

CAHYA MATA SARAWAK BERHAD

(Company No: 21076-T)

(Incorporated in Malaysia)

Interim Financial Report

Summary of Key Financial Information for the financial period ended 30 June 2022

	Note	3 months ended		Changes (%)	6 months ended		Changes (%)
		30.06.2022	30.06.2021		30.06.2022	30.06.2021	
		RM'000	RM'000	RM'000	RM'000		
Revenue	A8	209,736	185,001	13%	423,778	387,058	9%
Cost of sales		(173,382)	(146,339)		(334,089)	(311,965)	
Gross profit		36,354	38,662	-6%	89,689	75,093	19%
Other income		9,785	6,796		12,912	51,804	
Administrative expenses		(20,448)	(11,838)		(32,303)	(23,543)	
Selling and marketing expenses		(2,911)	(3,114)		(5,368)	(5,880)	
Other expenses		(17,310)	(2,854)		(19,721)	(17,260)	
Operating profit		5,470	27,652	-80%	45,209	80,214	-44%
Finance costs		(3,555)	(6,887)		(10,303)	(14,120)	
Share of results of associates		36,902	30,868		82,618	61,163	
Share of results of joint ventures		4,347	5,838		9,495	12,769	
Profit before taxation		43,164	57,471	-25%	127,019	140,026	-9%
Income tax expense	B5	(8,084)	(8,379)		(19,063)	(15,790)	
Profit for the period		35,080	49,092	-29%	107,956	124,236	-13%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Share of other comprehensive income of associates		(2,123)	4,040		(179)	8,234	
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:							
Net gain on equity instrument designated at fair value through other comprehensive income		(7,235)	0		(7,752)	0	
Other comprehensive income for the period		(9,358)	4,040		(7,931)	8,234	
Total comprehensive income for the period		25,722	53,132	-52%	100,025	132,470	-24%
Profit attributable to:							
Owners of the Company		39,570	47,390	-17%	111,589	125,185	-11%
Non-controlling interests		(4,490)	1,702		(3,633)	(949)	
		35,080	49,092		107,956	124,236	
Total comprehensive income attributable to:							
Owners of the Company		30,282	51,350		103,766	133,399	
Non-controlling interests		(4,560)	1,782		(3,741)	(929)	
		25,722	53,132		100,025	132,470	
		sen	sen		sen	sen	
Earnings per share attributable to owners of the Company:							
Basic	B13	3.69	4.41		10.39	11.71	
Diluted		3.69	4.37		10.39	11.60	

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

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of financial position as at 30 June 2022

	Note	Unaudited As at 30.06.2022 RM'000	Audited As at 31.12.2021 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,412,697	1,342,344
Land held for property development		194,743	194,743
Investment properties		5,924	4,804
Intangible assets		861	587
Goodwill		61,709	61,709
Investments in associates		1,060,550	992,477
Investments in joint ventures		334,496	343,069
Deferred tax assets		4,511	4,511
Other receivables		72,566	69,549
Investment securities		98,694	105,833
		<u>3,246,751</u>	<u>3,119,626</u>
Current assets			
Property development costs		119,288	124,076
Inventories		316,964	314,074
Trade and other receivables		174,027	190,995
Other current assets		30,491	37,533
Investment securities		140,606	407,875
Derivative financial asset		100,038	100,038
Tax recoverable		10,532	9,539
Cash and bank balances		208,878	545,737
		<u>1,100,824</u>	<u>1,729,867</u>
TOTAL ASSETS		<u>4,347,575</u>	<u>4,849,493</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		867,902	867,902
Treasury shares		(352)	(352)
Other reserves		16,450	22,106
Retained earnings		2,213,157	2,122,940
		<u>3,097,157</u>	<u>3,012,596</u>
Non-controlling interests		214,994	219,794
Total equity		<u>3,312,151</u>	<u>3,232,390</u>
Non-current liabilities			
Deferred tax liabilities		60,203	60,203
Loans and borrowings	B7	272,450	273,436
Lease liabilities		29,709	20,728
Trade and other payables		571	2,602
		<u>362,933</u>	<u>356,969</u>
Current liabilities			
Income tax payable		14,975	3,378
Loans and borrowings	B7	146,369	625,128
Lease liabilities		9,246	6,047
Trade and other payables		493,665	615,899
Other current liabilities		8,236	9,682
		<u>672,491</u>	<u>1,260,134</u>
Total liabilities		<u>1,035,424</u>	<u>1,617,103</u>
TOTAL EQUITY AND LIABILITIES		<u>4,347,575</u>	<u>4,849,493</u>
Net assets per share attributable to ordinary owners of the Company (RM)		<u>2.88</u>	<u>2.80</u>

