CAHYA MATA SARAWAK BERHAD

(Company No: 21076-T)

(Incorporated in Malaysia)

Interim Financial Report

Condensed consolidated statements of comprehensive income for the period ended 30 September 2019

	Note	3 months ended 30.09.2019 RM'000	3 months ended 30.09.2018 RM'000	Changes (%)	9 months ended 30.09.2019 RM'000	9 months ended 30.09.2018 RM'000	Changes (%)
Revenue	A8	467,176	465,167	0%	1,284,527	1,215,432	6%
Cost of sales		(371,285)	(362,132)		(1,042,704)	(968,151)	
Gross profit		95,891	103,035	-7%	241,823	247,281	-2%
Other income		3,672	10,018		19,775	16,020	
Administrative expenses		(10,751)	(11,772)		(40,995)	(37,371)	
Selling and marketing expenses		(4,111)	(3,688)		(12,622)	(11,883)	
Other expenses		(790)	(611)		(3,132)	(3,234)	
Operating profit		83,911	96,982	-13%	204,849	210,813	-3%
Finance costs		(8,593)	(7,756)		(25,882)	(23,052)	
Share of results of associates		30,092	24,319		55,800	99,198	
Share of results of joint ventures		(2,618)	(237)		(3,916)	2,289	
Profit before taxation		102,792	113,308	-9%	230,851	289,248	-20%
Income tax expense	B5	(20,200)	(21,212)		(50,786)	(53,175)	
Profit for the period		82,592	92,096	-10%	180,065	236,073	-24%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Foreign currency translation		(1)	(2)		0	(6)	
Share of other comprehensive income of associates		4,628	992		6,827	713	
Share of other comprehensive income of joint ventures		0	0		0	(23)	
Other comprehensive income for the period		4,627	990		6,827	684	
Total comprehensive income for the period		87,219	93,086	-6%	186,892	236,757	-21%
Profit attributable to:							
Owners of the Company		72,832	78,015	-7%	154,927	208,618	-26%
Non-controlling interests		9,760	14,081		25,138	27,455	
		82,592	92,096		180,065	236,073	
Total comprehensive income attributable to:							
Owners of the Company		77,411	78,965		161,619	209,299	
Non-controlling interests		9,808	14,121		25,273	27,458	
		87,219	93,086		186,892	236,757	
		sen	sen		sen	sen	
Earnings per share attributable to owners of the Company:							
Basic/diluted	B13	6.79	7.29		14.44	19.45	

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 30 September 2019

	Note	Unaudited As at 30.09.2019 RM'000	Audited As at 31.12.2018 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,099,743	746,217
Prepaid land lease payments		40,724	42,508
Land held for property development		243,257	227,629
Investment properties		5,068	5,156
Right-of-use assets		92,134	0
Intangible assets		13,103	726
Goodwill		83,233	62,954
Investments in associates		976,001	979,791
Investments in joint ventures		17,661	23,916
Deferred tax assets		16,394	19,034
Other receivables		40,454	50,182
Investment securities		13,777	3,958
		2,641,549	2,162,071
Current assets			
Property development costs		169,359	192,993
Inventories		342,874	334,248
Trade and other receivables		531,972	314,038
Other current assets		77,158	81,985
Investment securities		107,496	100,201
Derivative financial asset		81,271	81,271
Tax recoverable		9,238	7,017
Cash and bank balances		580,052	920,539
		1,899,420	2,032,292
TOTAL ASSETS		**4,540,969**	**4,194,363**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		867,902	867,902
Treasury shares		(5,625)	(12,277)
Other reserves		20,090	13,589
Retained earnings		1,756,951	1,679,692
		2,639,318	2,548,906
Non-controlling interests		510,313	367,305
Total equity		3,149,631	2,916,211
Non-current liabilites			
Deferred tax liabilities		39,823	35,947
Loans and borrowings	**B7**	749,713	562,628
Trade and other payables		68,608	61,859
		858,144	660,434
Current liabilities			
Income tax payable		18,480	18,109
Loans and borrowings	**B7**	51,222	53,905
Trade and other payables		412,624	454,659
Other current liabilities		50,868	91,045
		533,194	617,718
Total liabilities		1,391,338	1,278,152
TOTAL EQUITY AND LIABILITIES		**4,540,969**	**4,194,363**
Net assets per share attributable to ordinary owners of the Company (RM)		**2.46**	**2.38**

