CAHYA MATA SARAWAK BERHAD

(Company No: 21076-T)

(Incorporated in Malaysia)

Interim Financial Report

Condensed consolidated statements of comprehensive income for the year ended 31 December 2019

	Note	3 months ended 31.12.2019 RM'000	3 months ended 31.12.2018 RM'000	Changes (%)	12 months ended 31.12.2019 RM'000	12 months ended 31.12.2018 RM'000	Changes (%)
Revenue	A8	456,471	496,812	-8%	1,740,998	1,712,244	2%
Cost of sales		(414,580)	(400,132)		(1,457,284)	(1,368,283)	
Gross profit		41,891	96,680	-57%	283,714	343,961	-18%
Other income		26,049	24,904		45,824	40,924	
Administrative expenses		(19,723)	(16,788)		(60,718)	(54,159)	
Selling and marketing expenses		(4,668)	(5,159)		(17,290)	(17,042)	
Other expenses		(13,734)	(5,635)		(16,866)	(8,869)	
Operating profit		29,815	94,002	-68%	234,664	304,815	-23%
Finance costs		(16,070)	(14,233)		(41,952)	(37,285)	
Share of results of associates		3,791	6,142		59,591	105,340	
Share of results of joint ventures		2,666	(2,835)		(1,250)	(546)	
Profit before taxation		20,202	83,076	-76%	251,053	372,324	-33%
Income tax expense	B5	(11,196)	(21,903)		(61,982)	(75,078)	
Profit for the period		9,006	61,173	-85%	189,071	297,246	-36%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Foreign currency translation		0	2		0	(4)	
Share of other comprehensive income of associates		(1,265)	3,557		5,562	4,270	
Share of other comprehensive income of joint ventures		0	(9)		0	(32)	
Other comprehensive income for the period		(1,265)	3,550		5,562	4,234	
Total comprehensive income for the period		7,741	64,723	-88%	194,633	301,480	-35%
Profit attributable to:							
Owners of the Company		5,359	53,517	-90%	160,286	262,135	-39%
Non-controlling interests		3,647	7,656		28,785	35,111	
		9,006	61,173		189,071	297,246	
Total comprehensive income attributable to:							
Owners of the Company		4,127	57,042		165,746	266,341	
Non-controlling interests		3,614	7,681		28,887	35,139	
		7,741	64,723		194,633	301,480	
		sen	sen		sen	sen	
Earnings per share attributable to owners of the Company:							
Basic/diluted	B13	0.50	5.00		14.94	24.45	

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 31 December 2019

	Note	Unaudited As at 31.12.2019 RM'000	Audited As at 31.12.2018 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,342,249	746,217
Prepaid land lease payments		0	42,508
Land held for property development		174,267	227,629
Investment properties		5,039	5,156
Intangible assets		15,934	726
Goodwill		83,678	62,954
Investments in associates		981,142	979,791
Investments in joint ventures		20,327	23,916
Deferred tax assets		15,684	19,034
Other receivables		90,782	50,182
Investment securities		14,002	3,958
		2,743,104	2,162,071
Current assets			
Property development costs		172,233	192,993
Inventories		342,322	334,248
Trade and other receivables		294,905	314,038
Other current assets		59,513	81,985
Investment securities		239,309	100,201
Derivative financial asset		90,058	81,271
Tax recoverable		6,105	7,017
Cash and bank balances		621,063	920,539
		1,825,508	2,032,292
TOTAL ASSETS		**4,568,612**	**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		18,998	13,589
Retained earnings		1,762,151	1,679,692
		2,643,426	2,548,906
Non-controlling interests		520,074	367,305
Total equity		3,163,500	2,916,211
Non-current liabilites			
Deferred tax liabilities		51,337	35,947
Loans and borrowings	**B7**	709,637	562,628
Long term lease liabilities		35,400	0
Trade and other payables		1,552	61,859
		797,926	660,434
Current liabilities			
Income tax payable		7,077	18,109
Loans and borrowings	**B7**	45,909	53,905
Short term lease liabilities		11,023	0
Trade and other payables		471,910	454,659
Other current liabilities		71,267	91,045
		607,186	617,718
Total liabilities		1,405,112	1,278,152
TOTAL EQUITY AND LIABILITIES		**4,568,612**	**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 year ended 31 December 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 2019	2,916,211	2,548,906	867,902	(12,277)	13,589	1,679,692	367,305
Profit net of tax	189,071	160,286	0	0	0	160,286	28,785
Other comprehensive income, net of tax	5,562	5,460	0	0	5,460	0	102
Total comprehensive income	194,633	165,746	0	0	5,460	160,286	28,887
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	(14,533)	0	0	0	0	0	(14,533)
Total transactions with owners	(85,288)	(71,055)	0	6,652	0	(77,707)	(14,233)
Acquisition of a subsidiay	8,074	0	0	0	0	0	8,074
Disposal of a subsidiary	(59)	(59)	0	0	(39)	(20)	0
Deemed acquisition of a subsidiary	130,048	0	0	0	0	0	130,048
Share of associates' reserves	0	0	0	0	(12)	12	0
Share of joint ventures' reserves	(117)	(112)	0	0	0	(112)	(5)
At 31 December 2019	3,163,502	2,643,426	867,902	(5,625)	18,998	1,762,151	520,076

