

CAHYA MATA SARAWAK BERHAD

(Company No: 21076-T)

(Incorporated in Malaysia)

Interim Financial Report

Condensed consolidated statements of comprehensive income for the period ended 30 September 2020

	Note	3 months ended		Changes (%)	9 months ended		Changes (%)
		30.09.2020 RM'000	30.09.2019 RM'000		30.09.2020 RM'000	30.09.2019 RM'000	
Revenue	A8	428,416	467,176	-8%	917,707	1,284,527	-29%
Cost of sales		(344,649)	(371,285)		(763,281)	(1,042,704)	
Gross profit		83,767	95,891	-13%	154,426	241,823	-36%
Other income		2,857	3,672		11,804	19,775	
Administrative expenses		(15,466)	(10,751)		(43,719)	(40,995)	
Selling and marketing expenses		(3,063)	(4,111)		(10,833)	(12,622)	
Other expenses		5,386	(790)		(4,024)	(3,132)	
Operating profit		73,481	83,911	-12%	107,654	204,849	-47%
Finance costs		(7,254)	(8,593)		(22,220)	(25,882)	
Share of results of associates		12,652	30,092		44,569	55,800	
Share of results of joint ventures		2,850	(2,618)		1,526	(3,916)	
Profit before taxation		81,729	102,792	-20%	131,529	230,851	-43%
Income tax expense	B5	(17,636)	(20,200)		(31,049)	(50,786)	
Profit for the period		64,093	82,592	-22%	100,480	180,065	-44%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Foreign currency translation		0	(1)		0	0	
Share of other comprehensive income of associates		(4,772)	4,628		7,347	6,827	
Share of other comprehensive income of joint ventures		0	0		(111)	0	
Other comprehensive income for the period		(4,772)	4,627		7,236	6,827	
Total comprehensive income for the period		59,321	87,219	-32%	107,716	186,892	-42%
Profit attributable to:							
Owners of the Company		46,711	72,832	-36%	80,701	154,927	-48%
Non-controlling interests		17,382	9,760		19,779	25,138	
		64,093	82,592		100,480	180,065	
Total comprehensive income attributable to:							
Owners of the Company		41,898	77,411		87,829	161,619	
Non-controlling interests		17,423	9,808		19,887	25,273	
		59,321	87,219		107,716	186,892	
		sen	sen		sen	sen	
Earnings per share attributable to owners of the Company:							
Basic/diluted	B13	4.35	6.79		7.52	14.44	

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 September 2020

	Note	Unaudited As at 30.09.2020 RM'000	Audited As at 31.12.2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,265,750	1,332,139
Land held for property development		194,204	191,853
Investment properties		28,386	8,651
Intangible assets		8,037	15,934
Goodwill		61,709	83,678
Investments in associates		1,002,718	975,964
Investments in joint ventures		13,040	20,855
Deferred tax assets		5,633	15,444
Other receivables		93,408	89,737
Investment securities		16,657	11,525
		<u>2,689,542</u>	<u>2,745,780</u>
Current assets			
Property development costs		166,079	154,647
Inventories		309,648	342,322
Trade and other receivables		157,226	294,007
Other current assets		29,877	61,212
Investment securities		262,963	239,309
Derivative financial asset		90,058	90,058
Tax recoverable		4,441	6,511
Cash and bank balances		350,689	621,093
		<u>1,370,981</u>	<u>1,809,159</u>
Assets classified as held for sale	A14	473,984	0
Total current assets		<u>1,844,965</u>	<u>1,809,159</u>
TOTAL ASSETS		<u>4,534,507</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		20,882	14,049
Retained earnings		1,810,982	1,762,141
		<u>2,694,141</u>	<u>2,638,467</u>
Non-controlling interests		425,880	513,479
Total equity		<u>3,120,021</u>	<u>3,151,946</u>
Non-current liabilities			
Deferred tax liabilities		44,830	49,427
Loans and borrowings	B7	797,012	709,332
Lease liabilities		25,920	36,253
Trade and other payables		1,003	1,003
		<u>868,765</u>	<u>796,015</u>
Current liabilities			
Income tax payable		11,108	7,082
Loans and borrowings	B7	56,221	45,529
Lease liabilities		9,127	11,997
Trade and other payables		212,272	471,103
Other current liabilities		7,574	71,267
		<u>296,302</u>	<u>606,978</u>
Liabilities classified as held for sale	A14	249,419	0
Total current liabilities		<u>545,721</u>	<u>606,978</u>
Total liabilities		<u>1,414,486</u>	<u>1,402,993</u>
TOTAL EQUITY AND LIABILITIES		<u>4,534,507</u>	<u>4,554,939</u>
Net assets per share attributable to ordinary owners of the Company (RM)		<u>2.51</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 September 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	100,480	80,701	0	0	0	80,701	19,779
Other comprehensive income, net of tax	7,236	7,128	0	0	7,123	5	108
Total comprehensive income	107,716	87,829	0	0	7,123	80,706	19,887
Transactions with owners:-							
Dividends on ordinary shares	(32,179)	(32,179)	0	0	0	(32,179)	0
Dividends paid to non-controlling interests	(107,488)	0	0	0	0	0	(107,488)
Total transactions with owners	(139,667)	(32,179)	0	0	0	(32,179)	(107,488)
Share of associates' reserves	26	24	0	0	(290)	314	2
At 30 September 2020	3,120,021	2,694,141	867,902	(5,625)	20,882	1,810,982	425,880