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

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 30 June 2022

	< ----- 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 2022	3,232,390	3,012,596	867,902	(352)	22,106	2,122,940	219,794
Profit net of tax	107,956	111,589	0	0	0	111,589	(3,633)
Other comprehensive income, net of tax	(7,931)	(7,823)	0	0	(7,823)	0	(108)
Total comprehensive income	100,025	103,766	0	0	(7,823)	111,589	(3,741)
Transactions with owners:-							
Grant of equity-settled share options to employees	2,279	2,279	0	0	2,279	0	0
Dividends on ordinary shares	(21,484)	(21,484)	0	0	0	(21,484)	0
Dividends paid to non-controlling interests	(1,059)	0	0	0	0	0	(1,059)
Total transactions with owners	(20,264)	(19,205)	0	0	2,279	(21,484)	(1,059)
Share of associates' reserves	0	0	0	0	(112)	112	0
At 30 June 2022	3,312,151	3,097,157	867,902	(352)	16,450	2,213,157	214,994

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 30 June 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	124,236	125,185	0	0	0	125,185	(949)
Other comprehensive income, net of tax	8,234	8,214	0	0	8,214	0	20
Total comprehensive income	132,470	133,399	0	0	8,214	125,185	(929)
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	3,322	3,322	0	0	3,322	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	5,195	6,484	0	19,642	3,322	(16,480)	(1,289)
Arising from disposal of investment in an associate	0	(56)	0	0	(3,454)	3,398	56
Share of associates' reserves	0	0	0	0	481	(481)	0
Share of joint ventures' reserves	0	0	0	0	0	0	0
At 30 June 2021	3,157,189	2,926,104	867,902	(352)	15,083	2,043,471	231,085

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the period ended 30 June 2022

	6 months ended 30.06.2022 RM'000	6 months ended 30.06.2021 RM'000
Profit before taxation from continuing operations	127,019	140,026
Adjustments for non-cash items:		
Non-cash items	(44,077)	(61,753)
Operating cash flows before changes in working capital	82,942	78,273
Changes in working capital		
Decrease in current assets	27,242	9,729
Decrease in non-current assets	0	861
Decrease in current liabilities	(109,235)	(67,382)
(Decrease)/increase in non-current liabilities	(2,031)	705
Cash flows (used in)/from operations	(1,082)	22,186
Interest received	403	2,382
Interest paid	(12,734)	(17,953)
Income tax paid, net of refund	(8,459)	(8,119)
Net cash flows used in operating activities	(21,872)	(1,504)
Investing activities		
Acquisition of property, plant and equipment	(96,465)	(40,164)
Additional investment in joint ventures	0	(3,037)
Additional investments in investment securities	(52,283)	(54,728)
Additional investment in an associate	0	(9,228)
Distribution of profit from joint ventures	18,068	15,259
Dividends from associates	14,364	29,439
Dividends received from investments	4,255	2,032
Proceeds from disposal of an associate	0	86,069
Proceeds from disposal of property, plant and equipment	170	20,976
Proceeds from disposal of investment securities	316,302	0
Advancement of shareholders' loan	2,133	0
Others	(1,372)	(270)
Net cash from investing activities	205,172	46,348
Financing activities		
(Increase)/decrease in deposit pledged to a licensed bank	(36)	54
Drawdown of borrowings	42,908	62,847
Repayments of borrowings	(538,770)	(10,715)
Repayment of lease liabilities	(2,596)	(5,582)
Proceeds from lease receivables	844	0
Dividends paid to shareholders of the Company	(21,484)	(21,484)
Dividends paid to non-controlling interests	(1,059)	(1,289)
Net proceeds from disposal of treasury shares	0	28,369
Repurchase of treasury shares	0	(3,723)
Others	0	(168)
Net cash from financing activities	(520,193)	48,309
Net (decrease)/increase in cash and cash equivalents	(336,893)	93,153
Effect of foreign exchange changes in cash and cash equivalents	(33)	639
Cash and cash equivalents as at 1 January	540,747	277,224
Cash at bank attributable to assets classified as held for sale	0	(353)
Cash and cash equivalents as at 30 June	203,821	370,663
Cash and cash equivalents as at 30 June comprised the following:		
Cash and short term deposits	208,878	375,272
Less: Deposits pledged to licensed banks	(1,946)	(1,916)
Less: Deposits with maturity of more than three months	(3,111)	(2,693)
	203,821	370,663

