

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 2021

	Note	3 months ended		Changes (%)	9 months ended		Changes (%)
		30.09.2021	30.09.2020		30.09.2021	30.09.2020	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	A8	185,868	226,483	-18%	572,926	555,805	3%
Cost of sales		(149,773)	(184,053)		(461,738)	(463,525)	
Gross profit		36,095	42,430	-15%	111,188	92,280	20%
Other income		(481)	1,934		51,323	8,522	
Administrative expenses		(11,198)	(13,276)		(34,741)	(36,343)	
Selling and marketing expenses		(2,368)	(2,185)		(8,248)	(8,428)	
Other expenses		(209)	4,562		(17,469)	(1,788)	
Operating profit		21,839	33,465	-35%	102,053	54,243	88%
Finance costs		(7,161)	(7,231)		(21,281)	(22,023)	
Share of results of associates		37,962	12,651		99,125	44,568	
Share of results of joint ventures		9,446	(217)		22,215	(1,547)	
Profit before taxation		62,086	38,668	61%	202,112	75,241	169%
Income tax expense	B5	(8,819)	(9,119)		(24,609)	(18,972)	
Profit for the period from continuing operations		53,267	29,549	80%	177,503	56,269	215%
Discontinued operations							
Profit for the period from discontinued operations		0	34,544		0	44,211	
Profit for the period		53,267	64,093		177,503	100,480	
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Share of other comprehensive income of associates		1,679	(4,772)		9,913	7,347	
Share of other comprehensive income of joint ventures		0	0		0	(111)	
Other comprehensive income for the period		1,679	(4,772)		9,913	7,236	
Total comprehensive income for the period		54,946	59,321	-7%	187,416	107,716	74%
Profit attributable to:							
Owners of the Company		53,879	46,711	15%	179,064	80,701	122%
Non-controlling interests		(612)	17,382		(1,561)	19,779	
		53,267	64,093		177,503	100,480	
Total comprehensive income attributable to:							
Owners of the Company		55,573	41,898		188,972	87,829	
Non-controlling interests		(627)	17,423		(1,556)	19,887	
		54,946	59,321		187,416	107,716	

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Earnings per share attributable to owners of the Company:					
Basic	B13				
- from continuing operations		5.02	1.13	16.73	3.40
- from discontinued operations		0.00	3.22	0.00	4.12
		5.02	4.35	16.73	7.52
Diluted					
- from continuing operations		5.00	1.13	16.68	3.40
- from discontinued operations		0.00	3.22	0.00	4.12
		5.00	4.35	16.68	7.52

