

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 March 2020

		3 months ended		Changes (%)	3 months ended		Changes (%)
		31.03.2020	31.03.2019		31.03.2020	31.03.2019	
		Note	RM'000	RM'000		RM'000	RM'000
Revenue	A8	282,454	418,177	-32%	282,454	418,177	-32%
Cost of sales		(232,687)	(349,700)		(232,687)	(349,700)	
Gross profit		49,767	68,477	-27%	49,767	68,477	-27%
Other income		6,311	12,974		6,311	12,974	
Administrative expenses		(16,694)	(16,963)		(16,694)	(16,963)	
Selling and marketing expenses		(4,309)	(4,688)		(4,309)	(4,688)	
Other expenses		(11,759)	(2,114)		(11,759)	(2,114)	
Operating profit		23,316	57,686	-60%	23,316	57,686	-60%
Finance costs		(7,683)	(8,755)		(7,683)	(8,755)	
Share of results of associates		11,385	13,348		11,385	13,348	
Share of results of joint ventures		(211)	157		(211)	157	
Profit before taxation		26,807	62,436	-57%	26,807	62,436	-57%
Income tax expense	B5	(9,475)	(13,763)		(9,475)	(13,763)	
Profit for the period		17,332	48,673	-64%	17,332	48,673	-64%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Share of other comprehensive income of associates		11,212	2,764		11,212	2,764	
Other comprehensive income for the period		11,212	2,764		11,212	2,764	
Total comprehensive income for the period		28,544	51,437	-45%	28,544	51,437	-45%
Profit attributable to:							
Owners of the Company		17,283	40,763	-58%	17,283	40,763	-58%
Non-controlling interests		49	7,910		49	7,910	
		17,332	48,673		17,332	48,673	
Total comprehensive income attributable to:							
Owners of the Company		28,525	43,492		28,525	43,492	
Non-controlling interests		19	7,945		19	7,945	
		28,544	51,437		28,544	51,437	
		sen	sen		sen	sen	
Earnings per share attributable to owners of the Company:							
Basic/diluted	B13	1.61	3.80		1.61	3.80	

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

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of financial position as at 31 March 2020

	Note	Unaudited As at 31.03.2020 RM'000	Audited As at 31.12.2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,305,561	1,332,139
Land held for property development		194,204	191,853
Investment properties		32,057	8,651
Intangible assets		16,167	15,934
Goodwill		83,678	83,678
Investments in associates		998,562	975,964
Investments in joint ventures		20,983	20,855
Deferred tax assets		15,571	15,444
Other receivables		93,227	89,737
Investment securities		11,755	11,525
		<u>2,771,765</u>	<u>2,745,780</u>
Current assets			
Property development costs		159,358	154,647
Inventories		328,967	342,322
Trade and other receivables		242,729	294,007
Other current assets		103,107	61,212
Investment securities		238,666	239,309
Derivative financial asset		90,058	90,058
Tax recoverable		9,801	6,511
Cash and bank balances		501,094	621,093
		<u>1,673,780</u>	<u>1,809,159</u>
TOTAL ASSETS		<u>4,445,545</u>	<u>4,554,939</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		867,902	867,902
Treasury shares		(5,625)	(5,625)
Other reserves		24,872	14,049
Retained earnings		1,779,842	1,762,141
		<u>2,666,991</u>	<u>2,638,467</u>
Non-controlling interests		<u>513,499</u>	<u>513,479</u>
Total equity		<u>3,180,490</u>	<u>3,151,946</u>
Non-current liabilities			
Deferred tax liabilities		49,342	49,427
Loans and borrowings	B7	727,330	709,332
Lease liabilities		33,668	36,253
Trade and other payables		1,552	1,003
		<u>811,892</u>	<u>796,015</u>
Current liabilities			
Income tax payable		7,971	7,082
Loans and borrowings	B7	40,510	45,529
Lease liabilities		10,895	11,997
Trade and other payables		345,823	471,103
Other current liabilities		47,964	71,267
		<u>453,163</u>	<u>606,978</u>
Total liabilities		<u>1,265,055</u>	<u>1,402,993</u>
TOTAL EQUITY AND LIABILITIES		<u>4,445,545</u>	<u>4,554,939</u>
Net assets per share attributable to ordinary owners of the Company (RM)		<u>2.49</u>	<u>2.46</u>

