



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

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Current quarter 3 months ended		Cumulative quarter 3 months ended	
		31.03.2020 RM'000	31.03.2019 RM'000	31.03.2020 RM'000	31.03.2019 RM'000
Revenue		152,695	181,763	152,695	181,763
Cost of sales		(145,848)	(171,568)	(145,848)	(171,568)
Gross profit		6,847	10,195	6,847	10,195
Other operating income		12,324	2,297	12,324	2,297
Administrative expenses		(6,614)	(6,751)	(6,614)	(6,751)
Other operating expenses		(4,757)	(4,686)	(4,757)	(4,686)
Operating profit		7,800	1,055	7,800	1,055
Finance costs		(5,097)	(6,200)	(5,097)	(6,200)
Profit/(loss) before tax	A7	2,703	(5,145)	2,703	(5,145)
Income tax expense	A8	(519)	(967)	(519)	(967)
Profit/(loss) for the period		2,184	(6,112)	2,184	(6,112)
Other comprehensive (loss)/income					
Exchange differences on translation of foreign operation		(807)	(110)	(807)	(110)
Net movement of cash flow hedges		(3,627)	2,568	(3,627)	2,568
Income tax related to cash flow hedges		871	(616)	870	(616)
Other comprehensive (loss)/income for the period, net of tax		(3,564)	1,842	(3,564)	1,842
Total comprehensive loss for the period, net of tax		(1,380)	(4,270)	(1,380)	(4,270)
Profit/(loss) for the period attributable to:					
Equity holders of the company		550	(5,693)	550	(5,693)
Non-controlling interests		1,634	(419)	1,634	(419)
		2,184	(6,112)	2,184	(6,112)
Total comprehensive loss for the period, net of tax attributable to:					
Equity holders of the company		(2,839)	(3,827)	(2,839)	(3,827)
Non-controlling interests		1,459	(443)	1,459	(443)
		(1,380)	(4,270)	(1,380)	(4,270)
Earnings/(loss) per share attributable to Equity holders of the company (sen per share):					
Basic	A9	0.17	(1.80)	0.17	(1.80)
Diluted	A9	0.17	(1.80)	0.17	(1.80)

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.



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UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT 31 MARCH 2020
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31.03.2020 RM'000	31.12.2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	A10	283,013	273,226
Intangible assets		2,510	2,510
Deferred tax assets		32,274	30,666
Concession financial assets	A11	91,241	99,863
Trade receivables		14,031	29,297
		<u>423,069</u>	<u>435,562</u>
Current assets			
Inventories		152,321	140,564
Trade and other receivables		235,385	255,083
Other current assets		5,325	6,287
Contract assets		-	1,965
Tax recoverable		5,220	4,683
Cash and bank balances	A13	36,376	90,130
		<u>434,627</u>	<u>498,802</u>
TOTAL ASSETS		<u><u>857,696</u></u>	<u><u>934,364</u></u>
EQUITY AND LIABILITIES			
Current liabilities			
Loans and borrowings	A14	401,317	455,831
Lease liabilities		704	3,002
Trade and other payables		166,723	193,172
Contract liabilities		17,253	24,654
Derivatives liabilities	A12	5,141	1,513
Income tax payable		413	490
		<u>591,551</u>	<u>668,662</u>
Net current liabilities		<u>(156,924)</u>	<u>(169,860)</u>
Non-current liabilities			
Loans and borrowings	A14	82,658	81,763
Lease liabilities		860	3,612
Trade payables		17,864	14,197
Deferred tax liabilities		8,812	8,619
		<u>110,014</u>	<u>108,191</u>
Total liabilities		<u>701,565</u>	<u>776,853</u>
Net assets		<u>156,131</u>	<u>157,511</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		(1,419)	(787)
Hedge reserve		(3,907)	(1,151)
Accumulated losses		(38,907)	(39,457)
		<u>156,788</u>	<u>159,626</u>
Non-controlling interests		(657)	(2,115)
Total equity		<u>156,131</u>	<u>157,511</u>
TOTAL EQUITY AND LIABILITIES		<u><u>857,696</u></u>	<u><u>934,364</u></u>
Net assets per share attributable to owners of the Company (sen)		49	50

