CAHYA MATA SARAWAK BERHAD

(Company No: 21076-T)

(Incorporated in Malaysia)

Interim Financial Report

Condensed consolidated statements of comprehensive income for the period ended 31 December 2018

	Note	3 months ended 31.12.2018 RM'000	3 months ended 31.12.2017 (Restated) RM'000	Changes (%)	12 months ended 31.12.2018 RM'000	12 months ended 31.12.2017 (Restated) RM'000	Changes (%)
Revenue	A8	496,430	568,630	-13%	1,711,862	1,576,219	9%
Cost of sales		(400,334)	(457,666)		(1,368,485)	(1,219,505)	
Gross profit		96,096	110,964	-13%	343,377	356,714	-3.7%
Other income		25,838	6,515		41,858	21,282	
Administrative expenses		(16,834)	(18,866)		(54,205)	(53,579)	
Selling and marketing expenses		(4,854)	(4,594)		(16,737)	(14,460)	
Other expenses		(5,944)	(28,381)		(9,178)	(37,126)	
Operating profit		94,302	65,638	44%	305,115	272,831	12%
Finance costs		(14,267)	(8,498)		(37,319)	(24,090)	
Share of results of associates		8,917	28,015		108,115	40,640	
Share of results of joint ventures		(2,835)	6,059		(546)	31,909	
Profit before taxation		86,117	91,214	-6%	375,365	321,290	17%
Income tax expense	B5	(20,934)	(22,585)		(74,109)	(81,609)	
Profit for the period		65,183	68,629	-5%	301,256	239,681	26%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Foreign currency translation		2	1		(4)	(3)	
Share of other comprehensive income of associates		3,292	(4,051)		4,005	(8,125)	
Share of other comprehensive income of joint ventures		(9)	152		(32)	(432)	
Other comprehensive income for the period		3,285	(3,898)		3,969	(8,560)	
Total comprehensive income for the period		68,468	64,731	6%	305,225	231,121	32%
Profit attributable to:							
Owners of the Company		57,123	60,557	-6%	265,741	208,029	28%
Non-controlling interests		8,060	8,072		35,515	31,652	
		65,183	68,629		301,256	239,681	
Total comprehensive income attributable to:							
Owners of the Company		60,393	56,665		269,692	199,517	
Non-controlling interests		8,075	8,066		35,533	31,604	
		68,468	64,731		305,225	231,121	
		sen	sen		sen	sen	
Earnings per share attributable to owners of the Company:							
Basic/diluted	B13	5.34	5.64		24.79	19.36	

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

Cahya Mata Sarawak Berhad
(Company No: 21076-T)
Condensed consolidated statement of financial position as at 31 December 2018

	Note	Unaudited As at 31.12.2018 RM'000	Unaudited As at 31.12.2017 (Restated) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		746,209	727,960
Prepaid land lease payments		42,508	14,448
Land held for property development		227,629	241,393
Investment properties		5,156	5,274
Intangible assets		726	2,201
Goodwill		62,954	62,954
Investments in associates		982,315	897,565
Investments in joint ventures		23,916	27,197
Deferred tax assets		19,011	21,376
Other receivables		50,182	52,312
Investment securities		3,958	70
		2,164,564	2,052,750
Current assets			
Property development costs		192,993	215,933
Inventories		329,883	288,213
Trade and other receivables		319,076	270,737
Other current assets		92,767	102,927
Investment securities		100,201	96,520
Derivative financial asset		81,271	35,414
Tax recoverable		5,189	4,030
Cash and bank balances		920,444	977,835
		2,041,824	1,991,609
TOTAL ASSETS		**4,206,388**	**4,044,359**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		867,902	867,902
Treasury shares		(12,277)	0
Other reserves		13,303	9,092
Retained earnings		1,682,730	1,473,276
		2,551,658	2,350,270
Non-controlling interests		367,466	329,376
Total equity		2,919,124	2,679,646
Non-current liabilites			
Deferred tax liabilities		35,923	36,835
Loans and borrowings	**B7**	562,628	584,633
Trade and other payables		61,367	93,719
		659,918	715,187
Current liabilities			
Income tax payable		18,268	20,549
Loans and borrowings	**B7**	53,905	51,731
Trade and other payables		536,346	525,371
Other current liabilities		18,827	51,875
		627,346	649,526
Total liabilities		1,287,264	1,364,713
TOTAL EQUITY AND LIABILITIES		**4,206,388**	**4,044,359**
Net assets per share attributable to ordinary owners of the Company (RM)		**2.38**	**2.19**