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the year ended 31 December 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	28,959	29,705	0	0	237	29,468	(746)
As restated	2,708,604	2,379,974	867,902	0	9,329	1,502,743	328,630
Profit net of tax	297,246	262,135	0	0	0	262,135	35,111
Other comprehensive income, net of tax	4,234	4,206	0	0	4,206	0	28
Total comprehensive income	301,480	266,341	0	0	4,206	262,135	35,139
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	19,110	0	0	0	0	0	19,110
Issuance of preference shares to a non-controlling interest	(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	0	0	0	0	54	(54)	0
At 31 December 2018	2,916,211	2,548,906	867,902	(12,277)	13,589	1,679,692	367,305

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the year ended 31 December 2019

	12 months ended 31.12.2019 RM'000	12 months ended 31.12.2018 RM'000
Profit before taxation	251,053	372,324
Adjustments for non-cash items:		
Non-cash items	10,544	(64,453)
Operating cash flows before changes in working capital	261,597	307,871
Changes in working capital		
Increase in current assets	102,792	(42,696)
Decrease in non-current assets	53,362	13,764
Decrease in current liabilities	(25,007)	(34,711)
Decrease in non-current liabilities	(61,307)	(31,860)
Cash flows from/(used in) operations	331,437	212,368
Interest received	20,615	25,782
Interest paid	(37,734)	(33,023)
Income tax paid, net of refund	(53,046)	(78,204)
Net cash flows used in operating activities	261,272	126,923
Investing activities		
Acquisition of investment securities	(147,977)	(7,164)
Acquisition of prepaid land lease payments	0	(28,965)
Acquisition of property, plant and equipment	(365,784)	(81,284)
Additional investment in an associate	0	(45,542)
Additional investment in joint ventures	2,221	(3,294)
Distribution of profits from joint ventures	0	5,418
Dividends from associates	4,084	6,536
Dividends from investments	10,222	4,872
Net cash outflow from acquisition of a subsidiary	(26,158)	0
Net cash outflow arising from deemed acquisition of a subsidiary	(19,917)	0
Proceeds from disposal of property, plant and equipment	4,325	1,638
Proceeds from disposal of investments in irredeemable convertible preference shares	0	77,170
Advancement of shareholders' loan	(53,698)	0
Others	(6,222)	(2)
Net cash used in investing activities	(598,904)	(70,617)
Financing activities		
Acquisition of treasury shares	(8,338)	(17,731)
Deposit pledged to a licensed bank	181	(45)
Drawdown of borrowings	180,121	37,600
Repayments of borrowings	(32,827)	(57,431)
Dividends paid to shareholders of the Company	(79,374)	(85,950)
Dividends paid to non-controlling interests	(14,533)	(15,574)
Net proceeds from disposal of treasury shares	16,657	6,272
Proceeds from issuance of preference shares to a non-controlling interest	300	19,110
Repayment of lease liabilities	(17,594)	0
Others	(6,278)	0
Net cash used in financing activities	38,315	(113,749)
Net decrease in cash and cash equivalents	(299,317)	(57,443)
Effect of foreign exchange changes in cash and cash equivalents	22	102
Cash and cash equivalents as at 1 January	918,440	975,781
Cash and cash equivalents as at 31 December	619,145	918,440
Cash and cash equivalents as at 31 December comprised the following:		
Cash and short term deposits	621,063	920,539
Less: Deposits pledged to licensed banks	(1,918)	(2,099)
	619,145	918,440

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 year ended 31 December 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 MFRSs 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 MFRSs 2015 - 2017 Cycle

The Annual Improvements to MFRSs 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 MFRSs 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

(i) Definition of a lease

On transition to MFRS 16, the Group and the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, determining whether an arrangement contains a lease were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(ii) As a Lessee

Where the Group and the Company is a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group and the Company's incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 5%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

A2. Changes in accounting policies (contd.)

