investment in Malaysia, at fair value	7,133	9,617
Addition	-	3,386
Fair value loss recognised in other comprehensive income	(828)	(6,698)
At market value/carrying value	<u>6,305</u>	<u>6,305</u>

33. Fair value hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs that are based on observable market data, either directly or indirectly
Level 3	Inputs that are not based on observable market data

As at the reporting date, the Group does not have any financial assets and liabilities carried at fair value classified as above except as disclosed in Note 32.

34. Auditors' report on preceding annual financial statements

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

BY ORDER OF THE BOARD

VINCENT CHOW POH JIN
COMPANY SECRETARY

18 OCTOBER 2018
KUALA LUMPUR, MALAYSIA