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 2021

	Note	Unaudited As at 30.09.2021 RM'000	Audited As at 31.12.2020 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,367,488	1,312,746
Land held for property development		192,545	192,529
Investment properties		28,089	28,255
Intangible assets		598	423
Goodwill		61,709	61,709
Investments in associates		1,025,181	995,975
Investments in joint ventures		331,493	321,656
Deferred tax assets		4,816	4,816
Other receivables		98,557	95,688
Investment securities		23,624	19,961
		<u>3,134,100</u>	<u>3,033,758</u>
Current assets			
Property development costs		136,698	145,203
Inventories		324,145	327,065
Trade and other receivables		157,591	186,244
Other current assets		40,621	19,021
Investment securities		409,586	361,164
Derivative financial asset		96,698	96,698
Tax recoverable		7,887	9,394
Cash and bank balances		349,660	281,819
		<u>1,522,886</u>	<u>1,426,608</u>
Asset classified as held for sales	A14	25,444	0
TOTAL ASSETS		<u>4,682,430</u>	<u>4,460,366</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		867,902	867,902
Treasury shares		(352)	(19,994)
Other reserves		18,034	6,520
Retained earnings		2,097,423	1,931,849
		<u>2,983,007</u>	<u>2,786,277</u>
Non-controlling interests		<u>230,457</u>	<u>233,247</u>
Total equity		<u>3,213,464</u>	<u>3,019,524</u>
Non-current liabilities			
Deferred tax liabilities		51,524	51,551
Loans and borrowings	B7	309,757	803,711
Lease liabilities		22,072	25,726
Trade and other payables		3,773	3,057
		<u>387,126</u>	<u>884,045</u>
Current liabilities			
Income tax payable		12,805	850
Loans and borrowings	B7	596,878	47,555
Lease liabilities		5,821	10,967
Trade and other payables		448,087	489,287
Other current liabilities		6,592	8,138
		<u>1,070,183</u>	<u>556,797</u>
Liabilities classified as held for sale	A14	11,657	0
Total liabilities		<u>1,468,966</u>	<u>1,440,842</u>
TOTAL EQUITY AND LIABILITIES		<u>4,682,430</u>	<u>4,460,366</u>
Net assets per share attributable to ordinary owners of the Company (RM)		<u>2.78</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 30 September 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	177,503	179,064	0	0	0	179,064	(1,561)
Other comprehensive income, net of tax	9,913	9,908	0	0	9,908	0	5
Total comprehensive income	187,416	188,972	0	0	9,908	179,064	(1,556)
Transactions with owners:-							
Acquisition of treasury shares	(3,723)	(3,723)	0	(3,723)	0	0	0
Disposal of treasury shares	28,369	28,369	0	23,365	0	5,004	0
Grant of equity-settled share options to employees	4,651	4,651	0	0	4,651	0	0
Dividends on ordinary shares	(21,484)	(21,484)	0	0	0	(21,484)	0
Dividends paid to non-controlling interests	(1,289)	0	0	0	0	0	(1,289)
Total transactions with owners	6,524	7,813	0	19,642	4,651	(16,480)	(1,289)
Arising from partial disposal of investment in an associate	0	(55)	0	0	(3,454)	3,399	55
Share of associates' reserves	0	0	0	0	409	(409)	0
At 30 September 2021	3,213,464	2,983,007	867,902	(352)	18,034	2,097,423	230,457

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	(16,578)	0	0	0	0	0	(16,578)
Total transactions with owners	(48,757)	(32,179)	0	0	0	(32,179)	(16,578)
Share of associates' reserves	26	24	0	0	(290)	314	2
At 30 September 2020	3,210,931	2,694,141	867,902	(5,625)	20,882	1,810,982	516,790

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the period ended 30 September 2021

	9 months ended 30.09.2021 RM'000	9 months ended 30.09.2020 RM'000
Profit before taxation from continuing operations	202,112	36,573
Profit before taxation from discontinued operations	0	13,227
Adjustments for non-cash items:		
Non-cash items	(90,271)	15,281
Operating cash flows before changes in working capital	111,841	65,081
Changes in working capital		
Increase in current assets	(4,532)	(1,911)
Decrease/(increase) in non-current assets	1,067	(2,351)
Decrease in current liabilities	(41,116)	(152,864)
Increase in non-current liabilities	716	0
Cash flows from/(used in) operations	67,976	(92,045)
Interest received	4,433	7,643
Interest paid	(18,955)	(11,144)
Income tax paid, net of refund	(10,944)	(16,641)
Net cash flows used in operating activities	42,510	(112,187)
Investing activities		
Acquisition of property, plant and equipment	(104,907)	(103,331)
Additional investments in joint ventures	(3,037)	0
Additional investments in investment securities	(56,513)	(23,294)
Additional investment in an associate	(9,228)	0
Dividends received from joint ventures	15,415	1,897
Dividends received from associates	31,505	22,087
Dividends received from investments	4,042	3,962
Proceeds from partial disposal of an associate	86,069	0
Proceeds from disposal of property, plant and equipment	21,208	298
Advancement of shareholders' loan	0	(946)
Others	(270)	(896)
Net cash from/(used in) investing activities	(15,716)	(100,223)
Financing activities		
Decrease in deposit pledged to a licensed bank	54	(46)
Drawdown of borrowings	62,345	97,267
Repayments of borrowings	(16,072)	(16,684)
Repayment of lease liabilities	(8,075)	(6,913)
Dividends paid to shareholders of the Company	(21,484)	0
Dividends paid to non-controlling interests	(1,289)	(16,578)
Net proceeds from disposal of treasury shares	28,369	0
Repurchase of treasury shares	(3,723)	0
Others	35	0
Net cash from financing activities	40,160	57,046
Net increase/(decrease) in cash and cash equivalents	66,954	(155,364)
Effect of foreign exchange changes in cash and cash equivalents	1,238	531
Cash and cash equivalents as at 1 January	277,224	619,175
Cash at bank attributable to assets classified as held for sale	(365)	(15,174)
Cash and cash equivalents as at 30 September	345,051	449,168
Cash and cash equivalents as at 30 September comprised the following:		
Cash and short term deposits	349,660	451,132
Less: Deposits pledged to licensed banks	(1,916)	(1,964)
Less: Deposits with maturity of more than three months	(2,693)	0
	345,051	449,168