(c) MFRS 16: Leases (contd.)

(ii) As a Lessee (contd.)

The Group and the Company used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

The Company 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 Company 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.

The Company leases some its properties and were classified as operating lease. The accounting policies for the Company 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.

(iii) As a lessor

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

A2. Changes in accounting policies (contd.)

(c) MFRS 16: Leases (contd.)

The following table provides the impact of changes to the statements of financial position of the Company resulting from the adoption of MFRS 16 as at 1 January 2019:

	Carrying amount as at 31 December 2018	**Effect of adoption of MFRS 16**	**Carrying amount as at 1 January 2019**
	RM'000	RM'000	RM'000
Non-current assets			
Property, plant and equipment	1,617,057	73,149	1,690,206
Prepaid land lease payments	42,508	(42,508)	-
Lease receivables	-	962	962
Current assets			
Lease receivables	-	233	233
Non-current liabilities			
Lease liabilities	-	25,622	25,622
Current liabilities			
Lease liabilities	-	5,686	5,686

(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 year ended 31 December 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 31 December 2019, there was no repurchase and resell of treasury shares. As at 31 December 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		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	153,097	148,397	601,621	557,852
Construction materials & trading	178,991	207,799	596,985	559,274
Construction & road maintenance	123,836	146,788	502,446	554,213
Property development	27,572	26,794	136,259	132,216
Strategic investments	2,430	2,386	9,967	9,632
Others	16,090	18,118	68,575	71,089
Total revenue including inter-segment sales	502,016	550,282	1,915,853	1,884,276
Elimination of inter-segment sales	(45,545)	(53,470)	(174,855)	(172,032)
	456,471	496,812	1,740,998	1,712,244
Segment Results				
Operating profit/(loss):				
Cement	7,596	19,769	73,113	90,141
Construction materials & trading	29,111	23,905	92,703	71,293
Construction & road maintenance	(10,488)	23,869	42,264	90,382
Phosphate	678	-	(2,485)	-
Property development	(6,288)	4,552	20,061	33,591
Strategic investments	(149)	(782)	(849)	(2,059)
Others	1,925	6,619	3,048	11,724
	22,385	77,932	227,855	295,072
Unallocated corporate expenses	(8,640)	1,837	(35,143)	(27,542)
Share of results of associates	3,791	6,142	59,591	105,340
Share of results of joint ventures	2,666	(2,835)	(1,250)	(546)
Profit before tax	20,202	83,076	251,053	372,324
Income tax expenses	(11,196)	(21,903)	(61,982)	(75,078)
Profit for the year	9,006	61,173	189,071	297,246

A9. Changes in composition of the Group

There have been no changes in the composition of the Group for the quarter ended 31 December 2019

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 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	235,703	235,703	83,372	83,372
- Obligation under finance lease	685	685	1,261	1,261
- Revolving credits	25,000	25,000	27,000	27,000
- Islamic medium term notes	500,000	525,600	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
31 December 2019				
Financial assets				
Investment securities				
- Income debt securities fund	-	103,292	-	103,292
- Real Estate Investment Trust	3,700	-	-	3,700
- Redeemable preference shares	-	-	14,002	14,002
- Retail money market funds	132,317	-	-	132,317
Derivative financial assets	-	-	90,058	90,058
	136,017	103,292	104,060	343,369
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 31 December 2019 and 31 December 2018 was as follows:

Capital commitments

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Approved and contracted for:		
- Property, plant and equipment	251,196	39,476
- Intangible assets	9,536	-
- Investments in redeemable preference shares in joint ventures	39,868	49,911
	300,600	89,387
Approved but not contracted for:		
- Property, plant and equipment	213,753	312,274
- Intangible assets	-	4,310
- Investments in associates	392,604	271,314
	606,357	587,898
	906,957	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 year ended 31 December 2019 and 31 December 2018 as well as the balances with the related parties as at 31 December 2019 and 31 December 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	2,105	-	-	-
	2018	4,697	-	-	-
- KKB Engineering Bhd and its subsidiary	2019	-	4,506	-	-
	2018	-	23,399	-	148
- SACOFA Sdn Bhd	2019	1,900	204	342	95
	2018	1,846	424	325	102
- OM Materials (Sarawak) Sdn	2019	8,884	-	10,260	-
	2018	11,302	-	9,700	-
- OM Materials (Samalaju) Sdn	2019	397	19	2	-
	2018	-	-	-	-
Joint Ventures:					
- PPES Works Naim Land	2019	-	-	-	-
	2018	114	-	93	-
- PPES Works Larico	2019	768	-	770	-
	2018	1,096	-	944	-
- PPES Works PCSB	2019	-	2,823	-	2,823
	2018	724	9,133	327	4,983
- COPE Private Equity Sdn Bhd	2019	40	-	12,600	-
	2018	141	-	46,100	-
Others					
- Corporate shareholders	2019	3,150	153,226	41	10,788
	2018	10,641	86,776	5,030	1,305
Key management personnel of the Group:					
- Directors' interests	2019	2,352	4,666	-	582
	2018	26	5,023	-	184