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 30 September 2019

		< ---- 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 2019	2,916,211	2,548,906	867,902	(12,277)	13,589	1,679,692	367,305
Profit net of tax	180,065	154,927	0	0	0	154,927	25,138
Other comprehensive income, net of tax	6,827	6,692	0	0	6,692	0	135
Total comprehensive income	186,892	161,619	0	0	6,692	154,927	25,273
Transactions with owners:-							
Acquisition of treasury shares	(8,338)	(8,338)	0	(8,338)	0	0	0
Disposal of treasury shares	16,657	16,657	0	14,990	0	1,667	0
Dividends on ordinary shares	(79,374)	(79,374)	0	0	0	(79,374)	0
Issuance of shares to a non-controlling interest	300	0	0	0	0	0	300
Dividends paid to non-controlling interests	(14,534)	0	0	0	0	0	(14,534)
Total transactions with owners	(85,289)	(71,055)	0	6,652	0	(77,707)	(14,234)
Acquisition of a subsidiay	8,423	0	0	0	0	0	8,423
Disposal of a subsidiary	(39)	(39)	0	0	(39)	0	0
Deemed acquisition of a subsidiary	123,550	0	0	0	0	0	123,550
Share of associates' reserves	0	0	0	0	(151)	151	0
Share of joint ventures' reserves	(117)	(112)	0	0	0	(112)	(5)
At 30 September 2019	3,149,631	2,639,319	867,902	(5,625)	20,091	1,756,951	510,312

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 30 September 2019

		< ------------- Attributable to Owners of the Company ------------- >					
			< ----- Non-distributable ------ >			Distributable	
	Total equity	**Total**	**Share capital**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Non-controlling interests**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2018 (Restated)	2,679,645	2,350,269	867,902	0	9,092	1,473,275	329,376
Effect of adoption of MFRS 15	3,946	3,810	0	0	0	3,810	136
As restated	2,683,591	2,354,079	867,902	0	9,092	1,477,085	329,512
Profit net of tax	236,073	208,618	0	0	0	208,618	27,455
Other comprehensive income, net of tax	684	681	0	0	681	0	3
Total comprehensive income	236,757	209,299	0	0	681	208,618	27,458
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
Dividends paid to non-controlling interests	(15,574)	0	0	0	0	0	(15,574)
Total transactions with owners	(112,983)	(97,409)	0	(12,277)	0	(85,132)	(15,574)
Share of associates' reserves	(69)	(66)	0	0	152	(218)	(3)
At 30 September 2018	2,807,296	2,465,903	867,902	(12,277)	9,925	1,600,353	341,393

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the period ended 30 September 2019