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

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 31 December 2018

		< ---- Attributable to Owners of the Company ---- >					
			< ---- Non-distributable ---- >			Distributable	
	Total equity RM'000	**Total RM'000**	**Share capital RM'000**	**Treasury shares RM'000**	**Other reserves RM'000**	**Retained earnings RM'000**	**Non-controlling interests RM'000**
At 1 January 2018	2,679,646	2,350,270	867,902	0	9,092	1,473,276	329,376
Adjustments on initial adoption of MFRS 9	28,193	29,169	0	0	0	29,169	(976)
As restated	2,707,839	2,379,439	867,902	0	9,092	1,502,445	328,400
Profit net of tax	301,256	265,741	0	0	0	265,741	35,515
Other comprehensive income, net of tax	3,969	3,951	0	0	3,951	0	18
Total comprehensive income	305,225	269,692	0	0	3,951	265,741	35,533
Transactions with owners:-							
Purchase of treasury shares	(17,731)	(17,731)	0	(17,731)	0	0	0
Disposal of treasury shares	6,272	6,272	0	5,454	0	818	0
Dividends on ordinary shares	(85,950)	(85,950)	0	0	0	(85,950)	0
Issuance of preference shares to a non-controlling interest	19,110	0	0	0	0	0	19,110
Dividends paid to non-controlling interests	(15,574)	0	0	0	0	0	(15,574)
Total transactions with owners	(93,873)	(97,409)	0	(12,277)	0	(85,132)	3,536
Share of associates' reserves	(67)	(64)	0	0	260	(324)	(3)
Share of joint ventures' reserves	0	0	0	0	0	0	0
At 31 December 2018	2,919,124	2,551,658	867,902	(12,277)	13,303	1,682,730	367,466

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 31 December 2018 (Restated)

		< ------------------------- Attributable to Owners of the Company			------------------------- >		
			< ---------------- Non-distributable		----------------- >	Distributable	
	Total equity	**Total**	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Non-controlling interests**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2017	2,534,739	2,212,836	537,188	330,716	40,090	1,304,842	321,903
Effect of adoption of MFRS 15	4,585	5,605	0	0	0	5,605	(1,020)
As restated	2,539,324	2,218,441	537,188	330,716	40,090	1,310,447	320,883
Profit net of tax	239,681	208,029	0	0	0	208,029	31,652
Other comprehensive income, net of tax	(8,560)	(8,512)	0	0	(8,512)	0	(48)
Total comprehensive income	231,121	199,517	0	0	(8,512)	208,029	31,604
Transactions with owners:-							
Dividends on ordinary shares	(67,686)	(67,686)	0	0	0	(67,686)	0
Dividends paid to non-controlling interests	(23,257)	0	0	0	0	0	(23,257)
Total transactions with owners	(90,943)	(67,686)	0	0	0	(67,686)	(23,257)
Acquisition of a subsidiary	146	0	0	0	0	0	146
Share of associates' reserves	(2)	(2)	0	(2)	(22,486)	22,486	0
Share of joint ventures' reserves	0	0	0	0	0	0	0
Transfer persuant to Companies Act 2016	0	0	330,714	(330,714)	0	0	0
At 31 December 2017 (Restated)	2,679,646	2,350,270	867,902	0	9,092	1,473,276	329,376

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the period ended 31 December 2018

	12 months ended 31.12.2018 RM'000	12 months ended 31.12.2017 (Restated) RM'000
Profit before taxation	375,365	321,290
Adjustments for non-cash items:		
Non-cash items	(66,474)	(20,374)
Operating cash flows before changes in working capital	308,891	300,916
Changes in working capital		
Increase in current assets	(53,221)	(62,100)
Decrease/(Increase) in non-current assets	13,764	(7,060)
(Decrease)/increase in current liabilities	(25,821)	114,130
(Decrease)/increase in non-current liabilities	(32,352)	9,356
Cash flows from operations	211,261	355,242
Interest received	25,780	26,166
Interest paid	(33,030)	(22,225)
Income tax paid, net of refund	(76,096)	(77,237)
Net cash flows from operating activities	127,915	281,946
Investing activities		
Acquisition of investment securities	(7,155)	(92,107)
Acquisition of investment properties	(13)	0
Acquisition of property, plant and equipment	(110,305)	(59,966)
Additional investment in an associate	(45,542)	0
Additional investments in joint ventures	(3,294)	(3,320)
Distribution of profits from joint ventures	5,996	26,065
Dividends from associates	6,534	4,127
Dividends from investments	3,267	3,427
Net cash outflow from acquisition of a subsidiary	0	(1,690)
Proceeds from disposal of property, plant and equipment	1,639	1,247
Proceeds from disposal of investment securities	0	5,790
Proceeds from disposal of investments in irredeemable convertible preference shares	77,170	0
Proceeds from redemption of investments in redeemable preference shares	0	37,458
Shareholder's loan	0	24,244
Others	(2)	(109)
Net cash used in investing activities	(71,705)	(54,834)
Financing activities		
Acquisition of treasury shares	(17,731)	0
Deposit pledged to a licensed bank	6	(57)
Drawdown of borrowings	37,600	133,500
Repayments of borrowings	(57,431)	(248,296)
Dividends paid to shareholders of the Company	(85,950)	(67,686)
Dividends paid to non-controlling interests	(15,573)	(23,257)
Net proceeds from disposal of treasury shares	6,272	0
Proceeds from issuance of Islamic medium term notes	0	500,000
Proceeds from issuance of preference shares to a non-controlling interest	19,110	0
Net cash (used in)/from financing activities	(113,697)	294,204
Net (decrease)/increase in cash and cash equivalents	(57,487)	521,316
Effect of foreign exchange changes in cash and cash equivalents	102	(608)
Cash and cash equivalents as at 1 January	975,781	455,073
Cash and cash equivalents as at 31 December	918,396	975,781
Cash and cash equivalents as at 31 December comprised the following:		
Cash and short term deposits	920,444	977,835
Less: Deposits pledged to licensed banks	(2,048)	(2,054)
	918,396	975,781