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

Year-to-date, 2019 ("YE2019") vs Year-to-date, 2018 ("YE2018")

The Group reported a total revenue of RM1.74 billion for YE2019, an increase of 2% in comparison to the preceding year's revenue of RM1.71 million.

However, the Group's profit before tax (PBT) and profit after tax and non-controlling interest (PATNCI) decreased by 33% and 39% respectively in comparison to the preceding year.

All the Divisions except for the Construction Materials & Trading Division reported lower results. PBT excluding associates & joint ventures amounted to RM192.71 million, which was RM74.82 million or 28% lower than YE2018's PBT of RM267.53 million.

The lower Group's PBT was also due to weaker results reported by the associates. Total contribution to PBT from the associates was reduced to RM59.59 million from YE2018's RM105.34 million.

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 19% lower PBT of RM73.11 million in YE2019 over YE2018's PBT of RM90.14 million, despite 8% higher revenue. The lower PBT was due to higher clinker and coal costs as well as higher discharging costs. Sales volumes of cement and concrete products were higher than last year.

(b) **Construction Materials & Trading Division** - reported a strong PBT of RM92.70 million, an increase of 30% in comparison to YE2018's PBT of RM71.29 million. The higher PBT was attributable to 7% higher revenue and a reversal of provision of RM14.83 million. Even without the reversal of provision, the Division's PBT for YE2019 of RM77.87 million would have been 9% stronger than YE2018.

(c) **Construction & Road Maintenance Division** - reported a lower PBT of RM42.26 million in YE2019, which was 53% lower than YE2018's profit of RM90.38 million (excluding share of results of joint ventures). The lower profit was mainly due to upward revision in costs for the Pan Borneo Highway project, higher costs spent on the State road routine maintenance and the compensation costs to the retrenched staff.

(d) **Property Development Division** - reported a lower PBT of RM20.06 million in YE2019 in comparison to a PBT of RM33.59 million in YE2018, representing a decrease of 40% despite 3% higher revenue. The was mainly because current year's properties sales were of lower margins. In addition, last year's profit was enhanced by downward revisions in costs for the construction projects upon finalisation of projects. Furthermore, an amount of RM10.37 million representing interest costs was expensed off in the current year as it was unrecoverable from the authority when the land was surrendered to the Government. Nevertheless, the profit recognition of a land sales and higher rental income from unsold properties had narrowed the gap in the lower profit.

B1. Review of performance (contd.)

Quarter 4, 2019 ("4Q19") vs Quarter 4, 2018 ("4Q18")

	4th Qtr 2019 RM'000	4th Qtr 2018 RM'000	Changes %
Revenue	456,471	496,812	-8%
Gross profit	41,891	96,680	-57%
Share of results of associates	3,791	6,141	-38%
Profit before tax	20,202	83,076	-76%

The Group's PBT for 4Q19 was lower than 4Q18. The decrease was attributable to all the Divisions except for the Construction Materials and Trading Division.

B2. Material changes in profit before tax for the quarter (Quarter 4, 2019 vs Quarter 3, 2019)

	4rd Qtr 2019 RM'000	3nd Qtr 2019 RM'000	Changes %
Revenue	456,471	467,176	-2%
Gross profit	41,891	95,891	-56%
Share of results of associates	3,791	30,092	-87%
Profit before tax	20,202	102,792	-80%

The Group's PBT for the current quarter was 80% lower than the immediate preceding quarter.

Except for the Construction Materials & Trading Division, all the other Divisions' performances for 4Q19 were lower than 3Q19.

The Cement Division's PBT was reduced to RM7.60 million in 4Q19 from RM33.85 million in 3Q19 mainly due to higher maintenance cost for clinker plant shutdown in October 2019, lower sales volume particularly in December 2019 (wet weather) and lower production volume.

The Construction Materials & Trading Division's higher PBT in 4Q19 was contributed by the quarry operations and a reversal of provision amounting to RM5.83 million.

The Construction & Road Maintenance Division reported a loss of RM10.49 million in the current quarter. The loss was due to the upward revision in costs for the Pan Borneo Highway project and higher costs incurred for State road routine maintenance project.