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

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 31 March 2020

< ----- 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 2020	3,151,946	2,638,467	867,902	(5,625)	14,049	1,762,141	513,479
Profit net of tax	17,332	17,283	0	0	0	17,283	49
Other comprehensive income, net of tax	11,212	11,241	0	0	11,227	14	(29)
Total comprehensive income	28,544	28,524	0	0	11,227	17,297	20
Transactions with owners:-							
Acquisition of treasury shares	0	0	0	0	0	0	0
Disposal of treasury shares	0	0	0	0	0	0	0
Dividends on ordinary shares	0	0	0	0	0	0	0
Issuance of preference shares to a non-controlling interest	0	0	0	0	0	0	0
Issuance of shares to a non-controlling interest	0	0	0	0	0	0	0
Dividends paid to non-controlling interests	0	0	0	0	0	0	0
Total transactions with owners	0	0	0	0	0	0	0
Acquisition of a subsidiary	0	0	0	0	0	0	0
Disposal of a subsidiary	0	0	0	0	0	0	0
Deemed acquisition of a subsidiary	0	0	0	0	0	0	0
Share of associates' reserves	0	0	0	0	(404)	404	0
Share of joint ventures' reserves	0	0	0	0	0	0	0
At 31 March 2020	3,180,490	2,666,991	867,902	(5,625)	24,872	1,779,842	513,499

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 31 March 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	2,916,213	2,548,906	867,902	(12,277)	13,589	1,679,692	367,307
Profit net of tax	48,673	40,763	0	0	0	40,763	7,910
Other comprehensive income, net of tax	(952)	(987)	0	0	(987)	0	35
Total comprehensive income	47,721	39,776	0	0	(987)	40,763	7,945
Transactions with owners:-							
Acquisition of treasury shares	(8,064)	(8,064)	0	(8,064)	0	0	0
Disposal of treasury shares	13,169	13,169	0	11,777	0	1,392	0
Total transactions with owners	5,105	5,105	0	3,713	0	1,392	0
Acquisition of a subsidiay	8,423	0	0	0	0	0	8,423
Deemed acquisition of a subsidiary	123,550	0	0	0	0	0	123,550
Share of associates' reserves	0	0	0	0	571	(571)	0
Share of joint ventures' reserves	(117)	(112)	0	0	0	(112)	(5)
At 31 March 2019	3,100,895	2,593,675	867,902	(8,564)	13,173	1,721,164	507,220

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the period ended 31 March 2020

	3 months ended 31.03.2020 RM'000	3 months ended 31.03.2019 RM'000
Profit before taxation	26,807	62,436
Adjustments for non-cash items:		
Non-cash items	15,580	(5,236)
Operating cash flows before changes in working capital	<u>42,387</u>	<u>57,200</u>
Changes in working capital		
Decrease/(increase) in current assets	17,241	(66,693)
(Increase)/decrease in non-current assets	(2,351)	188
Decrease in current liabilities	(153,359)	(103,754)
Increase in non-current liabilities	549	5,740
Cash flows used in operations	<u>(95,533)</u>	<u>(107,319)</u>
Interest received	3,554	7,146
Interest paid	(1,558)	(1,784)
Income tax paid, net of refund	(12,089)	(13,912)
Net cash flows used in operating activities	<u>(105,626)</u>	<u>(115,869)</u>
Investing activities		
Acquisition of property, plant and equipment	(17,387)	(16,810)
Additional investments in investment securities	(1,882)	(1,202)
Distribution of profit from joint ventures	1,130	0
Dividends received from investments	2,143	941
Net cash outflows from acquisition of subsidiaries	0	(40,814)
Proceeds from disposal of property, plant and equipment	295	266
Advancement of shareholders' loan	(462)	(5,300)
Others	(595)	16
Net cash used in investing activities	<u>(16,758)</u>	<u>(62,903)</u>
Financing activities		
Acquisition of treasury shares	0	(8,064)
Deposit pledged to a licensed bank	0	(1,400)
Drawdown of borrowings	23,336	1,500
Repayments of borrowings	(18,579)	(12,410)
Repayment of lease liabilities	(4,065)	(1,228)
Net proceeds from disposal of treasury shares	0	13,169
Net cash from/(used in) financing activities	<u>692</u>	<u>(8,433)</u>
Net decrease in cash and cash equivalents	<u>(121,692)</u>	<u>(187,205)</u>
Effect of foreign exchange changes in cash and cash equivalents	1,693	(34)
Cash and cash equivalents as at 1 January	<u>619,175</u>	<u>918,440</u>
Cash and cash equivalents as at 31 March	<u><u>499,176</u></u>	<u><u>731,201</u></u>
Cash and cash equivalents as at 31 March comprised the following:		
Cash and short term deposits	501,094	734,700
Less: Deposits pledged to licensed banks	(1,918)	(3,499)
	<u><u>499,176</u></u>	<u><u>731,201</u></u>