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



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UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Total Equity	Total equity attributable to equity holders of the Company, total	Attributable to equity holders of the Company					Non-controlling interests
			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 2019	242,130	243,121	238,321	(37,300)	(700)	(3,279)	46,079	(991)
Loss for the period	(6,112)	(5,693)	-	-	-	-	(5,693)	(419)
Other comprehensive income	1,842	1,866	-	-	(86)	1,952	-	(24)
Total comprehensive (loss)/income	(4,270)	(3,827)	-	-	(86)	1,952	(5,693)	(443)
At 31 March 2019	237,860	239,294	238,321	(37,300)	(786)	(1,327)	40,386	(1,434)

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



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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Total Equity	Total equity attributable to equity holders of the Company, total	Attributable to equity holders of the Company					Non-controlling interests
			Share capital	Reverse acquisition reserve	Foreign currency translation reserves	Hedge reserve	Revenue reserves/ (Accumulated loss)	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	157,511	159,626	238,321	(37,300)	(787)	(1,151)	(39,457)	(2,115)
Profit for the period	2,184	550	-	-	-	-	550	1,634
Other comprehensive loss	(3,564)	(3,388)	-	-	(632)	(2,756)	-	(176)
Total comprehensive (loss)/income	(1,380)	(2,838)	-	-	(632)	(2,756)	550	1,458
At 31 March 2020	156,131	156,788	238,321	(37,300)	(1,419)	(3,907)	(38,907)	(657)

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



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UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Current year to date 31.03.2020 RM'000	Preceding year corresponding period 31.03.2019 RM'000
Operating activities	Note		
Profit/(loss) before tax		2,703	(5,145)
Adjustments for:			
Depreciation of property, plant and equipment	A7	4,257	5,323
Finance income from concessions financial assets	A7	(1,370)	(1,222)
Gain on disposal of property, plant and equipment	A7	(41,884)	(315)
Interest income	A7	(820)	(57)
Interest expense	A7	5,097	6,200
Reversal of allowance for impairment loss of trade receivables	A7	-	(4)
Unrealised gain on foreign exchange, net	A7	(9,911)	101
Operating cash flows before working capital changes		<u>(41,928)</u>	<u>4,881</u>
Changes in working capital:			
Increase in inventories		(11,666)	(7,218)
Decrease/(increase) in trade and other receivables		28,213	(63,952)
Increase in concessions financial assets		(1,133)	(1,504)
Decrease in other current assets		19,407	6,995
(Decrease)/increase in trade and other payables		(8,656)	45,613
Total changes in working capital		<u>26,165</u>	<u>(20,066)</u>
Cash used in operations		(15,763)	(15,185)
Interest paid		(5,097)	(6,200)
Real property gain tax paid		(553)	-
Tax paid, net of refund		32	(1,180)
Net cash flows used in operating activities		<u>(21,381)</u>	<u>(22,565)</u>



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UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)

	Current year to date	Preceding year corresponding period
	31.03.2020	31.03.2019
	RM'000	RM'000
	Note	
Investing activities		
Proceeds from disposal of property, plant and equipment	140	519
Purchase of property, plant and equipment	(576)	(3,662)
Interest received	820	57
Net cash generated from/(used in) investing activities	<u>384</u>	<u>(3,086)</u>
Financing activities		
(Repayment)/drawdown from borrowings	(41,036)	15,458
Increase in cash and bank balances pledged for bank borrowings	2,034	3,906
Net cash (used in)/generated from financing activities	<u>(39,002)</u>	<u>19,364</u>
Net (decrease) in cash and cash equivalents	(59,999)	(6,287)
Effect on exchange rate changes	10,318	124
Cash and cash equivalents at 1 January	84,184	27,279
Cash and cash equivalents at 31 March	<u>A13</u> <u>34,503</u>	<u>21,116</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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UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020

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 26 June 2020.

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 for the year ended 31 December 2020.

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 2019, except for the adoption of new standards effective as at 1 January 2020:

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 7, *Financial Instruments: Disclosures*, MFRS 9, *Financial Instruments*, and MFRS 139, *Financial Instruments: Recognition and Measurement – Interest Rate Benchmark Reform*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

The initial application of the above do not have any material impact on the financial statement of the Group.

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

The COVID-19 pandemic is disrupting business environments, dampening consumer and business sentiments, and dismantling supply chains and financial markets. To curb the spread of COVID-19 virus in Malaysia, the Movement Control Order (“MCO”) was implemented since 18 March 2020. The Group was impacted as operations was not allowed during the MCO as the nature of our business is considered non-essential activity which is prohibited to operate during the MCO period.