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

Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 31 December 2018 are unaudited and have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), 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.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

In preparing its opening Statement of Financial Position as at 1 January 2018, the Group has adjusted the amounts previously reported in financial statements due to the adoption of MFRS 15: Revenue from Contracts with Customers. The Group has adopted the new standard on the required effective date using the full retrospective method. An explanation of how the adoption of MFRS 15 has affected the Group's financial statements is set out in Note A2 below. These include reconciliations of equity for comparative periods as well as the statement of profit or loss and other comprehensive income.

A2. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

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

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

(a) Annual Improvements to MFRS Standards 2014 - 2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

A2. Changes in accounting policies (contd.)

(a) Annual Improvements to MFRS Standards 2014 - 2016 Cycle (contd.)

Amendments to MFRS 128: Investments in Associates and Joint Ventures

The amendments clarify that:

- an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

- if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which:

  (i) the investment entity associate or joint venture is initially recognised;
  (ii) the associate or joint venture becomes an investment entity; and
  (iii) the investment entity associate or joint venture first becomes a parent.

(b) Amendments to MFRS 140: Transfers of Investment Property

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. Since the Group's current practice is in line with the clarifications issued, there is no effect on its consolidated financial statements.

(c) MFRS 9: Financial Instruments

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. In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments. As allowed by the transitional provision for MFRS 9, the Group has elected not to restate the comparative. Adjustments arising from the initial application of the new impairment model has been recognised in the opening balance of the retained profits, equity attributable to non-controlling interests and the carrying amount of the financial assets as at 1 January 2018 as disclosed below:

A2. Changes in accounting policies (contd.)

(c) MFRS 9: Financial Instruments (contd.)

	Impact of adoption of MFRS 9 to opening balance at 1 January 2018 RM'000
Increase in retained profits	29,169
Decrease in equity attributable to non-controlling interests	(976)
Decrease in trade receivables	(3,534)
Increase in derivative financial asset	31,727

(d) 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.

Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers when or as the Group transfers goods or services to a customer, measured at the amount to which the Group expects to be entitled, according to the term and condition stipulated in the contracts with customers. Depending on whether certain criteria are met, revenue is recognised over time, in a manner that depicts the Group's performance; or at a point in time, when control of the goods or services is transferred to the customers. The adoption of this new MFRS 15 have not resulted in any material impact on the financial statements of the Group except for the following areas:

(i) Property development

The Group is in the business developing residential and commercial properties. The Group used to recognise revenue from the sale of development properties under construction using the completion method. Under MFRS 15, performance obligations for the sale of development properties are satisfied over time where the Group is restricted contractually from directing the properties for alternative use as they are being developed and has an enforceable right to payment for performance completed to date. Accordingly, the revenue used to recognise using the completed contract method is adjusted upon adoption of MFRS 15 to recognised the revenue over time.

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(ii) Costs incurred in obtaining a contract

Prior to adoption of MFRS 15, sales commissions incurred were taken to profit or loss because they do not qualify for recognition as an asset under any of the other accounting standards. Upon the adoption of MFRS 15, the Group capitalises such commissions as incremental costs to obtain a contract if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue.

