



CAHYA MATA SARAWAK BERHAD'S FINANCIAL PERFORMANCE FOR THE FIRST NINE MONTHS OF 2019

Tuesday, 26 November 2019

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Profit after tax and non-controlling interests reported at RM155 million

Kuching (Sarawak), Tuesday, 26 November 2019 – Cahya Mata Sarawak Berhad (CMSB - 2852) is pleased to announce its financial performance for the first nine months of 2019 (PE2019). The Group reported a total revenue of RM1.28 billion for PE2019, an increase by 6% in comparison to the preceding year's corresponding period's (PE2018) revenue of RM1.22 billion. Its pre-tax profit (PBT) of RM230.85 million for PE2019 was, however, lower by 20% than PE2018's PBT of RM289.25 million.

The Group's profit after tax and non-controlling interests (PATNCI) of RM154.93 million for PE2019 was also lower by 26% than PE2018's PATNCI of RM208.62 million. Earnings per share (EPS) stood at 14.44 sen versus 19.45 sen reported for the corresponding nine-month period of last year.

The lower profit reported during this period was mainly attributed to weaker profits reported by the Group's associate company, OM Materials (Sarawak) Sdn Bhd, due to the current depressed commodity market. In addition, CMSB's Cement, Construction & Road Maintenance and Property Development Divisions have also reported lower profits during the first nine months of this year.

The Group's Cement Division reported a 7% lower PBT of RM65.52 million in PE2019 compared to PE2018's PBT of RM70.37 million, despite 10% improvement in its revenue. The lower PBT was attributable to higher imported clinker cost, which has increased due to the spike in global demand being driven by the reduction of clinker production in China because of environmental concerns and strong regional demand especially from Bangladesh and the Philippines, as well as higher coal cost.



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The Construction Materials & Trading Division registered a strong PBT of RM63.59 million, an increase by 34% in comparison to PE2018's PBT of RM47.39 million. The higher PBT is mainly attributable to the 19% higher revenue and a reversal of provision of RM9 million. Even without the reversal of provision, the Division's PBT of RM54.59 million for PE2019 would have been 15% stronger than the corresponding nine-month period of last year.

The Construction & Road Maintenance Division reported a PBT of RM52.75 million for PE2019, 21% lower than PE2018's PBT of RM66.51 million. This was due to the Division's lower year-on-year revenue by 7%, mainly due to lower construction revenue resulting from completion of works and the expiry of the Federal road maintenance contract on 31 August 2018. Furthermore, a one-off item amounting to RM3.51 million was recognised in PE2018, in the form of arrears received, due to which the Division reported 2% lower gross profit margin in PE2019.

The Group's Property Development Division reported a PBT of RM26.35 million for PE2019, lower than PE2018's PBT of RM29.04 million, reflecting the current softening property market. This performance by the Division was attributable to the profit recognition from a land sale, steady ongoing sales of condominium and apartments as well as higher rental income from unsold apartments in Samalaju.

From its associates, the Group recorded a share of profit of RM55.80 million in PE2019, lower by 44% than PE2018's profit of RM99.20 million. This was mainly due to the significantly lower contribution by OM Materials (Sarawak) Sdn Bhd, CMSB's 25%-owned associate company. The lower profit by OM (Sarawak) was due to the recent weak commodity prices and the ongoing global trade-war which has been impacting the entire industry.



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Commenting on the results, CMSB Group Managing Director, Dato Isaac Lugun, said: "The weaker result for the first nine months of 2019 is mainly attributable to the performance of our associate company OM Materials (Sarawak) as well as our traditional core businesses. For OM Material (Sarawak), although its prospects in the immediate-term remain challenging due to macro-economic factors, the Group remains confident on its longer-term prospects due to its position in the first quartile of the global production cost curve and its strong global presence. Once the market rebounds, as forecasted from second half of 2020 onwards, we are confident that OM Materials (Sarawak) will again post stellar financial performance as it did in 2018. The Group is also confident on continuing growth from its other associate companies including SACOFA Sdn Bhd, KKB Engineering Berhad and Kenanga Investment Bank Berhad which are part of our growth strategy for our strategic investments to drive the next wave of growth. The aim of this growth strategy is for our traditional core businesses and our strategic investments to counter-balance each other and in the long-term to equally contribute to double the Group's earnings."

On our traditional core businesses, despite the current challenging business environment, we expect their future growth to be driven by the ongoing Pan Borneo Highway project and the State government's increased spending on infrastructure. As seen in the State's budget for 2020, RM6.60 billion is allocated for development and a further RM21.67 billion of State's fund has been set aside for the implementation of major infrastructure projects including the Coastal Road and Second Trunk Road, tenders for which have started being awarded, the Water Grid and Electricity projects, the State's push for rural development and lastly for telecommunication structures. This ensures that the State will be a pocket of increased construction activity for the next few years and is expected to have a positive spill-over impact on our traditional core businesses."

"CMSB will continue to maintain its strong growth potential and will remain resilient in spite of certain headwinds we foresee and are ready for. The Group is well positioned to benefit in all key economic drivers in Sarawak and is supported by its healthy balance sheet and its three-pronged growth strategy. Specifically, this strategy calls for CMSB to: firstly, reposition and



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fortify all traditional core businesses, secondly, to fully implement and grow the strategic businesses and, lastly, to reposition and strengthen the CMS brand." added Dato Isaac Lugun.

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For Media Enquiries Cahaya Mata Sarawak Berhad	For Media Enquiries Core Pro PR
Shirly Ann Clarke Manager, Corporate Reputation & Communications Tel : +60 82 238 888 shirlyac@cmsb.com.my	Stuart Rosman Tan Executive Director Tel : +60 12 322 3092 stuart@corepro-pr.com

About Cahya Mata Sarawak Berhad

Cahaya Mata Sarawak Berhad (CMSB) is a leading corporation listed on the Main Market of the Malaysian stock exchange, Bursa Malaysia, and is a major private-sector player in Sarawak, the largest State in Malaysia.

CMSB has evolved from a single product manufacturer of cement, beginning in 1974 to become a corporation focused on its Vision "To Become the Pride of Sarawak & Beyond".

Today, CMSB's portfolio spans over 35 companies involved in the manufacturing & trading of cement and construction materials, construction, road maintenance, property & infrastructure development, financial services, education, steel & pipe fabrication & installation, ferro silicon & manganese smelting and telco infrastructure.