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

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2020 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 2019.

A2. Changes in accounting policies

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

On 1 January 2020, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2020.

- Amendments to MFRS 3: Definition of a Business
- Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
- Amendments to MFRS 101 and MFRS 108: Definition of Material
- Revised Conceptual Framework for Financial Reporting

(a) Amendments to MFRS 101 and MFRS 108: Definition of Material

The amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 align the definition of ‘material’ across the standards and clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

A2. Changes in accounting policies (contd.)

(b) Revised Conceptual Framework for Financial Reporting

On 30 April 2018, MASB issued a revised Conceptual Framework for Financial Reporting. The purpose of the Conceptual Framework is, amongst others, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management’s stewardship;
- Reintroduces the concept of prudence;
- Defines the concept of measurement uncertainty;
- Reinstates an explicit reference to the need to “faithfully represent the substance of the phenomena that it purports to represent”; and
- Made changes to the definitions of an asset and a liability.

The adoption of these standards is not expected to have any material effect on the financial performance or position of the Group.

A3. Seasonal or cyclical factors

The business operations of the Group are generally non-cyclical or seasonal. Ordinarily, however, there is a lower level of activity during the 1st quarter of the year.

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 March 2020.

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 March 2020, there was no repurchase and resell of treasury shares. As at 31 March 2020, the Company held 1,751,100 treasury shares in its books.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

A7. Dividends paid

There was no dividend paid during the quarter ended 31 March 2020.

A8. Segmental information

	3 months ended	
	31.03.2020	31.03.2019
	RM'000	RM'000
Segment Revenue		
Cement	120,245	146,393
Construction materials & trading	77,914	113,013
Construction & road maintenance	81,251	129,749
Property development	18,335	44,545
Strategic investments	-	2,478
Others	18,890	19,394
Total revenue including inter-segment sales	316,635	455,572
Elimination of inter-segment sales	(34,181)	(37,395)
	<u>282,454</u>	<u>418,177</u>
Segment Results		
Operating profit/(loss):		
Cement	18,589	10,997
Construction materials & trading	6,716	20,978
Construction & road maintenance	6,062	15,331
Property development	4,383	15,079
Phosphate	(8,066)	-
Strategic investments	389	(2,346)
Others	1,190	(1,726)
	<u>29,263</u>	<u>58,313</u>
Unallocated corporate expenses	(13,630)	(9,382)
Share of results of associates	11,385	13,348
Share of results of joint ventures	(211)	157
Profit before tax	<u>26,807</u>	<u>62,436</u>
Income tax expenses	(9,475)	(13,763)
Profit for the year	<u>17,332</u>	<u>48,673</u>

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

A9. Changes in composition of the Group

There have been no changes in the composition of the Group for the quarter ended 31 March 2020.

