

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 2021

	Note	3 months ended		Changes (%)	3 months ended		Changes (%)
		31.03.2021	31.03.2020		31.03.2021	31.03.2020	
		RM'000	RM'000	RM'000	RM'000		
Revenue	A8	202,057	189,444	7%	202,057	189,444	7%
Cost of sales		(165,626)	(151,897)		(165,626)	(151,897)	
Gross profit		36,431	37,547	-3%	36,431	37,547	-3%
Other income		45,008	4,342		45,008	4,342	
Administrative expenses		(11,705)	(13,897)		(11,705)	(13,897)	
Selling and marketing expenses		(2,766)	(3,473)		(2,766)	(3,473)	
Other expenses		(14,406)	(9,998)		(14,406)	(9,998)	
Operating profit		52,562	14,521	262%	52,562	14,521	262%
Finance costs		(7,233)	(7,596)		(7,233)	(7,596)	
Share of results of associates		30,295	11,385		30,295	11,385	
Share of results of joint ventures		6,931	(216)		6,931	(216)	
Profit before taxation		82,555	18,094	356%	82,555	18,094	356%
Income tax expense	B5	(7,411)	(7,268)		(7,411)	(7,268)	
Profit for the period from continuing operations		75,144	10,826	594%	75,144	10,826	594%
Discontinued operations							
Profit for the period from discontinued operations		0	6,506		0	6,506	
Profit for the period		75,144	17,332		75,144	17,332	
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Share of other comprehensive income of associates		4,194	11,212		4,194	11,212	
Other comprehensive income for the period		4,194	11,212		4,194	11,212	
Total comprehensive income for the period		79,338	28,544	178%	79,338	28,544	178%
Profit attributable to:							
Owners of the Company		77,795	17,283	350%	77,795	17,283	350%
Non-controlling interests		(2,651)	49		(2,651)	49	
		75,144	17,332		75,144	17,332	
Total comprehensive income attributable to:							
Owners of the Company		82,049	28,525		82,049	28,525	
Non-controlling interests		(2,711)	19		(2,711)	19	
		79,338	28,544		79,338	28,544	
		sen	sen		sen	sen	
Earnings per share attributable to owners of the Company:							
Basic							
B13							
- from continuing operations		7.32	1.00		7.32	1.00	
- from discontinued operations		0.00	0.61		0.00	0.61	
		7.32	1.61		7.32	1.61	
Diluted							
- from continuing operations		7.21	1.00		7.21	1.00	
- from discontinued operations		0.00	0.61		0.00	0.61	
		7.21	1.61		7.21	1.61	
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 2021

	Note	Unaudited As at 31.03.2021 RM'000	Audited As at 31.12.2020 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,310,399	1,312,746
Land held for property development		192,529	192,529
Investment properties		28,200	28,255
Intangible assets		506	423
Goodwill		61,709	61,709
Investments in associates		982,139	995,975
Investments in joint ventures		329,023	321,656
Deferred tax assets		4,816	4,816
Other receivables		97,076	95,688
Investment securities		20,181	19,961
		<u>3,026,578</u>	<u>3,033,758</u>
Current assets			
Property development costs		142,372	145,203
Inventories		315,654	327,065
Trade and other receivables		159,578	186,244
Other current assets		21,405	19,021
Investment securities		406,414	361,164
Derivative financial asset		96,698	96,698
Tax recoverable		9,816	9,394
Cash and bank balances		380,310	281,819
		<u>1,532,247</u>	<u>1,426,608</u>
TOTAL ASSETS		<u>4,558,825</u>	<u>4,460,366</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		867,902	867,902
Treasury shares		(16,906)	(19,994)
Other reserves		9,740	6,520
Retained earnings		2,013,744	1,931,849
		<u>2,874,480</u>	<u>2,786,277</u>
Non-controlling interests		230,591	233,247
Total equity		<u>3,105,071</u>	<u>3,019,524</u>
Non-current liabilities			
Deferred tax liabilities		51,551	51,551
Loans and borrowings	B7	820,807	803,711
Lease liabilities		22,635	25,726
Trade and other payables		3,737	3,057
		<u>898,730</u>	<u>884,045</u>
Current liabilities			
Income tax payable		2,834	850
Loans and borrowings	B7	67,538	47,555
Lease liabilities		9,133	10,967
Trade and other payables		467,561	489,287
Other current liabilities		7,958	8,138
		<u>555,024</u>	<u>556,797</u>
Total liabilities		<u>1,453,754</u>	<u>1,440,842</u>
TOTAL EQUITY AND LIABILITIES		<u>4,558,825</u>	<u>4,460,366</u>
Net assets per share attributable to ordinary owners of the Company (RM)		<u>2.70</u>	<u>2.62</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 2021