	9 months ended 30.09.2019 RM'000	9 months ended 30.09.2018 RM'000
Profit before taxation	230,851	289,248
Adjustments for non-cash items:		
Non-cash items	(3,868)	(63,005)
Operating cash flows before changes in working capital	226,983	226,243
Changes in working capital		
Increase in current assets	(92,036)	(194,085)
(Increase)/decrease in non-current assets	(15,628)	13,472
Decrease in current liabilities	(112,320)	(67,945)
Increase/(decrease) in non-current liabilities	5,749	(29,142)
Cash flows used in operations	12,748	(51,457)
Interest received	13,968	21,255
Interest paid	(15,805)	(24,529)
Income tax paid, net of refund	(49,816)	(49,377)
Net cash flows used in operating activities	(38,905)	(104,108)
Investing activities		
Acquisition of investment securities	(13,756)	(3,325)
Acquisition of property, plant and equipment	(207,301)	(56,198)
Additional investment in an associate	(24,910)	(45,542)
Additional investment in joint ventures	2,221	(3,294)
Distribution of profits from joint ventures	0	4,917
Dividends from associates	4,084	6,534
Dividends from investments	4,219	2,382
Net cash outflow from acquisition of a subsidiary	(26,158)	0
Net cash outflow arising from deemed acquisition of a subsidiary	(14,656)	0
Proceeds from disposal of a subsidiary	27	0
Proceeds from disposal of property, plant and equipment	3,715	908
Proceeds from disposal of investments in irredeemable convertible preference shares	0	30,786
Advancement of shareholders' loan	(25,141)	0
Others	(6,035)	(3)
Net cash used in investing activities	(303,691)	(62,835)
Financing activities		
Acquisition of treasury shares	(8,338)	(17,731)
Deposit pledged to a licensed bank	65	(43)
Drawdown of borrowings	121,443	32,700
Repayments of borrowings	(30,629)	(38,424)
Dividends paid to shareholders of the Company	(79,374)	(85,950)
Dividends paid to non-controlling interests	(14,533)	(15,573)
Net proceeds from disposal of treasury shares	16,657	6,272
Proceeds from issuance of preference shares to a non-controlling interest	300	0
Repayment of lease liabilities	(3,719)	0
Net cash used in financing activities	1,872	(118,749)
Net decrease in cash and cash equivalents	(340,724)	(285,692)
Effect of foreign exchange changes in cash and cash equivalents	302	526
Cash and cash equivalents as at 1 January	918,440	975,781
Cash and cash equivalents as at 30 September	578,018	690,615
Cash and cash equivalents as at 30 September comprised the following:		
Cash and short term deposits	580,052	692,712
Less: Deposits pledged to licensed banks	(2,034)	(2,097)
	578,018	690,615

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 30 September 2019 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 2018.

A2. Changes in accounting policies

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

On 1 January 2019, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2019.

- Annual Improvements to MFRS Standards 2015 - 2017 Cycle:
  - (i) Amendments to MFRS 3: Business Combinations
  - (ii) Amendments to MFRS 11: Joint Arrangements
  - (iii) Amendments to MFRS 112: Income Taxes
  - (iv) Amendments to MFRS 123: Borrowing Costs
- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- Amendments to MFRS 119: Employee Benefits - Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
- MFRS 16: Leases
- IC Interpretation 23: Uncertainty over Income Tax Treatments

(a) Annual Improvements to MFRS Standards 2015 - 2017 Cycle

The Annual Improvements to MFRS Standards 2015 - 2017 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 2015 - 2017 Cycle (contd.)

(i) Amendments to MFRS 3: Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019.

(ii) Amendments to MFRS 11: Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019.

(iii) Amendments to MFRS 112: Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

(iv) Amendments to MFRS 123: Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019.

A2. Changes in accounting policies (contd.)

(b) Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Company do not expect the amendments to have any impact on the Group's and the Company's financial statements.

(c) MFRS 16: Leases

MFRS 16 replaced MFRS 117 Leases, IC Interpretation 4 Determining Arrangements contains a Lease, IC Interpretation 115 Operating Lease - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has applied MFRS 16 using modified retrospective approach and comparative information for 2018 has not been restated.

The Group assesses each contract whether an arrangement was or contained a lease under IC Interpretation 4 Determining Arrangements contains a Lease. Under MFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to MFRS 16, the Group elected to apply the new definition of a lease to all the contracts.

As a Lessor

The Group leases some its properties and were classified as operating lease. The accounting policies for the Group as a lessor remained the same as in MFRS 117. Hence, no requirement for any adjustments on the transition to MFRS 16 to be made.

As a Lessee

The Group leases many assets, comprising land, properties, vessel, vehicle and equipment. As a lessee, previously the Group classified leases as operating leases or finance lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under MFRS 16, the Group recognises right-of-use assets and lease liabilities for most of its operating leases – these leases are on-balance sheet at initial application. At transition, the right-of-use asset is measured at an amount equal to lease liability whilst the lease liability is measured at the present value of the remaining lease payments using the Group's incremental borrowing rate.

A2. Changes in accounting policies (contd.)

(c) MFRS 16: Leases (contd.)