The MCO was eased into a Conditional MCO (“CMCO”) from 4 May 2020 to 9 June 2020 and on 7 June 2020, the Malaysian Government announced that CMCO will end on 9 June 2020 and Malaysia will ease into a Recovery MCO (“RMCO”) from 10 June 2020 until 31 August 2020.

Although operations have since re-commenced, but under strict Standard Operating Procedures, the Group is faced with disrupted operational efficiency and sub-optimal utilisation of assets. Collectively, this will have an impact on the Group’s performance.

Except for the above, there was no other item of unusual nature, size or incidence.



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

A5. Segment information

	Sales of cables and wires		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 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019	31 Mar 2019	31 Mar 2020	31 Mar 2020	31 Mar 2019	31 Mar 2019	31 Mar 2020	31 Mar 2020	31 Mar 2020	31 Mar 2019	31 Mar 2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue														
External customers	145,077	163,467	3,353	3,600	2,069	10,512	2,196	4,184	152,695	181,763	-	-	152,695	181,763
Inter-segment	-	-	-	-	-	-	1,575	1,900	1,575	1,900	(1,575)	(1,900)	-	-
Total revenue	<u>145,077</u>	<u>163,467</u>	<u>3,353</u>	<u>3,600</u>	<u>2,069</u>	<u>10,512</u>	<u>3,771</u>	<u>6,084</u>	<u>154,270</u>	<u>183,663</u>	<u>(1,575)</u>	<u>(1,900)</u>	<u>152,695</u>	<u>181,763</u>
Segment (loss)/profit	<u>(849)</u>	<u>1,153</u>	<u>(699)</u>	<u>(963)</u>	<u>(179)</u>	<u>(868)</u>	<u>4,430</u>	<u>(4,467)</u>	<u>2,703</u>	<u>(5,145)</u>	<u>-</u>	<u>-</u>	<u>2,703</u>	<u>(5,145)</u>

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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 cable and wires 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 cables and wires

The sales of cables and wires segment contributed 95.0% (31 March 2019: 89.9%) of the total revenue of the Group for the period ended 31 March 2020 and is the main contributor to the Group’s operating profit in 2020.

The segment recorded a revenue and loss before tax of RM145.1 million and RM0.8 million respectively for the period ended 31 March 2020 as compared to revenue and profit before tax of RM163.5 million and RM1.2 million respectively in the corresponding period ended 31 March 2019. Performance has dropped as result of the interruptions to operations during the MCO. Market demand for products under this segment has been challenging during the MCO period.

Sales of galvanised products and steel structures

The sales of galvanised products and steel structures segment contributed 2.2% (31 March 2019: 2.0%) of the total revenue of the Group for the period ended 31 March 2020.

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

This segment recorded loss before tax of RM0.7 million when compared with corresponding year ended 31 March 2019. Market demand for products under this segment has been relatively weak.



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A5. Segment information (contd.)

Transmission lines construction

The transmission line construction segment contributed 1.4% (31 March 2019: 5.8%) of the total revenue of the Group for the period ended 31 March 2020.

The segment recorded a revenue and loss before tax of RM2.1 million and RM0.2 million respectively for the financial period ended 31 March 2020 as compared to revenue of RM10.5 million and loss before tax of RM0.9 million respectively for the corresponding period in 2019.

The Group continuous plans for the power transmission industry, includes active participation 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 period ended 31 March 2020, power generation, helicopter services and corporate segment contributed RM3.8 million to the total revenue of the Group.

The construction of hydro dam in Medan Indonesia is near completion, however, work was interrupted as Indonesia is observing a lockdown in view of the pandemic. We have obtained consent to resume work partially and based on the revised timeline, the hydro dam is expected to be commissioned by end of October 2020.

The hydro dam itself is already completed. We are now in the process of completing the overhead lines which will ultimately connect the hydro dam to the Indonesian Government-owned corporation, Perusahaan Listrik Negara (“PLN”) sub-station. The overhead lines are progressing well, however, due to the travel restrictions as a result of the lockdown, we have had to defer some works until the Indonesian authorities liberalize their travel restrictions.

In any event, the company has taken preemptive measures by engaging with our foreign consultants, Flovel to proceed with preparations for testing and commissioning via video conferencing.

In the current period under review and due to compliance with IC Interpretation 12: Service Concession Arrangement under the financial assets model, we have recognised finance cost amounting to RM1.4 million. This finance cost represents loan taken to finance construction of the hydro dam.