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 2021

Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 September 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.

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 2021.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 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 30 September 2021, there was no repurchase and resell of treasury shares. As at 30 September 2021, the Company held 200,000 treasury shares in its books.

A7. Dividends paid

There was no dividend paid during the quarter ended 30 September 2021.

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2021

A8. Segmental information

	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	115,613	141,479	353,460	336,738
Trading	25,817	30,360	74,664	62,523
Road maintenance	27,006	36,061	80,831	105,465
Property development	18,685	23,907	68,963	52,853
Others	13,073	12,826	37,526	45,184
Total revenue including inter-segment sales	200,194	244,633	615,444	602,763
Elimination of inter-segment sales	(14,326)	(18,150)	(42,518)	(46,958)
Total revenue from continuing operations	185,868	226,483	572,926	555,805
Revenue from discontinued operations	-	201,933	-	361,902
	185,868	428,416	572,926	917,707

	3 months ended		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Segment Results				
Operating profit/(loss):				
Cement	20,136	24,018	61,654	42,936
Trading	1,418	1,752	4,164	2,472
Road maintenance	2,786	6,356	7,261	13,407
Property development	4,614	1,322	15,876	6,924
Phosphate	(4,673)	2,252	(15,771)	(4,517)
Strategic investments	439	315	6,489	1,033
Others	1,032	(2,608)	1,559	(1,577)
	25,752	33,407	81,232	60,678
Unallocated corporate expenses	(11,074)	(7,173)	(460)	(28,459)
Share of results of associates	37,962	12,651	99,125	44,569
Share of results of joint ventures	9,446	(217)	22,215	(1,547)
Profit before tax	62,086	38,668	202,112	75,241
Income tax expenses	(8,819)	(9,119)	(24,609)	(18,972)
Profit from continuing operations	53,267	29,549	177,503	56,269
Profit from discontinued operations	-	34,544	-	44,211
Profit for the period	53,267	64,093	177,503	100,480

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2021

A9. Changes in composition of the Group

There have been no changes in the composition of the Group for the quarter ended 30 September 2021.

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:

	30 September 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	334,674	334,674	329,294	329,294
- Islamic medium term notes	500,000	517,794	500,000	527,925
	<u>834,674</u>	<u>852,468</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 – 30 SEPTEMBER 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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 September 2021				
Financial assets				
Investment securities				
- Income debt securities	-	255,307	-	255,307
- Redeemable preference shares	-	-	23,624	23,624
- Money market funds	154,279	-	-	154,279
Derivative financial assets	-	-	96,698	96,698
	<u>154,279</u>	<u>255,307</u>	<u>120,322</u>	<u>529,908</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 – 30 SEPTEMBER 2021

A11. Capital & other commitments

The amount of commitments not provided for in the interim financial statements as at 30 September 2021 and 31 December 2020 was as follows:

Capital commitments

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
Approved and contracted for:		
- Property, plant and equipment	174,958	142,586
- Intangible assets	1,431	1,553
- Investments in redeemable preference shares in joint ventures	25,108	29,682
	<u>201,497</u>	<u>173,821</u>
Approved but not contracted for:		
- Property, plant and equipment	78,537	82,260
- Intangible assets	383	383
- Investments in associates	-	83,826
- Investment in a joint venture	-	2,126
	<u>78,920</u>	<u>168,595</u>
	<u>280,417</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.