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

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

< ----- Attributable to Owners of the Company ----- >

< ----- Non-distributable ----- > Distributable

	Total equity RM'000	Total RM'000	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Non- controlling interests RM'000
At 1 January 2019	2,916,211	2,548,906	867,902	(12,277)	13,589	1,679,692	367,305
Profit net of tax	180,065	154,927	0	0	0	154,927	25,138
Other comprehensive income, net of tax	6,827	6,692	0	0	6,692	0	135
Total comprehensive income	186,892	161,619	0	0	6,692	154,927	25,273
Transactions with owners:-							
Acquisition of treasury shares	(8,338)	(8,338)	0	(8,338)	0	0	0
Disposal of treasury shares	16,657	16,657	0	14,990	0	1,667	0
Dividends on ordinary shares	(79,374)	(79,374)	0	0	0	(79,374)	0
Issuance of 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
Disposal of a subsidiary	(39)	(39)	0	0	(39)	0	0
Deemed acquisition of a subsidiary	123,550	0	0	0	0	0	123,550
Share of associates' reserves	0	0	0	0	(151)	151	0
Share of joint ventures' reserves	(117)	(112)	0	0	0	(112)	(5)
At 30 September 2019	3,149,631	2,639,319	867,902	(5,625)	20,091	1,756,951	510,312

