

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 June 2020

	Note	3 months ended		Changes (%)	6 months ended		Changes (%)
		30.06.2020 RM'000	30.06.2019 RM'000		30.06.2020 RM'000	30.06.2019 RM'000	
Revenue	A8	206,837	399,174	-48%	489,291	817,351	-40%
Cost of sales		(185,945)	(321,719)		(418,632)	(671,419)	
Gross profit		20,892	77,455	-73%	70,659	145,932	-52%
Other income		2,636	3,129		8,947	16,103	
Administrative expenses		(11,559)	(13,281)		(28,253)	(30,244)	
Selling and marketing expenses		(3,461)	(3,823)		(7,770)	(8,511)	
Other expenses		2,349	(228)		(9,410)	(2,342)	
Operating profit		10,857	63,252	-83%	34,173	120,938	-72%
Finance costs		(7,283)	(8,534)		(14,966)	(17,289)	
Share of results of associates		20,532	12,360		31,917	25,708	
Share of results of joint ventures		(1,113)	(1,455)		(1,324)	(1,298)	
Profit before taxation		22,993	65,623	-65%	49,800	128,059	-61%
Income tax expense	B5	(3,938)	(16,823)		(13,413)	(30,586)	
Profit for the period		19,055	48,800	-61%	36,387	97,473	-63%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Foreign currency translation		0	1		0	1	
Share of other comprehensive income of associates		907	(565)		12,119	2,199	
Share of other comprehensive income of joint ventures		(111)	0		(111)	0	
Other comprehensive income for the period		796	(564)		12,008	2,200	
Total comprehensive income for the period		19,851	48,236	-59%	48,395	99,673	-51%
Profit attributable to:							
Owners of the Company		16,707	41,332	-60%	33,990	82,095	-59%
Non-controlling interests		2,348	7,468		2,397	15,378	
		19,055	48,800		36,387	97,473	
Total comprehensive income attributable to:							
Owners of the Company		17,406	40,716		45,931	84,208	
Non-controlling interests		2,445	7,520		2,464	15,465	
		19,851	48,236		48,395	99,673	
		sen	sen		sen	sen	
Earnings per share attributable to owners of the Company:							
Basic/diluted	B13	1.56	3.85		3.17	7.65	

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 30 June 2020

	Note	Unaudited As at 30.06.2020 RM'000	Audited As at 31.12.2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,244,012	1,332,139
Land held for property development		194,204	191,853
Investment properties		28,480	8,651
Intangible assets		7,379	15,934
Goodwill		61,709	83,678
Investments in associates		997,963	975,964
Investments in joint ventures		16,538	20,855
Deferred tax assets		5,633	15,444
Other receivables		93,171	89,737
Investment securities		12,011	11,525
		<u>2,661,100</u>	<u>2,745,780</u>
Current assets			
Property development costs		163,227	154,647
Inventories		304,963	342,322
Trade and other receivables		152,939	294,007
Other current assets		27,384	61,212
Investment securities		262,586	239,309
Derivative financial asset		90,058	90,058
Tax recoverable		4,747	6,511
Cash and bank balances		451,132	621,093
		<u>1,457,036</u>	<u>1,809,159</u>
Assets classified as held for sale	A14	397,644	0
Total current assets		<u>1,854,680</u>	<u>1,809,159</u>
TOTAL ASSETS		<u>4,515,780</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		25,354	14,049
Retained earnings		1,796,814	1,762,141
		<u>2,684,445</u>	<u>2,638,467</u>
Non-controlling interests		499,368	513,479
Total equity		<u>3,183,813</u>	<u>3,151,946</u>
Non-current liabilities			
Deferred tax liabilities		44,830	49,427
Loans and borrowings	B7	794,506	709,332
Lease liabilities		27,378	36,253
Trade and other payables		1,003	1,003
		<u>867,717</u>	<u>796,015</u>
Current liabilities			
Income tax payable		5,982	7,082
Loans and borrowings	B7	45,865	45,529
Lease liabilities		9,341	11,997
Trade and other payables		193,088	471,103
Other current liabilities		6,357	71,267
		<u>260,633</u>	<u>606,978</u>
Liabilities classified as held for sale	A14	203,617	0
Total current liabilities		<u>464,250</u>	<u>606,978</u>
Total liabilities		<u>1,331,967</u>	<u>1,402,993</u>
TOTAL EQUITY AND LIABILITIES		<u>4,515,780</u>	<u>4,554,939</u>
Net assets per share attributable to ordinary owners of the Company (RM)		<u>2.50</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 30 June 2020