The Group also recognised an unrealized foreign exchange gain of approximately RM9.9 million upon translation from Indonesia Rupiah to Ringgit Malaysia.



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A5. Segment information (contd.)

Consolidated profit before tax

The Group recorded a profit before tax of RM2.7 million (31 March 2019: loss before tax of RM5.1 million) for the period ended 31 March 2020, principally due to unrealized gain on foreign exchange. The Group records a solid EBITA at RM12.1 million for the period ended 31 March 2020.

The other factors which had affected the current quarter’s loss 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 before tax:

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31 Mar 2020 RM'000	31 Mar 2019 RM'000	31 Mar 2020 RM'000	31 Mar 2019 RM'000
Depreciation of property, plant and equipment	4,257	5,323	4,257	5,323
Finance income from concession financial assets	(1,370)	(1,222)	(1,370)	(1,222)
Gain on disposal of property, plant and equipment	(41,884)	(315)	(41,884)	(315)
Interest income	(820)	(57)	(820)	(57)
Interest expense	5,097	6,200	5,097	6,200
Reversal of allowance for impairment loss of trade receivables	-	(4)	-	(4)
Unrealised (gain)/ loss on foreign exchange	(9,911)	101	(9,911)	101

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A8. Income tax expense

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	31 Mar 2020 RM'000	31 Mar 2019 RM'000	31 Mar 2020 RM'000	31 Mar 2019 RM'000
Current income tax:				
Based on results for the period	649	1,049	649	1,049
Deferred income tax	-	(82)	-	(82)
	<u>649</u>	<u>967</u>	<u>649</u>	<u>967</u>

The effective tax rate for the current quarter and financial period ended 31 March 2019 was lower than the statutory tax rate principally due to certain income which is not taxable. The effective tax rate for the current and previous quarter financial period ended 31 March 2019 was higher than the statutory tax rate principally due to certain expenses which are not deductible for tax purposes and deferred tax assets not recognised for losses incurred in certain subsidiaries.

A9. Profit/(loss) per share

Basic profit/(loss) per share amounts are calculated by dividing profit/(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 profit/(loss) per share is presented as equal to basic profit/(loss) per share.

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

	Current year quarter		Current year to date	
	31 Mar 2020	31 Mar 2019	31 Mar 2020	31 Mar 2019
Profit/(loss) net of tax attributable to equity holders the Company (RM'000)	<u>550</u>	<u>(5,693)</u>	<u>550</u>	<u>(5,693)</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 earnings/(loss) per share (sen per ordinary share)	<u>0.17</u>	<u>(1.80)</u>	<u>0.17</u>	<u>(1.80)</u>
Diluted earnings/(loss) per share (sen per ordinary share)	<u>0.17</u>	<u>(1.80)</u>	<u>0.17</u>	<u>(1.80)</u>



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A10. Property, plant and equipment

During the period ended 31 March 2020, the Group acquired assets at the cost of RM0.6 million (31 March 2019: RM3.7 million).

A11. Concession financial assets

	31 March 2020 RM'000	31 December 2019 RM'000
At 1 January	99,863	92,671
Concession construction revenue	1,133	4,612
Accrued financial income	1,370	5,158
Exchange difference	(11,125)	2,322
Impairment	-	(4,900)
At 31 March 2020/31 December 2019	<u>91,241</u>	<u>99,863</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 March 2020 RM'000	31 December 2019 RM'000
Derivatives liabilities	<u>5,141</u>	<u>1,513</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 March 2020 RM'000	31 December 2019 RM'000
Cash in hand and at banks	32,210	86,634
Deposits with licensed banks	4,166	3,496
Cash and bank balances	<u>36,376</u>	<u>90,130</u>



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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 March 2020 RM'000	31 December 2019 RM'000
Cash and bank balances	28,341	90,130
Less: Bank overdrafts	(1,996)	(2,039)
Cash restricted for repayment	-	(2,034)
Deposits pledged	(4,166)	(1,873)
Cash and cash equivalents	<u>34,503</u>	<u>84,184</u>

A14. Loans and borrowings

	31 March 2020 RM'000	31 December 2019 RM'000
Current		
Secured	51,461	46,689
Unsecured	349,856	398,962
	<u>401,317</u>	<u>455,831</u>
Non-current		
Secured	81,322	81,763
Unsecured	1,336	-
	<u>82,658</u>	<u>81,763</u>
	<u>483,975</u>	<u>537,594</u>

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

	31 March 2020 USD'000	31 December 2019 USD'000
USD term loan	<u>6,882</u>	<u>6,882</u>

A15. Dividend paid

No dividend had been paid for the period ended 31 March 2020.