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

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

	Note	9 months ended 30.09.2020 RM'000	9 months ended 30.09.2019 RM'000
Profit before taxation		131,529	230,851
Adjustments for non-cash items:			
Non-cash items		15,310	(3,868)
Operating cash flows before changes in working capital		146,839	226,983
Changes in working capital			
Increase in current assets		(92,743)	(92,036)
Increase in non-current assets		(2,351)	(15,628)
Decrease in current liabilities		(97,688)	(112,320)
Increase in non-current liabilities		0	5,749
Cash flows used in operations		(45,943)	12,748
Interest received		10,217	13,968
Interest paid		(12,206)	(15,805)
Income tax paid, net of refund		(20,860)	(49,816)
Net cash flows used in operating activities		(68,792)	(38,905)
Investing activities			
Acquisition of property, plant and equipment		(142,748)	(207,301)
Additional investment in an associate		0	(24,910)
Additional investment in joint ventures		(3,189)	2,221
Additional investments in investment securities		(30,031)	(13,756)
Distribution of profit from joint ventures		6,996	0
Dividends from associates		25,188	4,084
Dividends received from investments		6,608	4,219
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 investment		1,997	0
Proceeds from disposal of property, plant and equipment		2,355	3,715
Advancement of shareholders' loan		(1,952)	(25,141)
Others		(1,600)	(6,008)
Net cash used in investing activities		(136,376)	(303,691)
Financing activities			
Acquisition of treasury shares		0	(8,338)
Deposit pledged to a licensed bank		(46)	65
Drawdown of borrowings		105,129	121,443
Repayments of borrowings		(5,235)	(30,629)
Repayment of lease liabilities		(9,806)	(3,719)
Dividends paid to shareholders of the Company		(32,179)	(79,374)
Dividends paid to non-controlling interests		(107,488)	(14,533)
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 (used in)/from financing activities		(49,625)	1,872
Net decrease in cash and cash equivalents		(254,793)	(340,724)
Effect of foreign exchange changes in cash and cash equivalents		72	302
Cash and cash equivalents as at 1 January		619,175	918,440
Cash at bank attributable to assets classified as held for sale	A14	(15,729)	0
Cash and cash equivalents as at 30 September		348,725	578,018
Cash and cash equivalents as at 30 September comprised the following:			
Cash and short term deposits		350,689	580,052
Less: Deposits pledged to licensed banks		(1,964)	(2,034)
		348,725	578,018

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 SEPTEMBER 2020

Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 September 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 SEPTEMBER 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 September 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 September 2020, there was no repurchase and resell of treasury shares. As at 30 September 2020, the Company held 1,751,100 treasury shares in its books.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2020

A7. Dividends paid

The final tax exempt (single-tier) dividend of 3.00 sen per share for the financial year ended 31 December 2019 amounting to RM32,178,739 was paid on 17 September 2020.

A8. Segmental information

	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	141,478	164,292	336,738	448,524
Construction materials & trading	180,924	163,437	314,752	417,994
Construction & road maintenance	120,562	137,972	272,325	378,610
Property development	23,907	30,903	52,853	108,687
Strategic investments	-	2,515	-	7,537
Others	12,826	16,858	45,184	52,485
Total revenue including inter-segment sales	479,697	515,977	1,021,852	1,413,837
Elimination of inter-segment sales	(51,281)	(48,801)	(104,145)	(129,310)
	428,416	465,167	917,707	1,284,527
Segment Results				
Operating profit/(loss):				
Cement	24,018	33,847	42,936	65,517
Construction materials & trading	37,555	23,635	47,208	63,592
Construction & road maintenance	10,547	18,755	21,886	52,752
Property development	1,322	5,400	6,924	26,349
Phosphate	2,252	97	(4,517)	(3,163)
Strategic investments	315	(77)	1,033	(700)
Others	(2,608)	1,108	(1,577)	1,123
	73,401	82,765	113,893	205,470
Unallocated corporate expenses	(7,174)	(7,447)	(28,459)	(26,503)
Share of results of associates	12,652	30,092	44,569	55,800
Share of results of joint ventures	2,850	(2,618)	1,526	(3,916)
Profit before tax	81,729	102,792	131,529	230,851
Income tax expenses	(17,636)	(20,200)	(31,049)	(50,786)
Profit for the year	64,093	82,592	100,480	180,065

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2020

A9. Changes in composition of the Group

There have been no changes in the composition of the Group for the quarter ended 30 September 2020. However, subsequent to the reporting date, the following corporate disposals were completed:-

- (a) On 28 August 2020, Cahya Mata Sarawak Berhad (“CMSB”) and CMS Works Sdn. Bhd. (“CMSW”), a wholly owned subsidiary of CMSB, entered into a share sale agreement with Sarawak Economic Development Corporation for the disposal of:
 - (i) 13,220 ordinary shares in CMS Resources Sdn. Bhd. (“CMSR”), a 51% owned subsidiary of CMSB, representing 2% equity interest in CMSR, for a cash consideration of RM9,900,000; and
 - (ii) 200,000 ordinary shares in PPES Works (Sarawak) Sdn. Bhd. (“PPESW”), a 51% owned subsidiary of CMSW, representing 2% equity interest in PPESW, for a cash consideration of RM7,600,000.