When applying the modified retrospective approach, the Group has applied the following practical expedients on a lease-by-lease basis to the previous operating lease:

i. Apply a single discount rate to a portfolio of leases with reasonable similar characteristics;
ii. Account for leases which the lease term ends within 12 months from the date of initial application as short-term lease;
iii. Exclude initial direct costs from the measurement of the right-to-use asset at the date of initial application; and
iv. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group has applied commercial judgement to determine the lease term for those leases with renewal options and this in turn will impact on the amount of right-to use assets and lease liabilities recognised. The Group has elected not to recognise right-of use assets and lease liabilities for low value assets and short-term leases. The lease payments for these leases are expense on a straight-line basis over the lease term.

As a result of the adoption of MFRS 16 in respect of the leases previously classified as operating lease, the Group recognised RM92,134,455 of right-of-use assets and lease liabilities. The Group discounted lease payments at weighted average rate of 5%. Accordingly, the Group has recognised amortisation of right-of-use assets of RM5,172,759 and finance costs of RM3,663,393 for these leases for the nine months ended 30 September 2019.

(d) IC Interpretation 23: Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date.

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 30 September 2019.

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

During the current quarter ended 30 September 2019, there was no repurchase and resell of treasury shares. As at 30 September 2019, the Company held 1,751,100 treasury shares in its books.

A7. Dividends paid

The final tax exempt (single-tier) dividend of 7.40 sen per share for the financial year ended 31 December 2018 amounting to RM79,374,222 was paid on 24 May 2019.

A8. Segmental information

	3 months ended		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	164,292	147,161	448,524	409,455
Construction materials & trading	163,437	150,942	417,994	351,475
Construction & road maintenance	137,972	142,170	378,610	407,425
Property development	30,903	51,060	108,687	105,422
Strategic investments	2,515	2,405	7,537	7,246
Others	16,858	17,729	52,485	52,971
Total revenue including inter-segment sales	515,977	511,467	1,413,837	1,333,994
Elimination of inter-segment sales	(48,801)	(46,300)	(129,310)	(118,562)
	467,176	465,167	1,284,527	1,215,432
Segment Results				
Operating profit/(loss):				
Cement	33,847	31,181	65,517	70,372
Construction materials & trading	23,635	23,976	63,592	47,388
Construction & road maintenance	18,755	21,758	52,752	66,513
Phosphate	97	-	(3,163)	-
Property development	5,400	17,740	26,349	29,040
Strategic investments	(77)	(298)	(700)	(1,277)
Others	1,108	5,495	1,123	5,105
	82,765	99,852	205,470	217,141
Unallocated corporate expenses	(7,447)	(10,626)	(26,503)	(29,380)
Share of results of associates	30,092	24,319	55,800	99,198
Share of results of joint ventures	(2,618)	(237)	(3,916)	2,289
Profit before tax	102,792	113,308	230,851	289,248
Income tax expenses	(20,200)	(21,212)	(50,786)	(53,175)
Profit for the year	82,592	92,096	180,065	236,073

A9. Changes in composition of the Group

There have been no changes in the composition of the Group for the quarter ended 30 September 2019, except that CMS I-Systems Berhad ("CMS I-Systems"), a wholly owned subsidiary company of CMSB had, on 30 April 2019, entered into a Share Sale Agreement with Krish Mark Infotech (India) Private Limited ("KMII"), a company incorporated in India, to dispose of 111,300 ordinary shares of Rs10.00 each representing 99.99% equity interest in CMS I-Systems (India) Private Limited ("CMSIPL") to KMII for a total cash consideration of RM30,000.00. The disposal was completed on 16 August 2019 upon completion of the share transfer and CMSIPL ceased to become a subsidiary of the Group.