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 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 30 September 2021 and 30 September 2020 as well as the balances with the related parties as at 30 September 2021 and 30 September 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	517	-	-	-
	2020	646	20	-	-
- KKB Engineering Bhd	2021	3	-	-	-
	2020	-	-	-	-
- SACOFA Sdn Bhd	2021	13,481	147	5,932	5
	2020	4,852	29	470	-
- OM Materials (Sarawak) Sdn Bhd	2021	6,094	-	12,745	-
	2020	5,370	-	11,013	-
- OM Materials (Samalaju) Sdn Bhd	2021	1,062	-	3,099	-
	2020	1,198	-	1,343	-
Joint Ventures:					
- PPES Works Larico	2021	-	-	-	-
	2020	152	-	354	-
- COPE Private Equity Sdn. Bhd.	2021	-	-	-	-
	2020	23	-	-	1
- SEDC Resources Group	2021	7,757	13,543	1,209	9,879
	2020	-	-	-	-
- PPES Works Group	2021	74,931	-	39,543	-
	2020	-	-	-	-
Others					
- Corporate shareholders	2021	-	-	-	-
	2020	272	83,482	91	15,849
Key management personnel of the Group:					
- Directors' interests	2021	-	10,914	-	3,627
	2020	-	4,717	-	945

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 – 30 SEPTEMBER 2021

A14. Disposal subsidiary held for sale

The assets and liabilities of CMS Infra Trading Sdn. Bhd., a 51% owned subsidiary of the Company, are presented as held for sale following the Company's commitment to a plan to dispose of 2% of the equity in this subsidiary. The sale is expected to be completed by the end of the year.

At 30 September 2021, the assets and liabilities of the disposal subsidiary are as follows:

	RM'000
Assets classified as held for sale:	
Property, plant and equipment	918
Trade and other receivables	23,693
Other current assets	468
Cash and bank balances	365
	<hr/> 25,444 <hr/>
Liabilities classified as held for sale:	
Deferred taxation	27
Trade and other payables	11,427
Current tax liabilities	203
	<hr/> 11,657 <hr/>

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 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 (“PE2021”) vs Year-to-date, 2020 (“PE2020”)

For the nine months ended 30 September 2021 ("PE2021"), the Group reported total revenue of RM572.93 million and profit before tax ("PBT") of RM202.11 million from continuing operations, representing an increase of 3% and 169% respectively, in comparison to PE2020's revenue of RM555.81 million and PBT of RM75.24 million. The Group's profit after tax and non-controlling interests ("PATNCI") increased significantly by RM98.36 million or 122% from RM80.70 million to RM179.06 million.

Revenue increased due to higher contributions from the Cement, Trading and Property Development Divisions. The increase was partially offset by a dip in revenue from the Road Maintenance and Others division.

The Group's profit before tax ("PBT") from continuing operations improved significantly by RM126.87 million in comparison to PE2020. The significant improvement in Group's PBT was attributed to gain on disposal of Kenanga Investment Bank Berhad ("KIBB") shares amounting to RM28.52 million, gain on disposal of land of RM12.74 million and improvements in associates' and joint ventures' performances in current period which contributed to an increase in share of profit by RM78.32 million.