	< ----- Attributable to Owners of the Company ----- >						
	Total equity RM'000	< ----- Non-distributable ----- >				Distributable	
		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	36,387	33,990	0	0	0	33,990	2,397
Other comprehensive income, net of tax	12,008	11,941	0	0	11,931	10	67
Total comprehensive income	48,395	45,931	0	0	11,931	34,000	2,464
Transactions with owners:-							
Dividends paid to non-controlling interests	(16,578)	0	0	0	0	0	(16,578)
Total transactions with owners	(16,578)	0	0	0	0	0	(16,578)
Share of associates' reserves	51	48	0	0	(625)	673	3
At 30 June 2020	3,183,814	2,684,446	867,902	(5,625)	25,355	1,796,814	499,368

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 30 June 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	97,473	82,095	0	0	0	82,095	15,378
Other comprehensive income, net of tax	2,453	2,365	0	0	2,365	0	88
Total comprehensive income	99,926	84,460	0	0	2,365	82,095	15,466
Transactions with owners:-							
Acquisition of treasury shares	(6,671)	(6,671)	0	(8,338)	0	1,667	0
Disposal of treasury shares	(64,384)	(64,384)	0	14,990	0	(79,374)	0
Dividends on ordinary shares	0	0	0	0	0	0	0
Issuance of preference 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 subsidiary	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	511	(511)	0
Share of joint ventures' reserves	(117)	(112)	0	0	0	(112)	(5)
At 30 June 2019	3,062,706	2,562,199	867,902	(5,625)	16,465	1,683,457	500,507

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the period ended 30 June 2020

Note	6 months ended 30.06.2020 RM'000	6 months ended 30.06.2019 RM'000
Profit before taxation	49,800	128,059
Adjustments for non-cash items:		
Non-cash items	15,281	1,539
Operating cash flows before changes in working capital	<u>65,081</u>	<u>129,598</u>
Changes in working capital		
Increase in current assets	(1,911)	(89,168)
Increase in non-current assets	(2,351)	(1,368)
Decrease in current liabilities	(152,864)	(125,444)
Increase in non-current liabilities	0	5,749
Cash flows used in operations	<u>(92,045)</u>	<u>(80,633)</u>
Interest received	7,643	10,603
Interest paid	(11,144)	(17,139)
Income tax paid, net of refund	(16,641)	(25,552)
Net cash flows used in operating activities	<u>(112,187)</u>	<u>(112,721)</u>
Investing activities		
Acquisition of property, plant and equipment	(103,331)	(106,167)
Acquisition of investment properties	26	0
Additional investments in investment securities	(23,294)	(9,933)
Distribution of profit from joint ventures	1,897	1,646
Dividends from associates	22,087	4,085
Dividends received from investments	3,962	4,542
Net cash outflows from acquisition of subsidiaries	0	(26,158)
Net cash outflow arising from deemed acquisition of a subsidiary	0	(14,656)
Proceeds from disposal of property, plant and equipment	298	1,057
Advancement of shareholders' loan	(946)	(13,658)
Others	(922)	(60)
Net cash used in investing activities	<u>(100,223)</u>	<u>(159,302)</u>
Financing activities		
Acquisition of treasury shares	0	(8,338)
Deposit pledged to a licensed bank	(46)	(13)
Drawdown of borrowings	97,267	7,200
Repayments of borrowings	(16,684)	(19,418)
Repayment of lease liabilities	(6,913)	(2,401)
Dividends paid to shareholders of the Company	0	(79,374)
Dividends paid to non-controlling interests	(16,578)	(14,534)
Net proceeds from disposal of treasury shares	0	16,657
Proceeds from issuance of preference shares to a non-controlling interest	0	300
Net cash from/(used in) financing activities	<u>57,046</u>	<u>(99,921)</u>
Net decrease in cash and cash equivalents	<u>(155,364)</u>	<u>(371,944)</u>
Effect of foreign exchange changes in cash and cash equivalents	531	171
Cash and cash equivalents as at 1 January	619,175	918,440
Cash at bank attributable to assets classified as held for sale	<u>(15,174)</u>	<u>0</u>
Cash and cash equivalents as at 30 June	<u>449,168</u>	<u>546,667</u>
Cash and cash equivalents as at 30 June comprised the following:		
Cash and short term deposits	451,132	548,779
Less: Deposits pledged to licensed banks	(1,964)	(2,112)
	<u>449,168</u>	<u>546,667</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 – 30 JUNE 2020

Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 June 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 – 30 JUNE 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.

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 June 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 30 June 2020, there was no repurchase and resell of treasury shares. As at 30 June 2020, the Company held 1,751,100 treasury shares in its books.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2020

A7. Dividends paid

There was no dividend paid during the quarter ended 30 June 2020.

A8. Segmental information

	3 months ended		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	75,015	137,839	195,260	284,232
Construction materials & trading	55,914	141,544	133,828	254,557
Construction & road maintenance	70,512	110,889	151,763	240,638
Property development	10,611	33,239	28,946	77,784
Strategic investments *	-	2,544	-	5,022
Others	13,468	16,233	32,358	35,627
Total revenue including inter-segment sales	225,520	442,288	542,155	897,860
Elimination of inter-segment sales	(18,683)	(43,114)	(52,864)	(80,509)
	<u>206,837</u>	<u>399,174</u>	<u>489,291</u>	<u>817,351</u>
Segment Results				
Operating profit/(loss):				
Cement	329	20,673	18,918	31,670
Construction materials & trading	2,936	18,979	9,653	39,957
Construction & road maintenance	5,277	18,666	11,339	33,997
Property development	1,219	5,870	5,602	20,949
Phosphate	1,297	(1,330)	(6,769)	(3,260)
Strategic investments *	329	(207)	718	(623)
Others	(158)	1,741	1,031	15
	<u>11,229</u>	<u>64,392</u>	<u>40,492</u>	<u>122,705</u>
Unallocated corporate expenses	(7,655)	(9,674)	(21,285)	(19,056)
Share of results of associates	20,532	12,360	31,917	25,708
Share of results of joint ventures	(1,113)	(1,455)	(1,324)	(1,298)
Profit before tax	<u>22,993</u>	<u>65,623</u>	<u>49,800</u>	<u>128,059</u>
Income tax expenses	(3,938)	(16,823)	(13,413)	(30,586)
Profit for the year	<u>19,055</u>	<u>48,800</u>	<u>36,387</u>	<u>97,473</u>

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2020

A9. Changes in composition of the Group

There have been no changes in the composition of the Group for the quarter ended 30 June 2020.

A10. 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.

A11. 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 June 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	325,892	325,892	229,861	229,861
- Islamic medium term notes	500,000	524,540	500,000	525,600
	<u>825,892</u>	<u>850,432</u>	<u>729,861</u>	<u>755,461</u>

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2020

A11. 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 June 2020				
Financial assets				
Investment securities				
- Income debt securities	-	106,126	-	153,060
- Real Estate Investment Trust	3,400	-	-	3,400
- Redeemable preference shares	-	-	12,011	12,011
- Money market funds	153,060	-	-	153,060
Derivative financial assets	-	-	90,058	90,058
	<u>156,460</u>	<u>106,126</u>	<u>102,069</u>	<u>364,655</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 – 30 JUNE 2020

A12. Capital & other commitments

The amount of commitments not provided for in the interim financial statements as at 30 June 2020 and 31 December 2019 was as follows:

Capital commitments

	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
Approved and contracted for:		
- Property, plant and equipment	157,819	251,196
- Land held for property development	-	2,223
- Intangible assets	8,702	9,536
- Investments in redeemable preference shares in joint ventures	39,381	39,868
	<u>205,902</u>	<u>302,823</u>
Approved but not contracted for:		
- Property, plant and equipment	174,614	255,288
- Investments in associates	211,861	392,605
	<u>386,475</u>	<u>647,893</u>
	<u>592,377</u>	<u>950,716</u>

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NOTES TO THE QUARTERLY REPORT – 30 JUNE 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 30 June 2020 and 30 June 2019 as well as the balances with the related parties as at 30 June 2020 and 30 June 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	432	-	-	-
	2019	1,657	-	-	-
- KKB Engineering Bhd and its subsidiary	2020	-	-	-	-
	2019	-	4,491	-	-
- SACOFA Sdn Bhd	2020	484	-	471	-
	2019	492	10	175	9
- OM Materials (Sarawak) Sdn Bhd	2020	3,772	-	6,189	-
	2019	4,398	-	10,350	-
- OM Materials (Samalaju) Sdn Bhd	2020	800	-	1,199	-
	2019	-	-	-	-
Joint Ventures:					
- PPES Works Larico	2020	93	-	315	-
	2019	448	-	667	-
- PPES Works PCSB	2020	-	-	-	-
	2019	19	-	131	-
- COPE Private Equity Sdn Bhd	2020	19	-	2,300	-
	2019	13	-	4,300	-
Others					
- Corporate shareholders	2020	181	26,140	180,633	51
	2019	2,413	45,810	575	19
Key management personnel of the Group:					
- Directors' interests	2020	-	1,827	-	806
	2019	-	2,588	-	329

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 – 30 JUNE 2020

A14. Disposal groups held for sale

The assets and liabilities of CMS Resources group, a 51% owned subsidiary, and PPES Works (S) group, a 51% owned subsidiary through CMS Works Sdn Bhd, are presented as disposal groups held for sale following the commitment of the Group's management on 30 June 2020 to a plan to dispose of part of the equity in these two groups. Efforts to sell the disposal group have commenced, and the sale is expected to be completed by the end of the year.

At 30 June 2020, the assets and liabilities of the disposal groups are as follows:

	RM'000
Assets classified as held for sale:	
Property, plant and equipment	127,999
Investment properties	3,498
Goodwill	21,969
Intangible assets	8,753
Investment in joint ventures	2,455
Deferred tax assets	10,067
Inventories	14,033
Trade and other receivables	138,966
Other current assets	49,757
Current tax assets	4,973
Cash and bank balances	15,174
	<hr/>
	397,644
Liabilities classified as held for sale:	
Non-current lease liabilities	3,583
Deferred taxation	4,426
Trade and other payables	169,883
Other current liabilities	22,669
Current tax liabilities	1,508
Current lease liabilities	1,548
	<hr/>
	203,617

NOTES TO THE QUARTERLY REPORT – 30 JUNE 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”)

For the six months ended 30 June 2020 (“PE2020”), the Group posted total revenue of RM489.29 million and a profit before tax (“PBT”) of RM49.80 million – a 40% and 61% dipped in revenue and PBT respectively in comparison to PE2019’s revenue of RM817.35 million and PBT of RM128.06 million.

The softer performance stemmed from lower revenue and profit contributions by all its Divisions. The Group’s traditional core businesses were impacted by the Movement Control Order (“MCO”) which was effective from 18 March 2020 to 18 May 2020. However, contributions from associates increased by 24% to RM31.92 million from PE2019’s contribution of RM25.71 million.