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:

	30 September 2019		**31 December 2018**	
	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
- Term loans	181,544	181,544	83,372	83,372
- Obligation under finance lease	803	803	1,261	1,261
- Revolving credits	25,000	25,000	27,000	27,000
- Islamic medium term notes	500,000	523,560	500,000	516,975

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
30 September 2019				
Financial assets				
Investment securities				
- Income debt securities fund	-	103,671	-	103,671
- Real Estate Investment Trust	3,825	-	-	3,825
- Redeemable preference shares	-	-	13,777	13,777
Derivative financial assets	-	-	81,271	81,271
	3,825	103,671	95,048	202,544
31 December 2018				
Financial assets				
Investment securities				
- Income debt securities fund	-	96,101	-	96,101
- Real Estate Investment Trust	4,100	-	-	4,100
- Redeemable preference shares	-	-	3,958	3,958
Derivative financial assets	-	-	81,271	81,271
	4,100	96,101	85,229	185,430

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 30 September 2019 and 31 December 2018 was as follows:

Capital commitments

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Approved and contracted for:		
- Property, plant and equipment	308,579	39,476
- Investments in redeemable preference shares in joint ventures	40,093	49,911
	348,672	89,387
Approved but not contracted for:		
- Property, plant and equipment	323,955	312,274
- Intangible assets	4,310	4,310
- Investments in associates	398,379	271,314
	726,644	587,898
	1,075,316	677,285

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 except for the following:

The Company had irrevocably and unconditionally guaranteed to a consortium of banks all Malaysian Phosphate Additives (Sarawak) Sdn Bhd's ("MPAS") obligations and liabilities in a Facility Agreement dated 18 January 2019 entered into for a credit facility of USD80.00 million and RM64.80 million provided that the aggregate does not exceed the facility limit of RM400.00 million granted to MPAS, a 60% owned subsidiary of the Company to part finance the construction and development cost of its project.

A13. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the period ended 30 September 2019 and 30 September 2018 as well as the balances with the related parties as at 30 September 2019 and 30 September 2018:

		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	2019	1,870	-	-	-
	2018	3,725	-	-	-
- KKB Engineering Bhd and its	2019	-	4,491	-	-
subsidiary	2018	-	22,903	-	8,058
- SACOFA Sdn Bhd	2019	1,393	50	151	5,012
	2018	1,357	368	304	7
- OM Materials (Sarawak) Sdn Bhd	2019	6,683	-	10,628	-
	2018	9,916	-	12,435	-
Joint Ventures:					
- PPES Works Naim Land	2019	-	-	-	-
	2018	114	-	93	-
- PPES Works Larico	2019	620	-	622	-
	2018	692	-	644	-
- PPES Works PCSB	2019	19	-	52	
	2018	702	9,068	584	4,596
- COPE Private Equity Sdn Bhd	2019	22	-	2,600	-
	2018	87	-	14,600	-
Others					
- A corporate shareholder	2019	2,946	-	267	-
	2018	12,764	-	7,281	-
Key management personnel of the Group:					
- Directors' interests	2019	-	3,620	-	368
	2018	26	3,398	-	158

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

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

B1. Review of performance

<u>Year-to-date, 2019 ("PE2019") vs Year-to-date, 2018 ("PE2018")</u>

The Group's profit before tax (PBT) and profit after tax and non-controlling interest (PATNCI) decreased by 20% and 26% respectively in comparison to the preceding year's corresponding period, despite a 6% higher revenue.

The lower results were mainly due to lower profit contribution by the Group's 25% owned associate, OM Materials (Sarawak) Sdn Bhd. The Cement, Construction & Road Maintenance and Property Divisions also reported lower profits but the lower profits had been partially negated by the Construction Materials & Trading Division's stronger PBT.

As a result of the lower PATNCI, EPS and ROE declined accordingly.

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

(a) **Cement Division -** reported a 7% lower PBT of RM65.52 million in PE2019 over PE2018's PBT of RM70.37 million, despite 10% higher revenue. The lower PBT was due to higher imported clinker cost (raw material) and coal cost (fuel). The 10% higher revenue was on the back of higher sales volume of cement and concrete products which increased by 3% and 61% respectively.

(b) **Construction Materials & Trading Division -** reported a strong PBT of RM63.59 million for PE2019, which was 34% higher than the PBT of RM47.39 million for PE2018. The higher PBT was attributable to 19% higher revenue and a reversal of provision for soil erosion remedial works. Even without the reversal of provision, the Division's PBT for PE2019 of RM54.59 million would have been 15% stronger than PE2018.