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 March 2020		31 December 2019	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial liabilities:				
Interest-bearing loans and borrowings				
- Term loans	247,840	247,840	229,861	229,861
- Islamic medium term notes	500,000	523,025	500,000	525,600

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

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 March 2020				
Financial assets				
Investment securities				
- Income debt securities	-	102,903	-	102,903
- Real Estate Investment Trust	3,050	-	-	3,050
- Redeemable preference shares	-	-	11,755	11,755
- Money market funds	132,713	-	-	132,713
Derivative financial assets	-	-	90,058	90,058
	<u>135,763</u>	<u>102,903</u>	<u>101,813</u>	<u>340,479</u>
31 December 2019				
Financial assets				
Investment securities				
- Income debt securities	-	103,292	-	103,292
- Real Estate Investment Trust	3,700	-	-	3,700
- Redeemable preference shares	-	-	11,525	11,525
- Money market funds	132,317	-	-	132,317
Derivative financial assets	-	-	90,058	90,058
	<u>136,017</u>	<u>103,292</u>	<u>101,583</u>	<u>340,892</u>

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

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

A11. Capital & other commitments

The amount of commitments not provided for in the interim financial statements as at 31 March 2020 and 31 December 2019 was as follows:

Capital commitments

	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
Approved and contracted for:		
- Property, plant and equipment	232,427	251,196
- Land held for property development	-	2,223
- Intangible assets	8,966	9,536
- Investments in redeemable preference shares in joint ventures	39,637	39,868
	<u>281,030</u>	<u>302,823</u>
Approved but not contracted for:		
- Property, plant and equipment	185,229	255,288
- Investments in associates	403,247	392,605
	<u>588,476</u>	<u>647,893</u>
	<u>869,506</u>	<u>950,716</u>

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.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

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

		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	2020	239	-	-	-
	2019	863	-	-	-
- KKB Engineering Bhd and its subsidiary	2020	-	-	-	-
	2019	-	4,491	-	-
- SACOFA Sdn Bhd	2020	468	-	465	9
	2019	476	10	173	-
- OM Materials (Sarawak) Sdn Bhd	2020	1,967	-	11,132	-
	2019	2,696	-	10,614	-
- OM Materials (Samalaju) Sdn Bhd	2020	391	-	788	-
	2019	-	-	-	-
Joint Ventures:					
- PPES Works Larico	2020	32	-	275	-
	2019	242	-	532	-
- PPES Works PCSB	2020	7,970	-	-	-
	2019	3,079	-	131	-
- COPE Private Equity Sdn Bhd	2020	19	-	2,300	-
	2019	13	-	4,300	-
Others					
- Corporate shareholders	2020	90	18,035	-	71
	2019	-	20,458	-	-
Key management personnel of the Group:					
- Directors' interests	2020	-	992	-	341
	2019	26	1,698	-	718

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

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

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

B1. Review of performance

Year-to-date, 2020 (“PE2020”) vs Year-to-date, 2019 (“PE2019”)

The Group reported a revenue of RM282.45 million for 1Q2020, a decrease of 32% in comparison to the preceding year’s corresponding period’s revenue of RM418.18 million. Group revenue decreased mainly due lower contribution from all the Divisions except for the Cement Division.

Group’s profit before tax (PBT) and profit after tax and non-controlling interest (PATNCI) decreased by 57% and 58% respectively in comparison to the preceding year’s corresponding period. The Cement Division was the only division that showed improvement in PBT despite lower revenue.

Total contribution to PBT from the associates decreased by 15% to RM11.39 million from 1Q2019’s RM13.35 million.