(iii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgments made, i.e. when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation and the assumptions made to estimate the stand-alone selling prices of each performance obligation. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

In summary, the impact of MFRS 15 adoption is as follows:

(i) Reconciliation of equity as at 1 January 2017

	As previously reported RM'000	Impact of MFRS 15 RM'000	As restated RM'000
Assets			
Non-current assets			
Deferred tax assets	34,989	(2,296)	32,693
Others	2,044,364		2,044,364
	2,079,353		2,077,057
Current assets			
Property development costs	354,748	(52,890)	296,858
Inventories	185,361	(774)	184,587
Other current assets	37,442	4,950	42,392
Others	794,433		974,433
	1,371,984		1,318,270
Total assets	**3,451,337**		**3,395,327**

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(i) Reconciliation of equity as at 1 January 2017 (contd.)

	As previously reported RM'000	Impact of MFRS 15 RM'000	As restated RM'000
Equity and liabilities			
Equity			
Share capital	537,188		537,188
Share premium	330,716		330,716
Other reserves	40,090		40,090
Retained earnings	1,304,842	5,604	1,310,446
	2,212,836		2,218,440
Non-controlling interests	321,903	(1,020)	320,883
	2,534,739		2,539,323
Non-current liabilities			
Deferred taxation	39,292	1,107	40,399
Others	189,439		189,439
	228,731		229,838
Current liabilities			
Trade payables	289,204	1,161	290,365
Other current liabilities	126,783	(62,862)	63,921
Others	271,880		271,880
	687,867		626,166
Total liabilities	**916,598**		**856,004**
Total equity and liabilities	**3,451,337**		**3,395,327**

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(ii) Reconciliation of equity as at 31 December 2017

	As previously reported RM'000	Impact of MFRS 15 RM'000	As restated RM'000
Assets			
Non-current assets			
Land held for property development	241,516	(123)	241,393
Deferred tax assets	22,621	(1,245)	21,376
Others	1,789,981		1,789,981
	2,054,118		2,052,750
Current assets			
Property development costs	251,866	(35,933)	215,933
Inventories	294,310	(6,097)	288,213
Other current assets	102,372	555	102,927
Others	1,384,536		1,384,536
	2,033,084		1,991,609
Total assets	**4,087,202**		**4,044,359**
Equity and liabilities			
Equity			
Share capital	867,902		867,902
Other reserves	9,092		9,092
Retained earnings	1,472,852	424	1,473,276
	2,349,846		2,350,270
Non-controlling interests	332,541	(3,165)	329,376
	2,682,387		2,686,333
Non-current liabilities	715,187		715,187
Current liabilities			
Trade payables	406,337	806	407,143
Other payables	119,138	(910)	118,228
Other current liabilities	91,873	(39,998)	51,875
Others	72,280		72,280
	689,628		649,526
Total liabilities	**1,404,815**		**1,364,713**
Total equity and liabilities	**4,087,202**		**4,044,359**

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(iii) Reconciliation of total comprehensive income for the period ended 31 December 2017

	As previously reported RM'000	Impact of MFRS 15 RM'000	As restated RM'000
Revenue	1,606,444	(30,225)	1,576,219
Cost of sales	(1,245,002)	25,497	(1,219,505)
Gross profit	361,442		356,714
Other income	24,917	(3,635)	21,282
Administrative expenses	(52,881)	(698)	(53,579)
Other expenses	(51,586)		(51,586)
Operating profit	281,892		272,831
Finance costs	(23,667)	(423)	(24,090)
Share of results of associates	40,640		40,640
Share of results of joint ventures	31,909		31,909
Profit before tax	330,774		321,290
Income tax expense	(83,767)	212	(81,609)
Profit for the period	247,007		239,681
Other comprehensive income for the period	(8,560)		(8,560)
Total comprehensive income for the period	238,447		231,121
Profit attributable to:			
Owners of the Company	213,210		208,029
Non-controlling interests	33,797		31,652
	247,007		239,681
Total comprehensive income attributable to:			
Owners of the Company	204,698		199,517
Non-controlling interests	33,749		31,604
	238,447		231,121
Earnings per share attributable to owners of the Company:			
Basic/diluted	19.85		19.36

A3. Seasonal or cyclical factors

The business operations of the Group are generally non-cyclical or seasonal.

A4. Unusual items due to their nature, size and incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the period ended 31 December 2018.

A5. Changes in estimates

There were no changes in estimates that have had a material effect on the current quarter's results.

A6. Debt and equity securities

On 25 April 2018, the shareholders of the Company renewed their approval for the Company to buy-back its own shares. The Company initiated its share buy-back programme on 23 May 2018.

During the current quarter ended 31 December 2018, there was no repurchase and resell of treasury shares. As at 31 December 2018, the Company held 4,430,400 treasury shares in its books.