(c) **Construction & Road Maintenance Division -** reported a lower PBT of RM52.75 million in PE2019, which was 21% lower than PE2018's profit of RM66.51 million (excluding share of results of joint ventures) on the back of 7% lower revenue. In addition, GP margin in PE2019 was lower by 2% as there were arrears received for instructed works for periods 2014 - 2017 amounting to RM3.51 million in PE2018 vs RM0.46 million received in PE2019.

(d) **Property Development Division -** reported a lower PBT of RM26.35 million in PE2019 in comparison to a PBT of RM29.04 million in PE2018, representing a decrease of 9% despite a 3% higher revenue. The higher PBT in PE2018 was mainly due to better GP margin which arose from downward revisions in costs for construction activities upon practical completion. However, PE2019 saw recognition of profit from a land sale, higher number of condominium and apartments units sold and higher rental income from unsold apartments.

(e) **Phosphate Division** – The new Phosphate Division's loss comprised administrative expenses and certain interest expense that cannot be capitalised.

B1. Review of performance (contd.)

Year-to-date, 2019 ("PE2019") vs Year-to-date, 2018 ("PE2018") (contd.)

(f) **Strategic Investments Division** - reported a lower loss of RM0.70 million in PE2019 as compared to a loss of RM1.28 in PE2018.

(g) **Others** - reported a lower PBT of RM1.12 in PE2019 as compared to a PBT of RM5.11 million in PE2018. The higher profit in PE2018 was due to gain on sale of RM4.26 million of Irredeemable Convertible Preference Shares to OM Materials (S) Pte Ltd. and an unrealized forex gain of RM0.96 million.

(h) **Unallocated corporate expenses -** CMSB recorded higher dividend income and positive net fair value changes in investment securities in PE2019 compared to PE2018.

(i) **Share of results of joint ventures -** The Group recorded share of loss of joint ventures in PE2019 compared to a share of profit in PE2018. The loss was due to unrealised loss on investments.

Quarter 3, 2019 ("3Q19") vs Quarter 3, 2018 ("3Q18")

	3rd Qtr 2019 RM'000	3rd Qtr 2018 RM'000	Changes %
Revenue	467,176	465,167	0%
Gross profit	95,891	103,035	-7%
Share of results of associates	30,092	24,319	24%
Profit before tax	102,792	113,308	-9%

The Group's PBT for 3Q19 was lower than 3Q18. The decrease was mainly due to no construction activities in the Properties Development Division in the current quarter.

B2. Material changes in profit before tax for the quarter (Quarter 3, 2019 vs Quarter 2, 2019)

	3rd Qtr 2019 RM'000	2nd Qtr 2019 RM'000	Changes %
Revenue	467,176	399,174	17%
Gross profit	95,891	77,455	24%
Share of results of associates	30,092	12,360	143%
Profit before tax	102,792	65,623	57%

B2. Material changes in profit before tax for the quarter (Quarter 3, 2019 vs Quarter 2, 2019) (contd.)

The Group's PBT for the current quarter was 57% higher than the immediate preceding quarter. This was attributable to higher share of results of associates and higher PBT from Cement and Construction & Materials & Trading Divisions.

The Cement Division's PBT for 3Q19 was significantly higher than 2Q19 on the back of higher revenue. 2Q19 saw lower sales volumes as there were 2 festive seasons of Hari Raya and Gawai in June this year. Besides that, all plants production volumes were also higher in 3Q19, thus reducing the fixed costs per MT.

The Construction Materials & Trading Division's PBT for 3Q19 was higher than 2Q19. This was attributable to higher sales from quarry and trading operations.

B3. Prospects for the year ending 31 December 2019

Whilst the operating environment faced by the Group will remain increasingly challenging, the Board is cautiously optimistic that the prospects for the year for our operations to remain satisfactory.

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 remaining period of the financial year are as follows:

The Cement Division's PBT for the first nine months of 2019 was lower against previous year's corresponding period, mainly due to higher imported clinker cost. The clinker prices are expected to remain the same until year end. The Division expects to incur high repair and maintenance costs for its clinker plant during the long shutdown in October 2019.