	< ----- 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 2021	3,019,524	2,786,277	867,902	(19,994)	6,520	1,931,849	233,247
Profit net of tax	75,144	77,795	0	0	0	77,795	(2,651)
Other comprehensive income, net of tax	4,194	4,254	0	0	4,254	0	(60)
Total comprehensive income	79,338	82,049	0	0	4,254	77,795	(2,711)
Transactions with owners:-							
Acquisition of treasury shares	(3,371)	(3,371)	0	(3,371)	0	0	0
Disposal of treasury shares	7,841	7,841	0	6,459	0	1,382	0
Grant of equity-settled share options to employees	1,739	1,739	0	0	1,739	0	0
Total transactions with owners	6,209	6,209	0	3,088	1,739	1,382	0
Arising from disposal of investment in an associate	0	(55)	0	0	(3,454)	3,399	55
Share of associates' reserves	0	0	0	0	650	(650)	0
Share of joint ventures' reserves	0	0	0	0	31	(31)	0
At 31 March 2021	3,105,071	2,874,480	867,902	(16,906)	9,740	2,013,744	230,591

Cahya 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	11,242	0	0	11,227	14	(30)
Total comprehensive income	28,544	28,525	0	0	11,227	17,297	19
Transactions with owners:-							
Share of associates' reserves	0	0	0	0	(404)	404	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 cash flows for the period ended 31 March 2021

	3 months ended 31.03.2021 RM'000	3 months ended 31.03.2020 RM'000
Profit before taxation from continuing operations	82,555	18,094
Profit before taxation from discontinued operations	0	8,713
Adjustments for non-cash items:		
Non-cash items	(44,573)	15,580
Operating cash flows before changes in working capital	37,982	42,387
Changes in working capital		
Decrease in current assets	39,171	17,241
Increase in non-current assets	0	(2,351)
Decrease in current liabilities	(27,827)	(153,359)
Increase in non-current liabilities	680	549
Cash flows from/(used in) operations	50,006	(95,533)
Interest received	1,300	3,554
Interest paid	(1,302)	(1,558)
Income tax paid, net of refund	(5,850)	(12,089)
Net cash flows from/(used in) operating activities	44,154	(105,626)
Investing activities		
Acquisition of property, plant and equipment	(23,075)	(17,387)
Additional investments in investment securities	(50,858)	(1,882)
Additional investment in an associate	(9,228)	0
Additional investment in a joint venture	(911)	0
Distribution of profit from joint ventures	475	1,130
Dividends received from investments	925	2,143
Proceeds from partial disposal of an associate	86,069	0
Proceeds from disposal of property, plant and equipment	20,961	295
Advancement of shareholders' loan	0	(462)
Others	(95)	(595)
Net cash from/(used in) investing activities	24,262	(16,758)
Financing activities		
Decrease in deposit pledged to a licensed bank	1,900	0
Drawdown of borrowings	33,234	23,336
Repayments of borrowings	(5,357)	(18,579)
Repayment of lease liabilities	(3,187)	(4,065)
Net proceeds from disposal of treasury shares	7,842	0
Repurchase of treasury shares	(3,371)	0
Net cash from financing activities	31,061	692
Net increase/(decrease) in cash and cash equivalents	99,477	(121,692)
Effect of foreign exchange changes in cash and cash equivalents	913	1,693
Cash and cash equivalents as at 1 January	277,224	619,175
Cash and cash equivalents as at 31 March	377,614	499,176
Cash and cash equivalents as at 31 March comprised the following:		
Cash and short term deposits	380,310	501,094
Less: Deposits pledged to licensed banks	(2,696)	(1,918)
	377,614	499,176

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 2021

Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 31 March 2021 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 2020.

A2. Changes in accounting policies

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

On 1 January 2021, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2021.