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

- (a) **Cement Division** - reported a 69% higher PBT of RM18.59 million in 1Q2020 over 1Q2019’s PBT of RM11.00 million, despite 18% lower revenue. The higher PBT was due to cheaper imported clinker, lower repair & maintenance cost and higher clinker production volume. The clinker plant had its long annual maintenance shutdown in January 2019 and thus higher shutdown costs were incurred in the previous year’s corresponding quarter.
- (b) **Construction Materials & Trading Division** - reported a PBT of RM6.72 million, a decrease of 68% in comparison to 1Q2019’s PBT of RM20.98 million. The lower PBT was attributable to an overall 31% lower revenue from its quarry, premix and trading sectors, a lower gross profit margin from its premix sector and higher other expenses. Lower premix revenue was mainly due to shortages of raw materials as well as stiffer competition in the northern region of Sarawak. Furthermore, there was a RM9.00 million reversal of provision for soil erosion remedial works in 1Q2019.
- (c) **Construction & Road Maintenance Division** - reported a significantly lower PBT of RM6.06 million in 1Q2020, which was 60% lower than 1Q2019’s profit of RM15.33 million (excluding share of results of joint ventures) at the back of 37% lower revenue and lower gross profit margin. Road maintenance revenue for 1Q2020 decreased by 45% as compared to 1Q2019 as the road length maintained effective 1 January 2020 has been almost half of that maintained in the previous year’s corresponding quarter. Road maintenance’s gross profit margin reduced as more activities were carried out as required under the new contract. Lower revenue from construction was mainly due to less work done.
- (d) **Property Development Division** - reported a lower PBT of RM4.38 million in 1Q2020 in comparison to a PBT of RM15.08 million in 1Q2019, representing a decrease of 71% at the back of 59% lower revenue. The was mainly due to decrease in the number of properties sold as well as lower gross profit for land sale.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

B2. Material changes in profit before tax for the quarter (Quarter 1, 2020 vs Quarter 4, 2019)

	1st Qtr 2020 RM'000	4th Qtr 2019 RM'000	Changes %
Revenue	282,454	456,001	-38%
Gross profit	49,767	41,395	20%
Share of results of associates	11,385	2,597	338%
Profit before tax	26,807	17,045	57%

Despite lower revenue due to the Movement Control Order (MCO) in 1Q2020, the Group's PBT for the current quarter was 57% higher than the immediate preceding quarter. This was mainly due to the higher contributions from the Group's associates.

The traditional core businesses which recorded higher PBT in the current quarter were the Cement, Construction & Road and Properties Divisions.

The Cement Division's PBT increased to RM18.59 million in 1Q2020 from RM7.60 million in 4Q2019 despite lower revenue. This was mainly due to lower costs. Sales volume for the current quarter was lower by 20% than the immediate preceding quarter. Ordinarily, there is a lower level of activity during the 1st quarter of the year and for this quarter it was further affected by the MCO. The lower costs were attributable to cheaper imported clinker price coupled with stronger Ringgit and lower repair and maintenance costs as the clinker plant had already undergone its yearly maintenance shutdown in October 2019.

The Construction & Road Maintenance Division reported a PBT of RM6.06 million as compared to a pre-tax loss of RM10.49 million in the 4Q2019. The loss in 4Q2019 was due to the upward revision in costs for the Pan Borneo Highway project and retrenchment costs following the closure of 9 road maintenance units. Current quarter's road maintenance revenue was lower by 45% as compared to 4Q2019 due to shorter road length maintained (average 3,300 km vs 6,168 km per month).

The Property Division reported a PBT of RM4.38 million as compared to a pre-tax loss of R6.29 million in 4Q2019. This loss in 4Q2019 was mainly due to interest expense following a surrender of land and a reversal of land sale.

The Construction Materials & Trading Division's PBT decreased by RM22.40 million to RM6.72 million in 1Q2020 from RM28.98 million in 4Q2019. Apart from the effects of the MCO and higher expenses in 1Q2020, the decline in PBT was also due to a reversal of provision for soil erosion remedial works amounting to RM5.83 million in 4Q2019.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

B3. Prospects for the year ending 31 December 2020

The current COVID-19 pandemic has brought about significant disruption and uncertainty to businesses and economies globally. Management has stepped up efforts to navigate the turbulence, overcome challenges with grit and persistence to ensure that our operations get back on track in due course and regain the positive momentum that we were on before it all came to a halt when the MCO was initiated by the government.

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 cautiously optimistic that we are able to deliver a satisfactory performance for 2020 given the current pandemic environment.

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

The Cement Division started the year with higher PBT against previous year's corresponding period and budget. The main contributors for the improved performance were more stable clinker operations and lower costs of imported clinker. However, given the effects from the MCO, Management expects to achieve a PBT for first half of 2020 to be only 50% of first half of 2019 as demand will be weak owing to the construction projects needing time to mobilise and the Hari Raya and Gawai holidays. Management also expects some maintenance costs for the plants especially the clinker operations as the plant requires some time to stabilise after a long shutdown. Demurrage on the clinker imports due to delays in unloading the MCO will also affect profitability.