A7. Dividends paid

The final tax exempt (single-tier) dividend of 8.0 sen per share for the financial year ended 31 December 2017 amounting to RM85,950,058 was paid on 23 May 2018.

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A8. Segmental information

	3 months ended		12 months ended	
	31.12.2018	31.12.2017 (Restated)	31.12.2018	31.12.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	147,842	146,529	557,297	520,911
Construction materials & trading	207,799	187,520	559,274	493,663
Construction & road maintenance	146,788	206,991	554,213	458,810
Property development	26,968	53,375	132,390	170,048
Strategic investments *	2,386	2,092	9,632	10,410
Others	18,118	19,999	71,089	63,932
Total revenue including inter-segment sales	549,901	616,506	1,883,895	1,717,774
Elimination of inter-segment sales	(53,471)	(47,876)	(172,033)	(141,555)
	496,430	568,630	1,711,862	1,576,219
Segment Results				
Operating profit/(loss):				
Cement	19,769	19,178	90,141	101,338
Construction materials & trading	23,905	7,566	71,293	59,705
Construction & road maintenance	23,869	35,083	90,382	90,200
Property development	4,778	8,885	33,818	32,862
Strategic investments *	(743)	(429)	(2,020)	6,084
Others	6,620	(28)	11,725	(7,411)
	78,198	70,255	295,339	282,778
Unallocated corporate expenses	1,837	(13,114)	(27,543)	(34,037)
Share of results of associates	8,917	28,015	108,115	40,640
Share of results of joint ventures	(2,835)	6,058	(546)	31,909
Profit before tax	86,117	91,214	375,365	321,290
Income tax expenses	(20,934)	(22,585)	(74,109)	(81,609)
Profit for the year	65,183	68,629	301,256	239,681

* *Financial services and education.*

A9. Changes in composition of the Group

Subsequent to the reporting date, on 14 January 2019, the Group subscribed 64,242,800 new ordinary shares in Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPASSB) through its wholly-owned subsidiary, Samalaju Industries Sdn Bhd (SISB), for a total cash consideration of RM64,242,800. thereby increasing the total equity in this associate from 49.94% to 60%. Subsequent to the Subscription, MPASSB became a subsidiary company of SISB.

A10. Fair value of instruments

(a) Determination of fair value

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments, by class, which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

	31 December 2018		**31 December 2017**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	RM'000	RM'000	RM'000	RM'000
Financial liabilities:				
Interest-bearing loans and borrowings				
- Bankers' acceptances	4,900	4,900	2,300	2,300
- Term loans	83,372	83,372	104,800	104,800
- Obligation under finance lease	1,261	1,261	1,988	1,988
- Revolving credits	27,000	27,000	27,000	27,000
- Loans from corporate shareholders	-	-	276	287
- Islamic medium term notes	500,000	516,975	500,000	508,133
	616,533	633,508	636,364	644,508

A10. Fair value of instruments (contd.)

(b) Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities,

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the reporting date, the Group held the following financial assets and liabilities that were measured at fair value by level of fair value hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total**
	RM'000	RM'000	RM'000	RM'000
31 December 2018				
Financial assets				
Investment securities				
- Income debt securities fund	-	96,101	-	96,101
- Real Estate Investment Trust	4,100	-	-	4,100
- Financial derivatives	-	-	81,271	81,271
	4,100	96,101	81,271	181,472
31 December 2017				
Financial assets				
Investment securities				
- Income debt securities fund	-	91,970	-	91,970
- Real Estate Investment Trust	4,550	-	-	4,550
	4,550	91,970	-	96,520

There have been no transfers between any levels during the current interim period and the comparative period.

A11. Capital & other commitments

The amount of commitments not provided for in the interim financial statements as at 31 December 2018 and 31 December 2017 was as follows:

Capital commitments

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Approved and contracted for:		
- Property, plant and equipment	39,476	70,739
- Investments in joint ventures	42,144	53,030
	81,620	123,769
Approved but not contracted for:		
- Property, plant and equipment	314,720	280,805
- Intangible assets	4,310	4,015
- Investments in associates	271,314	334,000
- Others	9,100	-
	599,444	618,820
	681,064	742,589

A12. Changes in contingent liabilities and contingent assets

There were no material changes in the contingent liabilities or contingent assets since the last annual reporting date.