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

- (a) **Cement Division** – PE2020 revenue of RM195.26 million declined by 31% as compared to RM284.23 million in PE2019, due to the decrease in sales volume as a result of the lockdown. In tandem with that, the Division reported a 40% lower PBT of RM18.92 million in PE2020 over PE2019’s PBT of RM31.67 million. However, despite lower production volumes, gross profit margin remained unchanged at 16% on the back of lower repair & maintenance costs and lower discharging costs as the clinker plant had its long annual maintenance shutdown in January 2019 and the number of clinker shipment had reduced in PE2020.
- (b) **Construction Materials & Trading Division** – PE2020 revenue declined by 47% to RM133.83 million while its PBT contracted by 76% to RM9.65 million. The Division recorded lower revenue from its quarry, premix and trading sectors. One of the reasons for the drop in PBT against PE2019 was a one-off provision reversal amounting to RM9 million in PE2019. Gross profit margin had been eroded by lower production volume and higher consumption of diesel to resume operations.
- (c) **Construction & Road Maintenance Division** – PE2020 revenue decreased by 37% to RM151.76 million as compared to RM240.64 million in PE2019. Road maintenance revenue for PE2020 decreased as the road length maintained effective 1 January 2020 was almost half of that maintained previously. The Division’s road maintenance gross profit margin was also impacted due to the inclusion of more scope under the new road maintenance contract while the contract value per km has remained the same. Meanwhile, the lower revenue from construction works was mainly due to less work performed. Accordingly, the Division reported a significantly lower PBT of RM11.34 million in PE2020, which was 67% lower than PE2019’s profit of RM34.00 million (excluding share of results of joint ventures)

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B1. Review of performance (contd.)

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

- (d) **Property Development Division** – PE2020 revenue declined by 63% to RM28.95 million in comparison to RM77.78 million in PE2019. This was mainly due to the drop in the number of properties sold. The Division recognised revenue of RM4.4 million from the land sale versus RM12.25 million in PE2019. Consequently, its PBT dropped by 73% year-on-year to RM5.60 million in PE2020.
- (e) **Phosphate Division** – The new Phosphate Division’s loss comprised administrative expenses and shareholder’s loan interest expense that cannot be capitalised. In the current period, it also included an exchange loss of RM5.46 million.
- (f) **Strategic Investments Division** - reported a PBT of RM718k in PE2020 as compared to a loss of RM623k in PE2019. Effective 1 January 2020, the loss-making education operations previously under a subsidiary has been transferred to a joint venture company in which the Group owns 30%.
- (g) **Others** - reported a PBT of RM1.03 million in PE2020 as compared to a small PBT of RM15k in PE2019.
- (h) **Unallocated corporate expenses** - Higher net interest expenses, partially offset by lower administrative expenses contributed to the higher unallocated corporate expenses in PE2020 as compared to PE2019.
- (i) **Share of results of associates** – Profit contributions from all associates except for OM Materials Sdn Bhd increased in PE2020 as compared to PE2019.
- (j) **Share of results of joint-ventures** – Total contributions from joint ventures was loss of RM1.32 million in PE2020 as compared to loss of RM1.30 million in PE2019. Loss contribution from the education JV company amounted to RM1.09 million in PE2020.

Quarter 2, 2020 (“2Q2020”) vs Quarter 2, 2019 (“2Q2019”)

	2nd Qtr 2020 RM'000	2nd Qtr 2019 RM'000	Changes %
Revenue	206,837	399,174	-48%
Gross profit	20,893	77,455	-73%
Share of results of associates	20,532	12,361	66%
Profit before tax	22,993	65,623	-65%

The Group’s 2Q2020 performance was significantly weaker than previous year’s corresponding quarter. This was primarily attributable to the loss of revenue by all the Divisions for a month and half in 2Q2020 whilst continued to incur fixed overheads.

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B2. Material changes in profit before tax for the quarter (Quarter 2, 2020 vs Quarter 1, 2020)

	2nd Qtr 2020 RM'000	1st Qtr 2020 RM'000	Changes %
Revenue	206,837	282,454	-27%
Gross profit	20,893	49,767	-58%
Share of results of associates	20,532	11,385	80%
Profit before tax	22,993	26,807	-14%

The Group's 2Q2020 revenue decreased by 27% to RM206.84 million as compared to 1Q2020's RM282.45 million, stemming from lower revenue contributions by all its Divisions, due to longer lockdown period.