The disposal was completed on 2 October 2020 upon completion of the share transfer and CMSR and PPESW ceased to be subsidiaries and became jointly controlled entities of the Group.

- (b) On 2 October 2020, CMS Capital Sdn. Bhd. (“CMSC”), a 95.2% owned subsidiary of CMSB completed a disposal of its 510,000 shares in COPE Private Equity Sdn. Bhd. (“COPE”), a jointly controlled entity of CMSC, representing 51% equity interest in COPE, for a cash consideration of RM2,500,000. COPE ceased to be a jointly controlled entity of CMSC accordingly.

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.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2020

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 September 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	333,532	333,532	235,703	235,703
- Islamic medium term notes	500,000	519,504	500,000	525,600
	<u>833,532</u>	<u>853,036</u>	<u>735,703</u>	<u>761,303</u>

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 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 September 2020				
Financial assets				
Investment securities				
- Income debt securities	-	108,403	-	108,403
- Real Estate Investment Trust	1,236	-	-	1,236
- Redeemable preference shares	-	-	16,657	16,657
- Money market funds	153,324	-	-	153,324
Derivative financial assets	-	-	90,058	90,058
	<u>154,560</u>	<u>108,403</u>	<u>106,715</u>	<u>369,678</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 SEPTEMBER 2020

A12. Capital & other commitments

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

Capital commitments

	As at 30.9.2020 RM'000	As at 31.12.2019 RM'000
Approved and contracted for:		
- Property, plant and equipment	117,277	251,196
- Land held for property development	-	2,223
- Intangible assets	8,506	9,536
- Investments in redeemable preference shares in joint ventures	32,917	39,868
	<u>158,700</u>	<u>302,823</u>
Approved but not contracted for:		
- Property, plant and equipment	197,215	255,288
- Investments in associates	205,014	392,605
	<u>402,229</u>	<u>647,893</u>
	<u>560,929</u>	<u>950,716</u>

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 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 September 2020 and 30 September 2019 as well as the balances with the related parties as at 30 September 2020 and 30 September 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	646	21	-	-
	2019	1,870	-	-	-
- KKB Engineering Bhd and its subsidiary	2020	-	-	-	-
	2019	-	4,491	-	-
- SACOFA Sdn Bhd	2020	1,449	31	470	-
	2019	1,402	50	151	5
- OM Materials (Sarawak) Sdn Bhd	2020	5,370	-	11,013	-
	2019	6,683	-	10,628	-
- OM Materials (Samalaju) Sdn Bhd	2020	1,198	-	1,343	-
	2019	-	-	-	-
Joint Ventures:					
- PPES Works Larico	2020	152	-	354	-
	2019	620	-	622	-
- PPES Works PCSB	2020	-	-	-	-
	2019	19	-	52	-
- COPE Private Equity Sdn Bhd	2020	23	-	-	1
	2019	22	-	3	-
Others					
- Corporate shareholders	2020	272	83,482	91	15,849
	2019	2,413	75,407	267	-
Key management personnel of the Group:					
- Directors' interests	2020	-	4,750	-	1,136
	2019	-	4,081	-	385

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 SEPTEMBER 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., which in turn is a wholly owned subsidiary of Cahya Mata Sarawak Berhad, are presented as disposal groups held for sale. The disposal was completed on 2 October 2020.

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

	RM'000
Assets classified as held for sale:	
Property, plant and equipment	125,060
Investment properties	3,441
Goodwill	21,969
Intangible assets	8,421
Investment in joint ventures	5,422
Deferred tax assets	10,385
Inventories	15,692
Trade and other receivables	170,378
Other current assets	95,503
Current tax assets	1,984
Cash and bank balances	15,729
	<hr/>
	473,984
Liabilities classified as held for sale:	
Non-current lease liabilities	3,438
Deferred taxation	4,340
Trade and other payables	220,342
Other current liabilities	13,100
Current tax liabilities	6,909
Current lease liabilities	1,290
	<hr/>
	249,419

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 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 nine months ended 30 September 2020 (“PE2020”), the Group posted total revenue of RM917.71 million and a profit before tax (“PBT”) of RM131.53 million – a 29% and 43% dipped in revenue and PBT respectively in comparison to PE2019’s revenue of RM1.28 billion and PBT of RM230.85 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. Profit contributions from associates decreased by 20% to RM44.57 million from PE2019’s contribution of RM55.80 million.