A13. Related party transactions

The following table provides information on the transactions which have been 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:

		Interest/fee/ rental income from/sales to related parties RM '000	Purchases from/payment for services to related parties RM '000	Amounts owed by related parties RM '000	Amounts owed to related parties RM '000
Associates:					
- Kenanga Investment Bank Bhd	2018	4,697	-	-	-
	2017	1,638	150	-	-
- KKB Engineering Bhd and its	2018	-	23,399	-	148
subsidiary	2017	86	12,140	-	3,583
- Kenanga Investors Bhd	2018	902	-	-	-
	2017	1,109	-	-	-
- Sacofa Sdn Bhd	2018	1,852	369	321	102
	2017	1,736	342	287	226
- OM Materials (Sarawak) Sdn Bhd	2018	6,916	-	523	-
	2017	5,856	-	2,318	-
Joint Ventures:					
- PPES Works Wibawa	2018	-	-	-	-
	2017	2	-	-	-
- PPES Works Naim Land	2018	114	-	93	-
	2017	411	-	13	-
- PPES Works Larico	2018	992	-	944	-
	2017	1,864	-	1,398	-
- PPES Works PCSB	2018	724	9,133	405	4,983
	2017	917	19,941	559	7,444
- COPE Private Equity Sdn Bhd	2018	141	-	46	-
	2017	139	-	33	-
Others					
- Corporate shareholder	2018	10,344	-	-	-
	2017	14,260	-	-	-
Key management personnel of the Group:					
- Directors' interest	2018	-	5,052	-	43
	2017	3,031	3,454	882	383

All outstanding balances with these related parties are unsecured and are to be settled in cash within the financial year.

A14. Subsequent event

There was no material event subsequent to the statement of financial position date that has not been reflected in the quarterly financial statements.

Part B – Explanatory notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. Review of performance

Year-to-date, 2018 ("YE2018") vs Year-to-date, 2017 Restated ("YE2017")

Revenue increased by 9% while profit before tax (PBT) and profit after tax and non-controlling interest (PATNCI) increased by 17% and 28% respectively in comparison to the preceding year.

All Divisions except the Property Development and Strategic Investments Divisions reported higher revenue. However, only Construction Materials & Trading, Construction & Road Maintenance and Others Divisions reported higher PBT in YE2018.

The significant improvement in PBT and PATNCI was mainly due to the higher share of results of associates but partially negated by lower contribution from joint ventures. Fair value gain on investment in SACOFA warrants and gain from sale of OM Materials (Sarawak) ICPS have also contributed to the better performance in the current year.

The performances of the Group's respective Divisions are analysed as follows:

(a) **Cement Division** - reported a 11% lower PBT of RM90.14 million in YE2018 over YE2017's PBT of RM101.34 million, despite a 7% increase in its revenue. The lower PBT was mainly due to repair costs from the planned maintenance shutdown exercise carried at its clinker plant in January, August and December this year which was compounded by an increase in the price of imported clinker due to spike in demand following the reduction of cement and clinker production in China and continued high demand from Bangladesh and the Philippines.

(b) **Construction Materials & Trading Division** - reported a higher PBT of RM71.29 million for YE2018, which was 19% higher than the PBT of RM59.71 million for YE2017. Excluding the provision for soil erosion remedial work in YE2017, the Division's PBT for YE2018 would be lower than last year. The lower PBT was attributable to the lower gross profit margins from the premix and quarry as a result of increase in prices of bitumen and diesel and lower production as a result of state wide shortage of quarry sand.

(c) **Construction & Road Maintenance Division** - reported a strong PBT of RM90.38 million in YE2018, comparable to YE2017's profit of RM90.20 million. This was on the back of higher percentage of completion of Pan Borneo Highway, State roads rehabilitation and Museum projects.

(d) **Property Development Division** - reported a 3% higher PBT of RM33.82 million in YE2018 in comparison to PBT of RM32.86 million in YE2017 (restated) despite a 24% lower revenue. This was attributable to higher gross profit margin from construction activities but partially negated by interest incurred on land premium being expensed off.

(e) **Strategic Investments Division** - reported a loss of RM2.02 million in YE2018 as compared to a PBT of RM6.08 million in YE2017. The profit in YE2017 was due to a reversal of impairment in investment.

B1. Review of performance (contd.)

Year-to-date, 2018 ("YE2018") vs Year-to-date, 2017 Restated ("YE2017") (contd.)

(f) **Others** – The excellent performance in YE2018 was mainly due to gain on sale of RM10.86 million of OM Materials Irredeemable Convertible Preference Shares. In addition, an unrealized forex gain of RM0.94 million was recorded in YE2018 as opposed to an unrealized forex loss of RM6.44 million in YE2017.

(g) **Unallocated corporate expenses** – CMSB recorded a lower loss in YE2018 compared to YE2017 mainly due to fair value gain on investment in SACOFA warrants.

(h) **Share of results of associates** – The Group's higher share of profit of associates in YE2018 was contributed by all of its operating associates. Collectively, the share of profits jumped by 166% to RM108.12 million in YE2018 from RM40.64 million in YE2017. The main contributor is the strong turnaround at OM Materials (Sarawak) Sdn Bhd.