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2

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 first 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 2021.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

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 2021, the Company repurchased 1,461,000 of its issued ordinary shares from the open market at an average price of RM2.31 per share. The total consideration paid for the repurchase including transaction costs was RM3,370,706 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 (4) of the Companies Act 2016.

During the current quarter ended 31 March 2021, the Company had resold 3,512,500 treasury shares from the open market for a total consideration of RM7,841,477, net of commission. After the resale of the treasury shares, the Company holds 9,194,500 treasury share in its books.

A7. Dividends paid

There was no dividend paid during the quarter ended 31 March 2021.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

A8. Segmental information

	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Segment Revenue		
Cement	128,170	120,244
Trading	27,867	21,107
Road maintenance	26,727	27,950
Property development	21,950	18,335
Strategic investments	-	-
Others	13,349	18,890
Total revenue including inter-segment sales	218,063	206,526
Elimination of inter-segment sales	(16,006)	(17,082)
Total revenue from continuing operations	202,057	189,444
Revenue from discontinued operations	-	93,010
	<u>202,057</u>	<u>282,454</u>

	3 months ended	
	31.03.2021	31.03.2020
	RM'000	RM'000
Segment Results		
Operating profit/(loss):		
Cement	21,738	18,589
Trading	1,722	828
Road maintenance	1,674	3,243
Property development	2,904	4,383
Phosphate	(9,751)	(8,066)
Strategic investments	5,664	389
Others	1,888	1,190
	<u>25,839</u>	<u>20,556</u>
Unallocated corporate income/(expenses)	19,490	(13,630)
Share of results of associates	30,295	11,385
Share of results of joint ventures	6,931	(217)
Profit before tax	<u>82,555</u>	<u>18,094</u>
Income tax expenses	(7,411)	(7,268)
Profit from continuing operations	<u>75,144</u>	<u>10,826</u>
Profit from discontinued operations	-	6,506
Profit for the period	<u>75,144</u>	<u>17,332</u>

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

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 2021		31 December 2020	
	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	347,240	347,240	329,294	329,294
- Islamic medium term notes	500,000	527,586	500,000	527,925
	<u>847,240</u>	<u>874,826</u>	<u>829,294</u>	<u>857,219</u>

(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).

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

A10. Fair value of instruments (contd.)

(b) Fair value hierarchy (contd.)

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 2021				
Financial assets				
Investment securities				
- Income debt securities	-	252,603	-	252,603
- Redeemable preference shares	-	-	20,181	20,181
- Money market funds	153,811	-	-	153,811
Derivative financial assets	-	-	96,698	96,698
	<u>153,811</u>	<u>252,603</u>	<u>116,879</u>	<u>523,293</u>
31 December 2020				
Financial assets				
Investment securities				
- Income debt securities	-	207,596	-	207,596
- Redeemable preference shares	-	-	19,961	19,961
- Money market funds	153,568	-	-	153,568
Derivative financial assets	-	-	96,698	96,698
	<u>153,568</u>	<u>207,596</u>	<u>116,659</u>	<u>477,823</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 2021

A11. Capital & other commitments

The amount of commitments not provided for in the interim financial statements as at 31 March 2021 and 31 December 2020 was as follows:

Capital commitments

	As at 31.03.2021 RM'000	As at 31.12.2020 RM'000
Approved and contracted for:		
- Property, plant and equipment	144,909	142,586
- Intangible assets	1,409	1,553
- Investments in redeemable preference shares in joint ventures	28,551	29,682
	<u>174,869</u>	<u>173,821</u>
Approved but not contracted for:		
- Property, plant and equipment	127,449	82,260
- Intangible assets	383	383
- Investments in associates	74,597	83,826
- Investment in a joint venture	-	2,126
	<u>202,429</u>	<u>168,595</u>
	<u>377,298</u>	<u>342,416</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.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

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 2021 and 31 March 2020 as well as the balances with the related parties as at 31 March 2021 and 31 March 2020:

		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	2021	92	-	-	-
	2020	239	-	-	-
- SACOFA Sdn Bhd	2021	2,523	17	1,914	-
	2020	468	-	465	9
- OM Materials (Sarawak) Sdn Bhd	2021	1,875	-	10,200	-
	2020	1,967	-	11,132	-
- OM Materials (Samalaju) Sdn Bhd	2021	349	-	2,270	-
	2020	391	-	788	-
Joint Ventures:					
- PPES Works Larico	2021	-	-	-	-
	2020	32	-	275	-
- PPES Works PCSB	2021	-	-	-	-
	2020	7,970	-	-	-
- COPE Private Equity Sdn. Bhd.	2021	-	-	-	-
	2020	19	-	2	-
- SEDC Resources Group	2021	2,929	1,559	2,438	1,757
	2020	-	-	-	-
- PPES Works Group	2021	811	-	1,167	-
	2020	-	-	-	-
Others					
- Corporate shareholders	2021	-	-	-	-
	2020	90	18,035	-	71
Key management personnel of the Group:					
- Directors' interests	2021	-	3,597	-	3,163
	2020	-	992	-	341

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

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

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

B1. Review of performance

Year-to-date, 2021 (“1Q2021”) vs Year-to-date, 2020 (“1Q2020”)

The Group reported a revenue of RM202.06 million for the three months ended 31 March 2021 ("1Q2021"), an increase of 7% in comparison to the preceding year's corresponding period's ("1Q2020") revenue of RM189.44 million. Group revenue increased due to higher contributions from the Cement, Trading and Property Development divisions. 1Q2020 revenue was affected by the Covid-19 Movement Control Order ("MCO") which reduced the number of operational days.

The Group's profit before tax ("PBT") from continuing operations improved significantly by RM64.46 million in comparison to 1Q2020. The significant improvement in Group PBT was mainly due to gain on disposal of KIBB shares amounting to RM28.52 million, gain on disposal of land of RM12.74 million and improvement in associates and joint ventures' performance in current quarter which contributed to an increase in share of profit by RM25.70 million.

In tandem with the increase in PBT, the Group's profit after tax and non-controlling interest ("PATNCI") increased by RM60.51 million or 350% from RM17.28 million to RM77.80 million.

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

- (a) **Cement Division** - reported a 7% and 17% higher revenue and PBT of RM128.17 million and 21.74 million respectively in 1Q2021 over 1Q2020's revenue of RM120.24 million and PBT of RM18.59 million. The higher profitability of the division in 1Q2021 was mainly attributable to lower clinker purchase price, lower labour cost and discharging costs which have led to a lower cement cost of production.
- (b) **Trading Division** - reported a PBT of RM1.72 million, an increase of 108% in comparison to 1Q2020's PBT of RM0.83 million. The higher PBT in 1Q2021 was due to higher sales in water treatment chemicals, pipes and fittings to JKR as well as revenue and profit recognised on a project.
- (c) **Road Maintenance Division** - reported a lower PBT of RM1.67 million in 1Q2021, which was 48% lower than 1Q2020's profit of RM3.24 million at the back of 4% lower revenue and lower gross profit margin. Gross profit margin was impacted by unexpected costs due to unfavourable onsite ground conditions on a project.
- (d) **Property Development Division** - reported a lower PBT of RM2.90 million in 1Q2021 in comparison to a PBT of RM4.38 million in 1Q2020, representing a decrease of 34% despite higher revenue of 20%. Higher PBT in 1Q2020 was mainly due to a recognition of gross profit amounted to RM4.4 million for land compensation received from the Sarawak Government.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

B1. Review of performance (contd.)

Year-to-date, 2021 (“1Q2021”) vs Year-to-date, 2020 (“1Q2020”) (contd.)

- (e) **Phosphate Division** - The integrated phosphate complex (phase 1) was still under construction in 1Q2021. Increase in gross loss before tax was mainly due to higher unrealised foreign exchange loss of RM9.20 million in current quarter as compared to RM7.06 million loss in 1Q2020. This arose from conversion of borrowing denominated in USD and strengthening of USD.
- (f) **Strategic Investments Division** - reported a PBT of RM5.66 million in 1Q2021 as compared to PBT of RM0.39 million in 1Q2020. Improvement in PBT was attributable to a gain on disposal of KIBB shares amounted to RM5.39 million.
- (g) **Others** - reported an improved PBT of RM1.89 million in 1Q2021 as compared to a PBT of RM1.19 million in 1Q2020. The profit in the current quarter was attributable to higher management service fee income.
- (h) **Unallocated corporate income** - Unallocated corporate income in 1Q2021 is due to a gain from disposal of land and a gain on disposal KIBB shares amounted to RM12.74 million and RM23.12 million respectively. The gains were partially offset by higher unrealised loss of RM5.4 million on investment securities.
- (i) **Share of results of joint-ventures** - In 1Q2021, this comprised mainly SEDCR and PPESW (results for 1Q2020 are classified as discontinued operations).
 - (i) SEDCR Group - 1Q2021 performance was better than 1Q2020 due to higher revenue and higher gross profit margin. Higher production volume and lower bitumen cost and usage had improved the gross profit margin.
 - (ii) PPESW Group - Q12021 PBT was lower than Q12020 despite higher revenue due to lower gross profit margin and lower interest income earned.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