A16. Commitments

	31 March 2020 RM'000	31 December 2019 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	356	181
Approved but not contracted for:		
Property, plant and equipment	9,527	3,687
	<u>9,883</u>	<u>3,868</u>



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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 March 2020 and 31 March 2019 as well as the balances with the related parties as at 31 March 2020 and 31 December 2019.

		Sales to related parties	March Purchases from related parties	March 2020/December 2019 Amounts owed by related parties	March 2020/December 2019 Amounts owed to related parties
		RM'000	RM'000	RM'000	RM'000
Transactions with subsidiaries of Sarawak Energy Berhad:					
Syarikat	2020	4,279	-	3,653	-
SESCO Berhad	2019	2,215	-	2,499	-
Transactions with subsidiaries of Hng Capital Sdn Bhd:					
Alpha Industries Sdn. Bhd.	2020	204	49,403	-	15,629
	2019	546	31,145	-	20,438



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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 loss before taxation

The profit before taxation for the quarter ended 31 March 2020 is more than the immediate preceding quarter mainly due to unrealised gain on foreign exchange.

B5. Commentary on prospects

The full impact of the pandemic in Malaysia and globally remains uncertain. The management has taken mitigative steps and are monitoring the market closely. As operations have resumed, we are hopeful that the industry will recover in the near future. As at the date of this report, our order books remain strong and we will strive to continue to build on our order books moving forward.

The impact of the pandemic cannot be accurately estimated at this juncture as there are still significant uncertainties on how and when the COVID-19 outbreak would be contained and full business activities will resume.

B6. Profit forecast or profit guarantee

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

B7. Corporate proposals

(a) On 2 October 2019, the Company announced that it proposed to undertake the proposed private placement of up to 31,705,000 new ordinary shares in the Company (“Shares”) representing up to 10% of the total number of issued shares of the Company (“Proposed Private Placement”).

On 4 October 2019, the additional listing application in relation to the Proposed Private Placement had been submitted to Bursa Malaysia Securities Berhad (“Bursa Securities”).

Subsequently on 8 October 2019, the Company announced that Bursa Securities, vide its letter dated 8 October 2019, approved the listing and quotation of up to 31,705,000 new Shares to be issued pursuant to the Proposed Private Placement.

The Proposed Private Placement may be implemented in 1 or more tranches within 6 months from the date of approval from Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.

On 7 April 2020, the Company announced that the deadline for the Company to complete the implementation of the Proposed Private Placement has lapsed.



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B7. Corporate proposals (cont'd.)

(b) Status of utilisation of proceeds from Proposal Disposal

The gross proceeds from the Proposed Disposal of RM 65.0 million have been/shall be utilised in the following manner:

	Purpose	Proposed utilisation	Actual utilisation	Deviation	Balance	Estimated timeframe for utilisation from date of listing	Explanation
		RM'000	RM'000	RM'000	RM'000		
(i)	Working capital requirements	60,000	(30,333)	786	30,453	Within 12 months	RM30.3 million was utilised.
(ii)	Estimated expenses	5,000	(4,214)	(786)	-	Within 1 month	Reallocated to Working Capital requirements under (i) as expenses incurred for the Proposal Disposal has been fully settled.
		<u>65,000</u>	<u>(34,547)</u>	<u>(10,470)</u>	<u>30,453</u>		

(c) The Company had received a letter dated 7 August 2019 issued by the Corporate Debt Restructuring Committee ("CDRC") under the purview of Bank Negara, approving the Company's application for assistance to mediate between the Company and certain of its subsidiaries (collectively, the "Affected Companies") with its respective financiers ("the Lenders").

This is part of the Company's proactive effort in managing its debt exposure to safeguard the Affected Companies, whose core businesses are still viable.

The Standstill Letter was issued by CDRC to the Lenders on 7 August 2019.

Notwithstanding the above, the operations of the Affected Companies shall remain as usual.

B8. Changes in material litigation

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

B9. Dividends payable

No dividend was payable for the period ended 31 March 2020.

B10. Disclosure of nature of outstanding derivatives

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



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

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 March 2020 and 31 December 2019 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 2019 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 26 June 2020.

By order of the Board

Low Wai See
Company Secretary
26 June 2020