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

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 June 2022 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 2021.

A2. Changes in accounting policies

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

On 1 January 2022, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2022.

- Amendments to MFRS 16: COVID-19 - Related Rent Concessions beyond 30 June 2021
- Amendments to MFRS 3: Reference to the Conceptual Framework
- Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018 – 2020 Cycle

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

A3. Seasonal or cyclical factors

The business operations of the Group are generally non-cyclical or seasonal.

A4. Unusual items due to their nature, size and incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the period ended 30 June 2022.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

A5. Changes in estimates

There were no changes in estimates that have had a material effect on the current quarter's results.

A6. Debt and equity securities

During the current quarter ended 30 June 2022, there was no repurchase and resell of treasury shares. As at 30 June 2022, the Company held 200,000 treasury shares in its books.

A7. Dividends paid

The first and final tax exempt (single-tier) dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2021 amounting to RM21,483,514 was paid on 27 June 2022.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

A8. Segmental information

	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	134,692	109,677	271,333	237,847
Trading	28,009	20,980	50,200	48,847
Road maintenance	23,777	27,098	60,088	53,825
Property development	23,904	28,328	44,097	50,278
Strategic investments	143	-	324	-
Others	14,418	11,104	27,581	24,453
Total revenue including inter-segment sales	224,943	197,187	453,623	415,250
Elimination of inter-segment sales	(15,207)	(12,186)	(29,845)	(28,192)
Total revenue from continuing operations	209,736	185,001	423,778	387,058

	3 months ended		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Segment Results				
Operating profit/(loss):				
Cement	27,803	19,780	56,956	41,518
Trading	755	1,024	1,700	2,746
Road maintenance	(5,887)	2,801	4,150	4,475
Property development	5,009	8,358	11,744	11,262
Phosphate	(13,930)	(1,347)	(18,005)	(11,098)
Strategic investments	302	386	610	6,050
Others	(1,059)	(1,361)	(1,523)	527
	12,993	29,641	55,632	55,480
Unallocated corporate (expenses)/income	(11,078)	(8,876)	(20,726)	10,614
Share of results of associates	36,902	30,868	82,618	61,163
Share of results of joint ventures	4,347	5,838	9,495	12,769
Profit before tax	43,164	57,471	127,019	140,026
Income tax expenses	(8,084)	(8,379)	(19,063)	(15,790)
Profit for the period	35,080	49,092	107,956	124,236

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

A9. Changes in composition of the Group

There have been no changes in the composition of the Group for the quarter ended 30 June 2022.