The Construction Materials & Trading Division's performance is expected to pick up and remain 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 Construction & Road Maintenance Division's construction order book excluding road concessions was RM1.24 billion as at 31 March 2020. Management aims to replenish it by approximately RM200 million in the remaining period of the current financial year. The 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 market has softened since February 2020 when the political crisis happened that led to a change in political leadership and a new coalition government, followed by the COVID-19 and the imposition of the MCO. In addressing the current market situation, the Property Development Division is focusing on the affordable housing segment (selling price of RM300,000 and below) which targets first time house buyers and government servants with stable incomes. With the reductions of the overnight pricing rate from 3% at the beginning of the year to 2% on 5 May 2020, it is a relief and a silver lining for the industry players. Management expects the home ownership campaign (HOC) 2020 recently announced by the government to stimulate the Property Division's Rivervale condominium units.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

B3. Prospects for the year ending 31 December 2020 (contd.)

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 dropped by 32% at the end of February 2020 as a long-term guest moved out but it increased in mid-March 2020 when an existing industry occupying 80% of hotel rooms when the MCO was implemented. Management expects the hotel occupancy to fall after MCO ends. Another challenge is the operations of the hotel after the expiry of the existing management agreement on 31 December 2020.

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	
	31.03.2020	31.03.2019
	RM'000	RM'000
Current income tax:		
- Malaysian income tax	9,688	8,779
- Over provision in respect of previous years	-	17
Deferred tax	(213)	4,967
Total income tax expense	<u>9,475</u>	<u>13,763</u>

The effective tax rate for the period ended 31 March 2020 was 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.

The effective tax rate for the period ended 31 March 2019 was 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.

CAHYA MATA SARAWAK BERHAD
(Company No. 21076-T)

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

B7. Loans and borrowings

	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
Current		
Secured:		
Revolving credits	15,000	15,000
Unsecured		
Term loan	21,428	21,428
Revolving credits	5,000	10,000
	<u>41,428</u>	<u>46,428</u>
Structuring and management fee	(918)	(899)
	<u>40,510</u>	<u>45,529</u>
Non-current		
Secured		
Term loan	195,595	173,760
Unsecured		
Term loan	36,558	40,515
Islamic medium term notes	500,000	500,000
	<u>732,153</u>	<u>714,275</u>
Structuring and management fee	(4,823)	(4,943)
	<u>727,330</u>	<u>709,332</u>
Total	<u>767,840</u>	<u>754,861</u>

Loans and borrowings that are not denominated in Ringgit Malaysia amounted to RM161,200,669 (31 December 2019: RM140,721,651).

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

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 2019.

B12. Dividend payable

No interim dividend has been declared for the financial period ended 31 March 2020 (31 March 2019: 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	
	31.03.2020	31.03.2019
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	17,283	40,763
Weighted average number of ordinary shares in issue ('000)	1,072,625	1,072,504
Basic earnings per share (sen)	1.61	3.80

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.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2020

B14. Auditor’s report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2019 was not subject to any qualification.

B15. Additional disclosure on profit for the period

	Quarter ended 31.03.2020 RM’000	Financial year ended 31.03.2020 RM’000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	362	362
Property, plant and equipment written off	-	-
Depreciation of property, plant and equipment	20,146	20,146
Depreciation of investment properties	29	29
Gain on disposal of property, plant and equipment	(23)	(23)
Loss on disposal of property, plant and equipment	31	31
Gain on foreign exchange - realised	(142)	(142)
Gain on foreign exchange – unrealised	(3,532)	(3,532)
Loss on foreign exchange - realised	250	250
Loss on foreign exchange – unrealised	8,222	8,222
Interest expense	7,525	7,525
Interest income	(5,149)	(5,149)
Net fair value changes in investment securities	2,293	2,293
Net fair value changes in derivatives	-	-