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

- (a) **Cement Division** – PE2020 revenue of RM336.74 million declined by 25% as compared to RM448.52 million in PE2019, due to the decrease in sales volume as a result of the lockdown in the 2nd quarter of this year. In tandem with that, the Division reported a 34% lower PBT of RM42.94 million in PE2020 over PE2019’s PBT of RM65.52 million. However, despite lower production volumes in PE2020, gross profit margin stood at 18%, which was lower by 1% only than that of PE2019 as the Division implemented various regimes to reduce costs and drop in prices of key raw materials.
- (b) **Construction Materials & Trading Division** – PE2020 revenue declined by 25% to RM314.75 million from RM417.99 million in PE2019 while its PBT contracted by 26% to RM47.21 million from RM63.59 million in PE2019 due to the lockdown in the 2nd quarter of this year. The drop in PBT against PE2019 was also due to a provision reversal amounting to RM9 million in PE2019. Gross profit margin in PE2020 improved against PE2019.
- (c) **Construction & Road Maintenance Division** – PE2020 revenue decreased by 28% to RM272.33 million as compared to RM378.61 million in PE2019 whilst its PBT (excluding unincorporated joint ventures) declined by 59% to RM21.89 million from RM52.75 million in PE2019. Lower revenue was mainly due to a decrease by almost 50% in the road length maintained effective 1 January 2020 and less construction work performed due to the lockdown in the 2nd quarter of this year. Gross profit margin dropped to 8% in PE2020 from 14% in PE2019.
- (d) **Property Development Division** – PE2020 revenue declined by 51% to RM52.85 million in comparison to RM108.69 million in PE2019. This was mainly due to a drop in the number of properties sold and a lower land sale revenue of RM4.40 million in PE2020 against PE2019’s RM12.25 million. Consequently, its PBT dropped by 74% year-on-year to RM6.92 million in PE2020 from RM26.35 million in PE2019.

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B1. Review of performance (contd.)

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

- (e) **Phosphate Division** – The new Phosphate Division’s loss comprised administrative expenses that cannot be capitalised.

Quarter 3, 2020 (“3Q2020”) vs Quarter 3, 2019 (“3Q2019”)

	3rd Qtr 2020 RM'000	3rd Qtr 2019 RM'000	Changes %
Revenue	428,416	467,176	-8%
Gross profit	83,767	95,891	-13%
Share of results of associates	12,652	30,091	-58%
Profit before tax	81,729	102,792	-20%

The Group’s 3Q2020 performance was softer than previous year’s corresponding quarter. This was resulted from lower revenue and a lower profit contribution from the associates. Except for Construction Materials & Trading Division, all the core business reported lower PBT.

Construction Materials & Trading Division reported a PBT of RM37.56 million in 3Q2020, which was 59% higher than PE2019’s RM23.64 million.

B2. Material changes in profit before tax for the quarter (Quarter 3, 2020 vs Quarter 2, 2020)

	3rd Qtr 2020 RM'000	2nd Qtr 2020 RM'000	Changes %
Revenue	428,416	206,837	107%
Gross profit	83,767	20,893	301%
Share of results of associates	12,652	20,532	-38%
Profit before tax	81,729	22,993	255%

The Group’s 3Q2020 revenue and PBT had improved significantly from the preceding quarter as business operations were in full operation except for the clinker and cement plant at Mambong which was shutdown for about two weeks in July when a positive COVID-19 case was reported. In the preceding quarter, all core businesses were not operating for about two months.