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 June 2022		31 December 2021	
	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	328,718	328,718	340,655	340,655
- Islamic medium term notes	-	-	500,000	508,015
	<u>328,718</u>	<u>328,718</u>	<u>840,655</u>	<u>848,670</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 JUNE 2022

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 June 2022				
Financial assets				
Investment securities				
- Equity instrument	70,285	-	-	70,285
- Income debt securities	-	140,601	-	140,601
- Redeemable preference shares	-	-	28,409	28,409
- Money market funds	5	-	-	5
Derivative financial assets	-	-	100,038	100,038
	<u>70,290</u>	<u>140,601</u>	<u>128,447</u>	<u>339,338</u>
31 December 2021				
Financial assets				
Investment securities				
- Equity instrument	78,037	-	-	78,037
- Income debt securities	-	253,213	-	253,213
- Redeemable preference shares	-	-	27,796	27,796
- Money market funds	154,662	-	-	154,662
Derivative financial assets	-	-	100,038	100,038
	<u>232,699</u>	<u>253,213</u>	<u>127,834</u>	<u>613,746</u>

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

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

A11. Capital & other commitments

The amount of commitments not provided for in the interim financial statements as at 30 June 2022 and 31 December 2021 was as follows:

Capital commitments

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Approved and contracted for:		
- Property, plant and equipment	9,977	44,605
- Intangible assets	350	1,409
- Investments in redeemable preference shares in joint ventures	19,790	20,026
	<u>30,117</u>	<u>66,040</u>
Approved but not contracted for:		
- Property, plant and equipment	42,858	144,593
- Intangible assets	3,490	5,711
- Investments in subsidiaries	22,551	14,300
	<u>68,899</u>	<u>164,604</u>
	<u>99,016</u>	<u>230,644</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 – 30 JUNE 2022

A13. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the period ended 30 June 2022 and 30 June 2021 as well as the balances with the related parties as at 30 June 2022 and 30 June 2021:

		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	2022	1,019	-	-	-
	2021	334	-	-	-
- SACOFA Sdn Bhd	2022	3,524	124	576	5
	2021	7,201	136	4,193	95
- OM Materials (Sarawak) Sdn Bhd	2022	4,349	-	12,378	-
	2021	3,930	-	11,007	-
- OM Materials (Samalaju) Sdn Bhd	2022	746	-	36,861	-
	2021	699	-	33,274	-
Joint Ventures:					
- SEDC Resources Group	2022	5,139	11,762	4,097	7,530
	2021	5,072	5,604	891	3,338
- PPES Works Group	2022	54,315	-	50,074	-
	2021	49,560	-	41,933	-
Key management personnel of the Group:					
- Directors' interests	2022	-	6,967	-	2,948
	2021	-	7,237	-	3,436

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 JUNE 2022

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

B1. Review of performance

Year-to-date, 2022 (“PE2022”) vs Year-to-date, 2021 (“PE2021”)

For the six months ended 30 June 2022 ("PE2022"), the Group reported total revenue of RM423.78 million, representing an increase of 9% in comparison to PE2021's revenue of RM387.06 million. Group revenue increased due to higher contributions from the Cement, Trading and Road Maintenance divisions.

The Group's profit before tax ("PBT") and profit after tax and non-controlling interest ("PATNCI") was lower by 9% and 11% respectively in comparison to the preceding year's corresponding period. This was due to one-off gains recognized in PE2021. There was also a 26% decrease in the share of profits in joint ventures in PE2022.

On a normalised basis, PE2022 PBT is higher by 29% as compared to PE2021.

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

- (a) **Cement Division** - reported a 14% higher revenue of RM271.33 million and 37% higher PBT of RM56.96 million respectively in PE2022 over the corresponding previous period. The higher profitability of the division in PE2022 was mainly attributable to higher sales volume coupled with improved cost efficiencies.
- (b) **Trading Division** - reported a PBT of RM1.70 million, a decrease of 38% in comparison to PE2021's PBT of RM2.75 million. The lower PBT in PE2022 were due to the delays in take up of telecommunication products and the recent price hike in construction materials leading to lower customer orders.
- (c) **Road Maintenance Division** - reported a PBT of RM4.15 million, a decrease of 7% in comparison to the preceding year's corresponding period PBT of RM4.48 million. Lower PBT was due to lower equipment rental and supervision fees recognised in PE2022.
- (d) **Property Development Division** - reported a higher PBT of RM11.74 million in PE2022 in comparison to a PBT of RM11.26 million in PE2021.
- (e) **Phosphate Division** - The integrated phosphate complex (Phase 1) is scheduled to be completed by 4Q2022. As it is not operational, the gross loss before tax was mainly due to higher unrealised foreign exchange loss of RM16.00 million in the current period as compared to the RM8.68 million loss in PE2021 as the USD continued to strengthen.
- (f) **Strategic Investments Division** - reported a PBT of RM0.61 million in PE2022 as compared to PBT of RM6.05 million in PE2021. The decrease in PBT was attributable to a one-off gain recognized for the disposal of KIBB shares in PE2021.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