(i) **Share of results of joint-ventures -** recorded a share of loss of RM546k (YE2017: profit of RM31.91 million). The excellent performance in YE2017 was attributable to the performance fees income and profit sharing received by the private equity management company and two private equity funds, which were resulted from gains on realization of an investment.

Quarter 4, 2018 ("4Q18") vs Quarter 4, 2017 ("4Q17")

	4th Qtr 2018	4th Qtr 2017		Changes
		Original	Restated	4Q18/4Q17
	RM'000	RM'000	RM'000	(Restated)
Revenue	496,430	588,186	568,630	-13%
Gross profit	96,089	113,914	110,964	-13%
Share of results of associates	8,917	30,873	28,015	-68%
Profit before tax	86,117	101,763	91,214	-6%

The Group's PBT for this year's fourth quarter was 6% lower than last year's corresponding quarter. The decrease was mainly attributable to lower share of profits of associates and lower PBT reported by the Construction & Road Maintenance and Property Development Divisions. This has been partially compensated by higher PBT reported by Construction Materials & Trading Division, gain on sale of ICPS and fair value gain on investment in SACOFA warrants. In 4Q17, Construction Materials & Trading Division made provision for soil erosion remedial works.

B2. Material changes in profit before tax for the quarter (Quarter 4, 2018 vs Quarter 3, 2018)

	4th Qtr 2018 RM'000	3rd Qtr 2018 RM'000	Changes %
Revenue	496,430	465,167	7%
Gross profit	96,090	103,369	-4%
Share of results of associates	8,917	24,319	-63%
Profit before tax	86,117	110,642	-22%

The Group's PBT for 4Q18 was RM86.12 million or 22% lower than 3Q18, despite 7% higher revenue. This was mainly due to lower share of profits of associates and lower gross profit margin but partially compensated by gain on sale of ICPS and fair value gain on investment in SACOFA warrants. Overall, staff costs were higher in 4Q18 in view of the bonus payout as well as payment of long service awards in December.

Cement Division's PBT for 4Q18 declined significantly from 3Q18 despite higher sales revenue and production volume. This was mainly due to higher discharging costs arising from provision for demurrage and deadfreight as well as depreciation and stock discrepancies adjustment

The Construction Materials & Trading Division's revenue in 4Q18 was significantly higher than 3Q18, due to the catch up works after a long delay and slowness in the first nine months of the year. However, its PBT for 4Q18 was slightly lower than 3Q18 due to higher overhead costs.

The Property Development Division recorded lower revenue and PBT in 4Q18 due to interest incurred on land premium instalment being expensed off. Besides 3Q18 saw higher gross profit margin from construction activities.

B3. Prospects for the year ending 31 December 2019

The operating environment is expected to remain challenging which the Group is well positioned to overcome due to its robust financial portfolio of diversified and strategic Sarawak-based businesses.

We remain focused on growing our portfolio of businesses by taking advantage of the opportunities in Sarawak especially in the area of energy intensive businesses. With our increasingly strong business fundamentals, coupled with other measures taken by Management including steps taken to position the Group for long term sustainable revenue and profitability growth, we are confident to deliver a satisfactory financial performance for the year 2019.

The prospects on each Division for the next financial year are as follows:

The Cement division ended the year with lower PBT against previous year. Nevertheless, the Division is optimistic that the sales target of 1.58 million MT for 2019 can be achieved. As in previous years, sales volume for first quarter 2019 is expected to be low in view of the festive holiday in February. Costs are expected to be higher particularly imported clinker prices which have been rising at end of fourth quarter 2018. Management is closely monitoring and optimising the performance of the clinker plant and vigorously exploring for new sources of supply of clinker.

B3. Prospects for the year ending 31 December 2019 (contd.)

The Construction Materials and Trading Division is expected to maintain strong performance in 2019 with anticipated peak demand for crushed aggregates and premix for the Pan Borneo Highway project. In addition, the State Government's budgeted spending of RM9 billion within the next two years in infrastructure development will provide a big boost for the Division. The Division's 2-year term contract with JKR will continue to be the main source of revenue in 2019. Its acquisition of 56% equity interest in Borneo Granite Sdn Bhd (albeit acquisition not completed yet as condition precedent not fulfilled) and the expected completion of its second production line in March 2019 at Sibanyis quarry will alleviate the acute shortage of crushed shortage of crushed aggregates faced in 2018 and position itself strongly for the supply to its JKR works and the Pan Borneo Highway project. Plans are also in the pipeline to look into the shortage of limestone quarry sand for the production of premix.