The Construction Materials & Trading Division's PBT for the first nine months of 2019 remained higher against previous year's corresponding period, contributed mainly by its quarry operations which had benefitted from the price increase. Management expects the huge shortage of crushed aggregates to continue and the quarry sector to continue to perform well in the last quarter of 2019. Management also expects the premix sector to continue to experience mixed prospects in the southern and northern region of Sarawak. The southern region is expected to remain busy in the 4th quarter for JKR MARRIS program and the Pan Borneo Highway project. On the other hand, the northern region is expected to continue to face stiff competition and depressed margin. The trading sector, besides maintaining its supply of water treatment chemicals and steel pipes to JKR is actively pursuing business opportunities in telecommunication related works, products and services.

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

The Construction & Road Maintenance Division is continuously focussing on positioning itself to increase its order book through new infrastructure projects announced by the State Government. Its second major focus is on the long-term renewal of the State Road Maintenance Contract before its expiry date on 31 December 2019. Management is also lobbying for additional road length and securing instructed works.

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 Property Development Division's township development project at Samalaju Industrial Park (SIP) remains challenging in this greenfield development area due to the lack of public infrastructures and amenities such as schools, hospital etc. However, sales are expected to improve once the new steel plant commences construction by year second quarter of 2020. Lodges continues to fetch reasonably good rental income from long term accommodation arrangement with the investors in SIP to house their operational staff. The occupancy is expected to improve further when new plants are at construction stage. Hotel occupancy improved in 2019 compared to 2018 due to long term accommodation arrangement for one of the investors in SIP. Nonetheless, attracting other new long term guest remains challenging as the target market is confined to the investors at SIP.

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		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	20,754	27,405	48,711	59,446
- Under provision in respect of previous years	(433)	(2,190)	(404)	(2,189)
Deferred tax	(121)	(4,003)	2,479	(4,082)
Total income tax expense	20,200	21,212	50,786	53,175

The effective tax rates for the quarters and periods ended 30 September 2019 and 30 September 2018 were lower than the statutory tax rate principally due to share of associates' profit which was net of tax.

B6. Corporate proposals

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

B7. Loans and borrowings

	As at 30.09.2019 RM'000	As at 31.12.2018 RM'000
Current		
Secured:		
Revolving credits	15,000	17,000
Hire purchase	413	577
Unsecured		
Bankers' acceptances	-	4,900
Lease liabilities	5,197	-
Term loan	21,428	21,428
Revolving credits	10,000	10,000
	52,038	53,905
Structuring and management fee	(816)	-
	51,222	53,905
Non-current		
Secured		
Hire purchase	390	684
Term loan	119,749	-
Unsecured		
Lease liabilities	88,391	-
Term loan	45,872	61,944
Islamic medium term notes	500,000	500,000
	754,402	562,628
Structuring and management fee	(4,689)	-
	749,713	562,628
Total	800,935	616,533

Loans and borrowings that are not denominated in Ringgit Malaysia amounted to RM94,336,919 (2018: Nil).

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 2018.

B12. Dividend payable

No interim dividend has been declared for the financial period ended 30 September 2019 (30 September 2018: Nil).

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		9 months ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	72,832	78,015	154,927	208,618
Weighted average number of ordinary shares in issue ('000)	1,072,625	1,070,436	1,072,585	1,072,667
Basic earnings per share (sen)	6.79	7.29	14.44	19.45

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 2018 was not subject to any qualification.

B15. Additional disclosure on profit for the period

	Quarter ended 30.09.2019 RM'000	Financial year ended 30.09.2019 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	248	965
Amortisation of prepaid land lease payments	595	1,784
Amortisation of right-of use assets	1,794	5,173
Property, plant and equipment written off	3	3
Depreciation of property, plant and equipment	15,727	46,272
Depreciation of investment properties	49	108
Gain on foreign exchange - realised	(10)	(41)
Loss on foreign exchange - realised	1	3
Gain on foreign exchange – unrealised	(170)	(401)
Gain on disposal of property, plant and equipment	(548)	(722)
Interest expense	8,464	25,537
Interest income	(3,437)	(14,040)
Net fair value changes in investment securities	(832)	(3,358)