B1. Review of performance (contd.)

Year-to-date, 2022 (“PE2022”) vs Year-to-date, 2021 (“PE2021”) (contd.)

- (g) **Others** - reported a loss before tax of RM1.52 million in PE2022 as compared to a PBT of RM0.53 million in PE2021, mainly due to higher professional fees incurred.
- (h) **Unallocated corporate (expenses)/ income** – There were one-off gains in PE2021.
- (i) **Share of results of associates** - Profit contributions from associates were higher in PE2022 as compared to PE2021, mainly due to overall better performance of our associates.

Quarter 2, 2022 (“2Q2022”) vs Quarter 2, 2021 (“2Q2021”)

	2nd Qtr 2022 RM'000	2nd Qtr 2021 RM'000	Changes %
Continuing operations:			
Revenue	209,736	185,001	13%
Share of results of associates	36,902	30,868	20%
Share of results of joint ventures	4,347	5,838	-26%
Profit before tax	43,164	57,471	-25%
PATNCI	39,570	47,390	-17%

Revenue for 2Q2022 increased by 13% compared to 2Q2021. The performance for 2Q2021 was impacted by the restricted movement due to the pandemic.

Lower PBT and PATNCI was mainly due to higher unrealised foreign exchange loss of RM16.00 million recorded in 2Q2022 due to strengthening of USD as compared to unrealised foreign exchange gain of RM0.15 million recorded in 2Q2021.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

B2. Material changes in profit before tax for the quarter (Quarter 2, 2022 vs Quarter 1, 2022)

	2nd Qtr 2022 RM'000	1st Qtr 2022 RM'000	Changes %
Continuing operations			
Revenue	209,736	214,042	-2%
Share of results of associates	36,902	45,716	-19%
Share of results of joint ventures	4,347	5,148	-16%
Profit before tax	43,164	83,855	-49%
PATNCI	39,570	72,019	-45%

The softer performance stemmed from lower profit contributions by all the divisions as the global impact from logistic challenges had affected the construction sector in Sarawak due to the rising raw material prices.

B3. Prospects for the year ending 31 December 2022

The infrastructure and rural development in Sarawak Territory remains intact in the face of the current challenges of high raw material costs, labour shortages and logistics bottleneck. The Group expects the second half to be challenging. The management holds a longer-term view that once these issues are resolved, activities will further pick up and will benefit the Group's businesses.

The phosphate plant project under MPAS is scheduled for full commissioning by the end of 2022. The management is focusing to achieve this goal and is closely monitoring the key items and milestones for the success of this 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		6 months ended	
	30.06.2022 RM'000	30.6.2021 RM'000	30.06.2022 RM'000	30.06.2021 RM'000
Current income tax:				
- Malaysian income tax	8,084	8,379	19,063	15,790
Total income tax expense	8,084	8,379	19,063	15,790

The effective tax rates for the periods ended 30 June 2022 and 30 June 2021 were lower than the statutory tax rate principally due to share of associates' profit which was net of tax and certain income which were not subject to tax.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

B6. Corporate proposals

There were no other corporate proposals that have been announced but not completed as at the date of this announcement, except as disclosed in the following:

- (a) On 17 March 2022, Cahya Mata Oiltools Sdn. Bhd. (“Oiltools”) and Oiltools International Sdn. Bhd., (“Oiltools International”), two wholly-owned subsidiaries of the Company which were incorporated on 4 January 2022, entered into four conditional sale and purchase agreements (“SPA”) with Scomi Energy Services Berhad (“Scomi Energy”) to acquire Scomi Oilfield Ltd (“Oilfield”) together with certain companies and assets within the Oilfield group of companies (collectively known as the “Oilfield Group”) for a total purchase consideration of RM21 million.