The Property Division reported a loss of RM6.29 million as compared to a PBT of RM5.40 million in 3Q19. This was mainly due to interest cost expensed off on land surrender and a reversal of land sale in 4Q19.

The lower PBT in 4Q19 was also attributable to the lower share of results of associates.

B3. Prospects for the year ending 31 December 2020

Whilst the operating environment faced by the Group will remain increasingly challenging, the Board is cautiously optimistic that the prospects for the year 2020 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 2020.

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

The Cement Division ended the year with lower PBT against previous year, mainly due to higher imported clinker cost, clinker plant maintenance costs and discharging costs. Clinker prices have escalated due to strong demand from China. Nevertheless, prices have stabilised but still remain higher than the prices for the past two years. Going forward, the Division will place emphasis on the maintenance on the clinker plant for the next two years in order to prolong the lifespan.

The Construction Materials & Trading Division's performance is expected to maintain strong in year 2020. Management expects the huge shortage of crushed aggregates to continue which will auger well for the Group's quarry sector. Management also expects the premix sector to remain busy in the southern region of Sarawak but the northern region to continue to face stiff competition. The Trading sector is expected to maintain its revenue from the term contracts with JKR.

The Construction & Road Maintenance Division is making every effort to bolster its competitive edge as it bids for new projects related to Sarawak's costal road network and the second trunk road projects. The Division will also preserve to stay competitive in procuring new projects in the construction of roads, buildings, drainage, water, power transmission lines and telecommunication line projects in Sarawak. The Division will continue to derive stable recurring income from its road concession that currently involves the maintenance of approximately 3,343 km of State roads.

The Property Development Division's main focus in 2020 will be Bandar Samariang township where the Division plans to launch approximately 500 units of single storey terrace house. With the recent reductions in overnight pricing rate by Bank Negara Malaysia, Management expects prospective buyers to have better chances to get their loans approved. However, the market for commercial properties remains stagnant as most of the shophouses around city area are still vacant and fetching low rental yield.

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. The lodge occupancy is not expected to experience any significant increase as there is no major construction activity from existing or new industries at SIP. The occupancy at the hotel is foreseen to drop as a long-term guest is expected to move out by end of February 2020. Attracting 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		12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	(1,996)	16,363	46,715	75,809
- Over provision in respect of previous years	(196)	(844)	(600)	(3,033)
Deferred tax	13,388	6,384	15,867	2,302
Total income tax expense	11,196	21,903	61,982	75,078

The effective tax rates for the quarters and year ended 31 December 2019 and 31 December 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 31.12.2019 RM'000	As at 31.12.2018 RM'000
Current		
Secured:		
Revolving credits	15,000	17,000
Hire purchase	380	577
Unsecured		
Bankers' acceptances	-	4,900
Term loan	21,428	21,428
Revolving credits	10,000	10,000
	46,808	53,905
Structuring and management fee	(899)	-
	45,909	53,905
Non-current		
Secured		
Hire purchase	305	684
Term loan	173,760	-
Unsecured		
Term loan	40,515	61,944
Islamic medium term notes	500,000	500,000
	714,580	562,628
Structuring and management fee	(4,943)	-
	709,637	562,628
Total	755,546	616,533

Loans and borrowings that are not denominated in Ringgit Malaysia amounted to RM143,160,756 (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

The Board of Directors has proposed to declare a first and final tax exempt (single-tier) dividend at the coming Annual General Meeting of 3.0 sen per ordinary share (2018: 7.4 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 2019 is 3.0 sen (2018: 7.4 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	5,359	53,516	160,286	262,135
Weighted average number of ordinary shares in issue ('000)	1,072,625	1,069,945	1,072,595	1,071,987
Basic earnings per share (sen)	0.50	5.00	14.94	24.45

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 31.12.2019 RM'000	Financial year ended 31.12.2019 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	575	1,540
Property, plant and equipment written off	1,090	1,094
Depreciation of property, plant and equipment	21,880	75,113
Depreciation of investment properties	29	117
Gain on disposal of property, plant and equipment	(160)	(945)
Loss on disposal of property, plant and equipment	-	63
Gain on foreign exchange - realised	(145)	(186)
Gain on foreign exchange – unrealised	(2,061)	(2,462)
Loss on foreign exchange - realised	7	10
Loss on foreign exchange – unrealised	704	704
Interest expense	15,945	41,482
Interest income	(7,116)	(21,156)
Net fair value changes in investment securities	2,183	(1,174)
Net fair value changes in derivatives	(8,787)	(8,787)