The Construction & Road Maintenance Division is focusing on positioning itself to increase its order book through major new infrastructure projects recently announced by the State Government: Coastal Road, 2nd Link Trunk Road, State Water Grid Project and other infrastructure projects announced for its rural transformation initiative. Its second major focus is on the long term renewal of the State Road Maintenance Contract where it is well positioned as it has a full team of staff on-board, the investment it has made in state of the art equipment and the experience that it has gained over the last 15 years.

The Property Development Division's main focus in 2019 will be Bandar Samariang township where the Division plans to launch approximately 500 units of single storey terrace house.

The Division's other major project namely, its township development in Samalaju is a greenfield project and faces an uphill task in selling its residential and commercial development units as most public amenities are not in place yet.

The occupancy levels at its Workers' and Executive Lodges in Samalaju are not expected to experience any significant increases until major construction activity starts from existing or new industries at Samalaju Industrial Park. We expect an increase in up-take when the construction of the MPAS Plant gains momentum in 2019.

B4. Profit forecast or profit guarantee

Not applicable as there was no profit forecast nor profit guarantee issued.

B5. Income tax expense

	3 months ended		12 months ended	
	31.12.2018	31.12.2017 (Restated)	31.12.2018	31.12.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	16,261	29,160	75,707	75,008
- Under/(over) provision in respect of previous years	(843)	(4,096)	(3,032)	(1,152)
Deferred tax	5,516	(2,479)	1,434	7,753
Total income tax expense	20,934	22,585	74,109	81,609

The effective tax rate for the period ended 31 December 2018 was lower than the statutory tax rate principally due to share of associates' profit which was net of tax.

The effective tax rates for the quarter and period ended 31 December 2017 and for the quarter ended 31 December 2018 were higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

B6. Corporate proposals

There were no other corporate proposals that have been announced but not completed as at the date of this announcement.

B7. Borrowings

	As at 31.12.2018	As at 31.12.2017
	RM'000	RM'000
Short term – Secured		
Revolving credits	17,000	17,000
Hire purchase	577	727
Short term – Unsecured		
Bankers' acceptances	4,900	2,300
Term loan	21,428	21,428
Loan from corporate shareholder	-	276
Revolving credits	10,000	10,000
	53,905	51,731
Long term – Secured		
Hire purchase	684	1,261
Long term – Unsecured		
Term loan	61,944	83,372
Islamic medium term notes	500,000	500,000
	562,628	584,633
Total	616,533	636,364

All borrowings were denominated in Ringgit Malaysia.

B8. Off balance sheet financial instruments

As at the date of this report, there are no financial instruments with off balance sheet risks entered into by the Group.

B9. Derivatives

There were no derivatives entered into by the Group as at the end of the quarter under review.

B10. Gains/losses arising from fair value changes of financial liabilities

There were no gains/losses arising from fair value changes of financial liabilities.

B11. Changes in material litigation

There were no changes in material litigation since the last annual statement of financial position date of 31 December 2017.

B12. Dividend payable

The Board of Directors has proposed to declare a first and final tax exempt (single-tier) dividend at the coming Annual General Meeting of 7.4 sen per ordinary share (2017: 8.0 sen). The dividend entitlement and payment date for the final dividend will be announced at a later date.

The total dividend for the current financial year ended 31 December 2018 is 7.4 sen (2017: 8.0 sen) per ordinary share.

B13. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to the owners of the Company by the weighted average number of ordinary shares outstanding, which takes into account the weighted average effect of changes in treasury shares transactions during the period.

The following reflect the profit and share data used in the computation of basic earnings per share:

	3 months ended		12 months ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	57,123	60,557	265,741	208,029
Weighted average number of ordinary shares in issue ('000)	1,069,945	1,074,376	1,071,987	1,074,376
Basic earnings per share (sen)	5.34	5.64	24.79	19.36

The Group has no dilution in its earning per share in the current and the preceding financial period as there are no dilutive potential ordinary shares.

B14. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 was not subject to any qualification.

B15. Additional disclosure on profit for the period

	Quarter ended 31.12.2018 RM'000	Financial year ended 31.12.2018 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	359	1,477
Amortisation of prepaid land lease payments	295	905
Property, plant and equipment written off	490	965
Depreciation of property, plant and equipment	16,398	60,300
Depreciation of investment properties	43	131
Gain on foreign exchange - realised	(2,155)	(2,185)
Gain on foreign exchange - unrealised	-	(1,045)
Gain on disposal of property, plant and equipment	-	-
Interest expense	12,249	36,778
Interest income	(5,262)	(28,350)
Net fair value changes in investment securities	(108)	(402)