The first SPA is for the acquisition of Oilfield and its nine subsidiaries as well as a 48% equity interest in Scomi KMC Sdn. Bhd. (“Scomi KMC”) from Scomi Energy for a cash consideration of RM13.5 million. The second SPA involves Oiltools International acquiring from Scomi Oiltools Sdn. Bhd. (Receiver & Manager appointed) (“SOSB”) a 4% equity interest in Scomi KMC, 25% equity interest in Scomi Oiltools Gulf W.L.L. and 25% equity interest in Continental Wire Cloth (Malaysia) Sdn. Bhd. (formerly known as Global Oilfield Products Sdn. Bhd.) for a cash consideration of RM2.6 million. Through the first and second SPAs, Oiltools will hold 52% equity interest in Scomi KMC.

The third SPA is for the acquisition of a 5-storey shop office located in Dataran Prima, Petaling Jaya, Selangor by Oilfield International from SOSB while the fourth SPA is for Oilfield International's acquisition of the inventory and equipment from SOSB for a total cash consideration of RM3.0 million and RM1.9 million respectively.

Prior to the completion of the SPA, the shareholding structure of Oiltools and Oiltools International will be revised such that the Group's shareholdings in Oiltools will be reduced to 75% whilst Oiltools International will be transferred to become a wholly-owned subsidiary of Oiltools. Local Capital Sdn. Bhd. (“Local Capital”) will subscribe for new shares in Oiltools as an investor for the proposed acquisitions whereby the total purchase consideration of RM21.0 million for the proposed acquisitions will be contributed by CMS and Local Capital according to their proportion of shareholdings in Oiltools.

Barring unforeseen circumstances, the proposed acquisitions are expected to be completed in the third quarter of 2022.

- (b) On 2 May 2022, Samalaju Industries Sdn. Bhd. (“SISB”), a wholly-owned subsidiary of CMSB, had entered into a binding offer with OM Materials (S) Pte. Ltd. (“OMS”) for the proposed disposals of its entire 25% equity interests in OM Materials (Sarawak) Sdn. Bhd. and OM Materials (Samalaju) Sdn. Bhd. for a total cash consideration of USD120,000,000.

On 14 June 2022, SISB entered into a conditional share sale agreement with OMS for the proposed disposals. The Company will hold an Extraordinary General Meeting on 26 August 2022 to obtain shareholders' approval for the transaction.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

B7. Loans and borrowings

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Current		
Secured:		
Revolving credits	39,028	33,880
Term loan	45,100	44,874
Onshore foreign currency loan	7,018	18,196
Unsecured		
Banker's acceptances	32,760	-
Revolving credits	15,000	10,000
Term loan	8,372	19,087
Islamic medium term notes	-	500,000
	<u>147,278</u>	<u>626,037</u>
Structuring and management fee	(909)	(909)
	<u>146,369</u>	<u>625,128</u>
Non-current		
Secured		
Term loan	275,246	276,694
Structuring and management fee	(2,796)	(3,258)
	<u>272,450</u>	<u>273,436</u>
Total	<u>418,819</u>	<u>898,564</u>

Loans and borrowings that are not denominated in Ringgit Malaysia amounted to RM292,713,170 (31 December 2021: RM301,536,817).

The Group had paid in full its Islamic medium term notes of RM500,000,000 in nominal value on its scheduled maturity date on 5 May 2022.

B8. Off balance sheet financial instruments

As at the date of this report, there are no financial instruments with off balance sheet risks entered into by the Group.