The Group's 2Q2020 gross profit declined by 58% to RM20.89 million as compared to 1Q2020's RM49.77 million. Lower revenue, coupled with fixed overhead costs have impacted the gross profit particularly the Cement Division.

2Q2020 saw higher profit contributions from the associates compared to 1Q2020. Sacofa Sdn Bhd and Kenanga Investment Bank Bhd being essential businesses, remained open and operational during the lockdown period.

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:

With the potential spike in cases of Covid-19 still a strong possibility, the Federal and State Governments have been re-implementing controlled lockdowns, thus the Cement Division expects to continue operating under high levels of uncertainty for the foreseeable future.

The Construction Materials & Trading Division's quarry and premix sectors are expected to improve for the remaining period of the year. 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, however the northern region will continue to face stiff competition in the interim.

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

The Construction & Road Maintenance Division's construction order book excluding road concessions was RM1.20 billion as at 30 June 2020. 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 plans to stay competitive by procuring new projects in the construction of roads, buildings, drainage, water, power transmission lines and telecommunication line projects in Sarawak.

The Property Development Division expects the reduced overnight policy rate and the stamp duty exemption for the first RM300,000 on the property transfer and loan agreement for first time buyer (maximum price RM500,000) till December 2020 announced in Budget 2019 to spur the demand for its properties at Samariang. The Division's residential developments, priced between RM268,888 to RM382,888 cater mainly to first time house buyers.

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. Hotel occupancy rate had dropped significantly after the MCO. 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

	6 months ended	
	30.06.2020	30.06.2019
	RM'000	RM'000
Current income tax:		
- Malaysian income tax	13,840	27,958
- Under provision in respect of previous years	-	29
Deferred tax	(427)	2,599
Total income tax expense	<u>13,413</u>	<u>30,586</u>

The effective tax rate for the period ended 30 June 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 30 June 2019 was lower than the statutory tax rate principally due to share of associates' profit which was net of tax.

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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 30.06.2020 RM'000	As at 31.12.2019 RM'000
Current		
Secured:		
Revolving credits	15,000	15,000
Unsecured		
Term loan	26,785	21,428
Revolving credits	5,000	10,000
	<u>46,785</u>	<u>46,428</u>
Structuring and management fee	(920)	(899)
	<u>45,865</u>	<u>45,529</u>
Non-current		
Secured		
Term loan	269,305	173,760
Unsecured		
Term loan	29,801	40,515
Islamic medium term notes	500,000	500,000
	<u>799,106</u>	<u>714,275</u>
Structuring and management fee	(4,600)	(4,943)
	<u>794,506</u>	<u>709,332</u>
Total	<u>840,371</u>	<u>754,861</u>

Loans and borrowings that are not denominated in Ringgit Malaysia amounted to RM220,161,888 (31 December 2019: RM140,721,651).

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.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2020

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 30 June 2020 (30 June 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		6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.06.2019
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	16,707	41,332	33,990	82,095
Weighted average number of ordinary shares in issue ('000)	1,072,625	1,072,625	1,072,625	1,072,565
Basic earnings per share (sen)	1.56	3.85	3.17	7.65

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.

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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 30.06.2020 RM’000	Financial year ended 30.06.2020 RM’000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	362	724
Property, plant and equipment written off	-	141
Depreciation of property, plant and equipment	19,475	39,621
Depreciation of investment properties	30	59
Gain on disposal of property, plant and equipment	(3)	(26)
Loss on disposal of property, plant and equipment	31	31
Gain on foreign exchange - realised	0	(142)
Gain on foreign exchange – unrealised	1,495	(2,037)
Loss on foreign exchange - realised	375	625
Loss on foreign exchange – unrealised	(3,383)	4,839
Interest expense	7,301	14,826
Interest income	(3,006)	(8,155)
Net fair value changes in investment securities	(2,762)	(469)
Net fair value changes in derivatives	-	-