The Cement and the Construction Materials & Trading Divisions reported significantly higher PBT of RM24.02 million and RM37.56 million in 3Q20 respectively as compared to RM329 thousand and RM2.94 million in 2Q20.

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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 to fortify the Group's long term 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 will continue with its production optimisation and cost control initiatives to minimise the impact of the weak economy due to the pandemic. On a positive note, the global uncertainties have weakened the demand for clinker thereby softening prices. This trend is expected to continue in the near term, which will have a positive impact on average cement production costs.

The Construction Materials & Trading Division's quarry and premix sectors rebounded in the 3rd quarter and are expected to remain buoyant in the 4th quarter. The huge demand of crushed aggregates is expected to continue which will auger well for the Group's quarry sector for 2021. CMS Premix is aiming to expand its presence in the state leveraging on its existing localities across the state. Supported by the Division's quarry operations, CMS Premix is well supported to respond to the increased demand from the rollout of road infrastructure across the state. With such demand, the premix sector has seen a mushrooming of new entrants, which will likely result in a rationalisation of pricing. However, with the division's firm control of its supply chain, CMS Premix stands to benefit from its current position.

The Construction & Road Maintenance Division's construction order book excluding road concessions was RM1.11 billion as at 30 September 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 has seen continued interest in its housing projects across Bandar Samariang.

For the coming year, the Division will be actively working on:

- (a) Its prime urban parcel, The Isthmus (274 acres), shaping it into both the future commercial centre and a model urban development for the state;
- (b) Preparation of a property roadmap to rollout various residential/commercial/retail offerings from its Kuching land bank to address the "gaps in the market".

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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 as with any greenfield development. The lodge occupancy is expected to sustain its returns for 2021.

B4. Profit forecast or profit guarantee

Not applicable as there was no profit forecast nor profit guarantee issued.

B5. Income tax expense

	3 months ended		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	17,933	20,753	31,773	48,711
- Under/(over) provision in respect of previous years	107	(433)	107	(404)
Deferred tax	(404)	(120)	(831)	2,479
Total income tax expense	<u>17,636</u>	<u>20,200</u>	<u>31,049</u>	<u>50,786</u>

The effective tax rates for the quarter and period ended 30 September 2020 were lower than the statutory tax rate principally due to losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries and share of associates' profit which was net of tax.

The effective tax rates for the quarter and period ended 30 September 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)

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B7. Loans and borrowings

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
Current		
Secured:		
Revolving credits	15,000	15,000
Unsecured		
Term loan	32,143	21,428
Revolving credits	10,000	10,000
	<u>57,143</u>	<u>46,428</u>
Structuring and management fee	(922)	(899)
	<u>56,221</u>	<u>45,529</u>
Non-current		
Secured		
Term loan	276,946	173,760
Unsecured		
Term loan	24,443	40,515
Islamic medium term notes	500,000	500,000
	<u>801,389</u>	<u>714,275</u>
Structuring and management fee	(4,377)	(4,943)
	<u>797,012</u>	<u>709,332</u>
Total	<u>853,233</u>	<u>754,861</u>

Loans and borrowings that are not denominated in Ringgit Malaysia amounted to RM224,222,254 (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.

B9. Derivatives

There were no derivatives entered into by the Group as at the end of the quarter under review.

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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 September 2020 (30 September 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		9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	46,711	72,832	80,701	154,927
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)	4.35	6.79	7.52	14.44

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 2019 was not subject to any qualification.

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B15. Additional disclosure on profit for the period

	Quarter ended 30.09.2020 RM'000	Financial year ended 30.09.2020 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	363	1,087
Property, plant and equipment written off	2	143
Depreciation of property, plant and equipment	19,630	59,251
Depreciation of investment properties	133	279
(Gain)/loss on disposal of property, plant and equipment	(700)	(695)
(Gain)/loss on foreign exchange - realised	(3,237)	(2,754)
(Gain)/loss on foreign exchange – unrealised	(1,136)	1,666
Interest expense	7,177	22,003
Interest income	(2,299)	(10,454)
Net fair value changes in investment securities	(250)	(719)