B9. Derivatives

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

B10. Gains/losses arising from fair value changes of financial liabilities

There were no gains/losses arising from fair value changes of financial liabilities.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

B11. Changes in material litigation

There were no changes in material litigation since the last annual statement of financial position date of 31 December 2021, except as disclosed in the following:

- (a) On 21 July 2022, CMSB together with Samalaju Industries Sdn. Bhd. (“SISB”), a wholly-owned subsidiary of CMSB, commenced and filed a writ action as joint Plaintiffs against six Defendants in the High Court of Sabah and Sarawak.

This action is based on breaches of the fiduciary duties owed by the Defendants to CMSB and SISB respectively when the Defendants were the directors of CMSB and SISB, in respect of development of an integrated phosphate additives plant situated in Samalaju Sarawak with Malaysian Phosphate Additives Sdn Bhd (“MPA”) as a joint venture party (“the Project”).

CMSB and SISB claimed as follows:-

- (i) A declaration that the Defendants are jointly and severally liable to the Plaintiffs for their breaches of fiduciary duties and breaches of statutory duties in the Companies Act 2016;
- (ii) An order for special damages of RM52,685,077.09;
- (iii) An order for general damages;
- (iv) Costs; and
- (v) Further or other relief that the court thinks fit.

It was noted that there is no significant financial impact on CMSB in commencing this legal action and furthermore there has not been a need to adjust the accounts for the respective years in question of the case as the said losses have been accounted for in the final accounts.

- (b) On 21 July 2022, CMSB which has an indirect interest in Malaysian Phosphate Additives (Sarawak) Sdn Bhd (“MPAS”) through its wholly owned subsidiary company, SISB commenced and filed a writ action against a former director / managing director of MPAS in the High Court of Sabah and Sarawak for breaches of fiduciary duties owed to MPAS in connection with the development of an integrated phosphate additives plant situated in Samalaju Sarawak with Malaysian Phosphate Additives Sdn Bhd (“MPA”) as a joint venture party (“the Project”).

MPAS claims the followings :-

- (i) A declaration that Lim is liable to MPAS for his breaches of fiduciary duties and breaches of statutory duties in the Companies Act 2016;
- (ii) An order for general damages;
- (iii) Costs; and
- (iv) Further or other relief that the court thinks fit.

There is no significant financial impact on CMSB in commencing this legal action and furthermore there has not been a need to adjust the accounts for the respective years in question of the case as the said losses have been accounted for in the final accounts.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

B12. Dividend payable

No interim dividend has been declared for the financial period ended 30 June 2022 (30 June 2021: 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.

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		6 months ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Profit net of tax attributable to owners of the Company (RM'000)	39,570	47,390	111,589	125,185
Weighted average number of ordinary shares in issue ('000)	1,074,176	1,074,242	1,074,176	1,068,868
Effect of dilution from:				
Employees' Share Option Scheme (ESOS) ('000)	-	10,573	-	10,697
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	<u>1,074,176</u>	<u>1,084,815</u>	<u>1,074,176</u>	<u>1,079,565</u>
Earnings per share (sen):				
- Basic	3.69	4.41	10.39	11.71
- Diluted	<u>3.69</u>	<u>4.37</u>	<u>10.39</u>	<u>11.60</u>

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2022

B14. Auditor’s report on preceding annual financial statements

The auditors’ report on the financial statements for the year ended 31 December 2021 was not subject to any qualification.

B15. Additional disclosure on profit for the period

	Quarter ended 30.06.2022 RM’000	Financial period ended 30.06.2022 RM’000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	23	38
Property, plant and equipment written off	-	1
Depreciation of property, plant and equipment	13,503	27,596
Depreciation of investment properties	473	945
Loss on disposal of property, plant and equipment	92	91
Loss on foreign exchange - realised	136	33
Loss on foreign exchange - unrealised	11,689	13,275
Interest expense	3,720	10,238
Interest income	(1,277)	(3,753)
Net fair value changes in investment securities	1,914	2,185
Loss on disposal of investment securities	461	451