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

- (a) **Cement Division** - reported a 5% and 44% higher revenue and PBT of RM353.46 million and RM61.65 million respectively in PE2021 over PE2020's revenue of RM336.74 million and PBT of RM42.94 million. The increase in PBT is reflective of the lower costs of maintenance due to deferred works programme caused by the lockdown. The increase in PBT outpaced increase in revenue was mainly attributable to improvement in operational efficiency which has offset the rising imported clinker prices since 2Q2021.
- (b) **Trading Division** - reported a PBT of RM4.16 million, an increase of 68% in comparison to PE2020's PBT of RM2.47 million. The higher PBT in PE2021 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** - PE2021 revenue declined by 23% to RM80.83 million from RM105.47 million in PE2020 due to low work progress from instructed works and road rehabilitation works. Its PBT contracted by 46% to RM7.26 million from RM13.41 million in PE2020 due to a drop in gross margin from 13% to 11% and higher administrative expenses incurred.
- (d) **Property Development Division** - reported a higher revenue of RM68.96 million and PBT of RM15.88 million in PE2021 in comparison to a revenue of RM52.85 million and PBT of RM6.92 in PE2020, representing an increase of 30% and 129% respectively. Higher PBT in PE2021 was mainly due to higher sales in properties, improved revenue and gross margin from lodges and hotel businesses, and a downward revision of budgeted costs for a project.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2021

B1. Review of performance (contd.)

Year-to-date, 2021 (“PE2021”) vs Year-to-date, 2020 (“PE2020”) (contd.)

- (e) **Phosphate Division** - The integrated phosphate complex (phase 1) was still under construction in PE2021. Increase in LBT was mainly due to higher staff costs in PE2021 by RM2.87 million due to increase in headcount prior to commencement of operation and higher unrealised foreign exchange loss of RM11.04 million as compared to RM0.43 million gain in PE2020.
- (f) **Strategic Investments Division** - reported a PBT of RM6.49 million in PE2021 as compared to PBT of RM1.03 million in PE2020. The improvement in PBT was attributable to a gain on disposal of KIBB shares of RM5.39 million.
- (g) **Unallocated corporate income** - Lower unallocated corporate expenses in PE2021 was due to recognition of 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 offset by interest cost, administrative expenses and unrealised loss of RM4.43 million on investment securities.
- (h) **Share of results of joint ventures** – In PE2021, this comprised mainly SEDCR and PPESW (results for PE2020 were classified as discontinued operations).
- SEDCR Group - PE2021 performance was better than PE2020 due to higher revenue and higher gross profit margin. Improvement in gross profit margin was mainly due to reversal of an impairment on a long outstanding customer of RM5 million in PE2021, coupled with lower production cost due to lower bitumen cost and its usage.
 - PPESW Group - PPESW Group - PE2021 PBT was lower than PE2020 despite higher revenue due to lower gross profit margin, lower interest income earned and poorer performance from its investment in joint ventures.

Quarter 3, 2021 (“3Q2021”) vs Quarter 3, 2020 (“3Q2020”)

	3rd Qtr 2021 RM'000	3rd Qtr 2020 RM'000	Changes %
Continuing operations:			
Revenue	185,868	226,483	-18%
Share of results of associates	37,962	12,652	200%
Share of results of joint ventures	9,446	2,850	231%
Profit before tax	62,086	38,668	61%
PATNCI	53,879	46,711	15%
Discontinued operations:			
Profit after tax	-	34,544	-100%

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2021

B1. Review of performance (contd.)

Quarter 3, 2021 (“3Q2021”) vs Quarter 3, 2020 (“3Q2020”) (contd.)

The Group's revenue for 3Q2021 decreased by 18% or RM40.62 million compared to 3Q2020 across all divisions due to hike in COVID-19 cases in 3Q2021 while businesses were in full operation in 3Q2020 after the first MCO was lifted.

All the Group's traditional core businesses Divisions reported lower PBT in 3Q2021 as compared to 3Q2020 except for the Property Development Division. The better performance was on the back of higher revenue from Samalaju Hotel with higher occupancy rate as compared to its loss making in 3Q2020.

PBT in 3Q2021 improved significantly by 61% or RM23.42 million as compared to 3Q2020, mainly due to higher profit contributions from associates.

B2. Material changes in profit before tax for the quarter (Quarter 3, 2021 vs Quarter 2, 2021)

	3rd Qtr 2021 RM'000	2nd Qtr 2021 RM'000	Changes %
Continuing operations			
Revenue	185,868	185,001	0%
Share of results of associates	37,962	30,868	23%
Share of results of joint ventures	9,446	5,838	62%
Profit before tax	62,086	57,471	8%
PATNCI	53,879	47,390	14%

Revenue in 3Q2021 remained the same as 2Q2021 while PBT has improved 8% from RM57.47 million in 2Q2021 to RM62.09 million in 3Q2021. This was mainly attributable to a higher share of profit from investment in associates.