B2. Material changes in profit before tax for the quarter (Quarter 1, 2021 vs Quarter 4, 2020)

	1st Qtr 2021 RM'000	4th Qtr 2020 RM'000	Changes %
Continuing operations			
Revenue	202,057	206,716	-2%
Share of results of associates	30,295	3,709	717%
Share of results of joint ventures	6,931	2,267	182%
Profit before tax	82,555	(69,035)	220%
Discontinued operations			
Profit after tax	-	162,948	

Higher PBT in Q12021 was mainly due to higher profit contributions from associates and gain from disposal of land and KIBB shares. In Q42020, impairment loss on property, plant and equipment and write-off of intangible assets were recognised.

PAT of RM162.95 million under discontinued operations in Q42020 was gain on disposals and re-measurement gain arising from the disposals of 2% equity interests in SEDCR and PPESW.

B3. Prospects for the year ending 31 December 2021

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 construction, construction materials and energy intensive businesses. With the 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 2021 notwithstanding the current pandemic environment.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

B3. Prospects for the year ending 31 December 2021 (contd.)

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

For the remaining period of 2021, the business of the Cement Division will be affected by the Covid-19 situation and the fluctuations in the shipping costs due to increased regional shipping demand and activities. The Management noted freight costs have been trending upwards since February 2021 and expects this trend will be ongoing for the second half of 2021, given the increase in global demand for commodities especially by China which have led to shortage of vessels and resulted in increase in freight rates. Business uncertainty remains high particularly with the increasing of Covid infection cases in Sarawak and travel restrictions which have resulted in labour shortages and affecting progress of projects. Management continues to enforce compliance with standard operating procedures in all plants and terminals to ensure no disruption to operations. In addition, Management has focussed on improving plant operation efficiency in managing the production output to maintain the profitability of the division.

The quarry and premix sectors, now the Group's joint ventures under the Construction Materials & Trading Division is expected to remain strong in year 2021 due to continuing demand for quarries and premix products. In addition, premix supply to the Pan Borneo Highway project is expected to peak this year. With current portfolio of 4 quarries with approximately 4 million MT/annum production, the division is best positioned to support the State Government in realising its ambitious development plan. The management is also looking to increase its quarry assets by expanding their capacity and new sites across the State.

The Group's construction joint venture company namely PPES Works (Sarawak) Sdn. Bhd. has recently been awarded the data collection scope of works for the "Proposed Long Term Management and Maintenance of State Roads (Jalan Kampung [JKPG])". PPES Works is working alongside with the Road Maintenance Division on this project.

The Construction Division's construction order book excluding road concessions was RM1.03 billion as at 31 March 2021. The Division is making every effort to bolster its competitive edge as it bids for new projects related to Sarawak's Coastal Road Network and the Second Trunk Road projects to grow its current construction order book. Management anticipates contract awards to accelerate following Sarawak's state election which is due in mid-2021. The division is optimistic that the order book will be further strengthened with the award of new contracts for the remaining of 2021.

The Road Maintenance Division has managed to procure RM5.8 million worth of Instructed Works from JKR Sarawak. In addition, management is in active negotiation with JKR Sarawak to procure Design and Build contracts

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

B3. Prospects for the year ending 31 December 2021 (contd.)

The Property Development Division has recorded a stronger sales performance in 1st quarter of 2021 despite the ongoing impact of the COVID-19 pandemic on the property market. According to the National Property Information Centre (“NAPIC”) report, properties priced <RM500,000 is 90% of new residential launches, creating a market for affordable home hunters in 2021. The Division remains steadfast in its efforts to deliver continuous performance in the affordable home segment of <RM500,000 in the current financial year. The demand of this segment is met at our Project Bandar Samariang residential developments.