The Property Development Division reported a lower PBT of RM4.61 million for 3Q2021 than 2Q2021's PBT of RM8.36 million. The decline in PBT was due to lower revenue from lodges as a result of mass check out by guests towards the end of MCO 3.0 in June 2021, lower sale of properties in 3Q2021 and one-off downward revision of budgeted costs for a condominium project in 2Q2021.

The Phosphate Division's higher LBT in 3Q2021 was mainly due to unrealised foreign exchange loss of RM2.36 million as compared to unrealised foreign exchange gain of RM0.15 million in 2Q2021 as well as higher staff cost by RM0.90 million due to additional headcount prior to commencement of operation.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2021

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. The Group remains cautious about its prospects, bearing in mind the initial opening of the Malaysian economy remains challenging due to supply and logistics constraints.

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

The lockdown in mid of 2021 had a negative impact on the financial performance of the Cement Division. Nevertheless, management expects sales to pick up in the final quarter due to the continuous opening of the economy from the Covid restrictions which in turn reduces disruption of work at project sites. The profitability of the division is expected to be adversely affected by the anticipation of the planned annual maintenance shutdown at the Mambong clinker plant as well as a hike in the imported clinker prices. Hence, production costs are expected to increase significantly in quarter 4 as a result of higher repair costs, lower production volume due to maintenance shutdown and surges in clinker imported prices due to continuous shortage of vessels which drives up the freight cost. The management is taking steps to manage the logistic challenges it faces and remains positive to find long term solutions to the issue.

The Group's Construction Materials Division is expected to remain strong in 2021 due to anticipation of higher revenue from contract services and continuing demand for quarries and premix products. In addition, premix supply to the Pan Borneo Highway project is expected to peak this year. With a 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 plans. The strategic location of Sebuyau Granite and Borneo Granite Quarry enables it to play a leading role in the supply of aggregates to the Second Trunk Road and Coastal Highway projects. The management is also looking to increase its quarry assets by expanding its capacity and new sites across the State. The management is optimistic that the division will finish the year strong with the resumption of business and end of Movement Control Order/ National Recovery Plan.

The Group's Construction Division's order book excluding road concessions was RM0.79 billion as of 30 September 2021. The Division continues to derive stable recurring income from its road concession that currently involves the maintenance of approximately 3,261 km of State roads throughout Sarawak. One of the division's ongoing projects is Pan Borneo Project, following the conversion of the contract to a lump sum basis, the new completion date is in September 2022.

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. Although there are significant projects in the pipeline, implementation and contract awards have been slow due to the COVID-19 pandemic. Some of the major anticipated projects involve the construction of coastal and rural roads, including bridges, the expansion of water and electricity grids to rural areas, telecommunication towers and a few potential iconic buildings. The Group stands a good chance of benefiting directly as the contractors for these projects and, indirectly, as suppliers of construction materials. The division is optimistic that the order book will be further strengthened with potential new contracts for the remainder of 2021.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2021

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

The Road Maintenance Division has obtained its own UPKJ A Bumiputera status recently which will enable it to participate in more state and federal-funded projects. The management is optimistic that the annual work programme set for the Long Term State Road Management and Maintenance (LTMM) contract is achievable as most of the major activities are nearing completion. The progress of the State Road Rehab project has been disrupted by the pandemic and it is expected to be completed in the first quarter of 2022. The Division is also striving to ensure that it will maintain its market share in the State's road maintenance operations by capitalizing on its proven track record and cost advantage built up over the years and looking at new innovative ways to work more efficiently to overcome any hurdle in the ever-increasing competitive environment.

With the resumption of construction activities post MCO 3.0, the Property Development Division will focus on the timely execution and completion of projects under construction. However, labour shortage and the increase in raw material pricing remain a constant challenge. The Division has delivered a continuous performance in the affordable housing segment of below RM500,000. The sales rate at the residential developments of Projek Bandar Samariang has remained strong, meeting the demands of this segment in both product and pricing. The low interest rate environment and the Government's Home Ownership Campaign, which has been extended to 31 December 2021 is expected to support the mid-market segment demand. The Division has embarked on marketing activities that will enable better performance in the coming quarter.

The Malaysian Phosphate Additives Sarawak (MPAS) project has not been progressing as scheduled due to technical and commissioning issues, the extent of which is being assessed and solutions being actively worked at. The Company continues to evaluate all options on the future direction of the MPAS project.

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	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	8,799	9,007	24,589	18,860
- Under provision in respect of previous years	20	112	20	112
Total income tax expense	8,819	9,119	24,609	18,972

The effective tax rate for the quarter and period ended 30 September 2021 were lower than the statutory tax rate principally due to share of associates' and joint ventures' profit which were net of tax as well as certain income which are not subject to tax.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 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 30.09.2021 RM'000	As at 31.12.2020 RM'000
Current		
Secured:		
Revolving credits	33,940	17,050
Onshore foreign currency loan	32,420	-
Unsecured		
Revolving credits	10,000	10,000
Term loan	21,428	21,428
Islamic medium term notes	500,000	-
	<u>597,788</u>	<u>48,478</u>
Structuring and management fee	(910)	(923)
	<u>596,878</u>	<u>47,555</u>
Non-current		
Secured		
Term loan	310,231	288,778
Unsecured		
Term loan	3,015	19,087
Islamic medium term notes	-	500,000
	<u>313,246</u>	<u>807,865</u>
Structuring and management fee	(3,489)	(4,154)
	<u>309,757</u>	<u>803,711</u>
Total	<u>906,635</u>	<u>851,266</u>

Loans and borrowings that are not denominated in Ringgit Malaysia amounted to RM303,962,253 (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 – 30 SEPTEMBER 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 30 September 2021 (30 September 2020: Nil).

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 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		9 months ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Profit net of tax from continuing operations attributable to owners of the Company (RM'000)	53,879	12,167	179,064	36,490
Profit net of tax from discontinued operations attributable to owners of the Company (RM'000)	-	34,544	-	44,211
Profit net of tax attributable to owners of the Company (RM'000)	<u>53,879</u>	<u>46,711</u>	<u>179,064</u>	<u>80,701</u>
Weighted average number of ordinary shares in issue ('000)	1,074,176	1,072,625	1,070,637	1,072,625
Effect of dilution from:				
Employees' Share Option Scheme (ESOS) ('000)	<u>2,872</u>	<u>-</u>	<u>2,975</u>	<u>-</u>
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	<u>1,077,048</u>	<u>1,072,625</u>	<u>1,073,612</u>	<u>1,072,625</u>
Basic earnings per share (sen) for:				
- continuing operations	5.02	1.13	16.73	3.40
- discontinued operations	-	3.22	-	4.12
	<u>5.02</u>	<u>4.35</u>	<u>16.73</u>	<u>7.52</u>
Diluted earnings per share (sen) for:				
- continuing operations	5.00	1.13	16.68	3.40
- discontinued operations	-	3.22	-	4.12
	<u>5.00</u>	<u>4.35</u>	<u>16.68</u>	<u>7.52</u>

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2021

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.

B15. Additional disclosure on profit for the period

	Quarter ended 30.09.2021 RM’000	Financial period ended 30.09.2021 RM’000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	1	27
Property, plant and equipment written off	19	40
Depreciation of property, plant and equipment	15,571	47,111
Depreciation of investment properties	55	165
Gain on disposal of property, plant and equipment	(67)	(13,070)
Gain on disposal of investment in an associate	-	(28,515)
Loss on foreign exchange - unrealised	1,806	8,530
Gain on foreign exchange - realised	(26)	(26)
Reversal of impairment loss on trade and other receivables	(200)	(504)
Interest expense	7,051	21,061
Interest income	(2,825)	(6,246)
Net fair value changes in investment securities	897	4,428