The Property Development Division’s township development project at Samalaju Industrial Park (SIP) remains challenging. However, with the recent completion of 96 units of apartments, Samalaju apartments is 98% rented out with a gross rental yield range from 5.35% to 7.51%. There has been an increased in lodge occupancy due to some industrial players were accommodating their workers within Samalaju Industrial Park to reduce tendency of infection.

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	
	31.03.2021	31.03.2020
	RM’000	RM’000
Current income tax:		
- Malaysian income tax	7,411	7,268
- Over provision in respect of previous years	-	-
Deferred tax	-	-
Total income tax expense	<u>7,411</u>	<u>7,268</u>

The effective tax rate for the period ended 31 March 2021 was lower than the statutory tax rate principally due to share of associates’ profit which was net of tax and certain income which are not subject to tax.

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.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

B6. Corporate proposals

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

B7. Loans and borrowings

	As at 31.03.2021 RM'000	As at 31.12.2020 RM'000
Current		
Secured:		
Revolving credits	17,159	17,050
Onshore foreign currency loan	18,951	-
Term loan	910	-
Unsecured		
Revolving credits	10,000	10,000
Term loan	21,428	21,428
	<u>68,448</u>	<u>48,478</u>
Structuring and management fee	(910)	(923)
	<u>67,538</u>	<u>47,555</u>
Non-current		
Secured		
Term loan	311,173	288,778
Unsecured		
Term loan	13,729	19,087
Islamic medium term notes	500,000	500,000
	<u>824,902</u>	<u>807,865</u>
Structuring and management fee	(4,095)	(4,154)
	<u>820,807</u>	<u>803,711</u>
Total	<u>888,345</u>	<u>851,266</u>

Loans and borrowings that are not denominated in Ringgit Malaysia amounted to RM277,334,807 (31 December 2020: RM233,428,532).

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 – 31 MARCH 2021

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 2020.

B12. Dividend payable

No interim dividend has been declared for the financial period ended 31 March 2021 (31 March 2020: Nil).

<p><i>THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK</i></p>

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

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.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for Employees' Share Option Scheme (ESOS)) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic earnings per share:

	3 months ended	
	31.03.2021	31.03.2020
Profit net of tax from continuing operations attributable to owners of the Company (RM'000)	77,795	10,776
Profit net of tax from discontinued operations attributable to owners of the Company (RM'000)	-	6,507
Profit net of tax attributable to owners of the Company (RM'000)	<u>77,795</u>	<u>17,283</u>
Weighted average number of ordinary shares in issue ('000)	1,063,493	1,072,625
Effect of dilution from:		
Employees' Share Option Scheme (ESOS)('000)	<u>15,138</u>	-
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	<u>1,078,631</u>	<u>1,072,625</u>
Basic earnings per share (sen) for:		
- continuing operations	7.32	1.00
- discontinued operations	-	0.61
	<u>7.32</u>	<u>1.61</u>
Diluted earnings per share (sen) for:		
- continuing operations	7.21	1.00
- discontinued operations	-	0.61
	<u>7.21</u>	<u>1.61</u>

B14. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2020 was not subject to any qualification.

NOTES TO THE QUARTERLY REPORT – 31 MARCH 2021

B15. Additional disclosure on profit for the period

	Quarter ended 31.03.2021 RM'000	Financial year ended 31.03.2021 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	12	12
Property, plant and equipment written off	8	8
Depreciation of property, plant and equipment	15,780	15,780
Depreciation of investment properties	55	55
Gain on disposal of property, plant and equipment	(13,023)	(13,023)
Loss on disposal of property, plant and equipment	21	21
Gain on disposal of investment in an associate	(28,515)	(28,515)
Gain on foreign exchange - realised	(371)	(371)
Gain on foreign exchange – unrealised	(542)	(542)
Loss on foreign exchange - realised	-	-
Loss on foreign exchange – unrealised	9,203	9,203
Interest expense	7,136	7,136
Interest income	(1,985)	(1,985)
Net fair value changes in investment securities	5,389	5,389