

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 2018

	Note	3 months ended		Changes (%)	9 months ended		Changes (%)
		30.09.2018	30.09.2017 (Restated)		30.09.2018	30.09.2017 (Restated)	
		RM'000	RM'000		RM'000	RM'000	
Revenue	A8	465,167	357,363	30%	1,215,432	1,007,589	21%
Cost of sales		(362,132)	(263,688)		(968,151)	(761,444)	
Gross profit		103,035	93,675	10%	247,281	246,145	0.5%
Other income		10,018	2,581		16,020	14,767	
Administrative expenses		(11,772)	(10,199)		(37,371)	(34,660)	
Selling and marketing expenses		(3,688)	(2,951)		(11,883)	(9,866)	
Other expenses		(611)	(2,988)		(3,234)	(8,745)	
Operating profit		96,982	80,118	21%	210,813	207,641	2%
Finance costs		(7,756)	(7,976)		(23,052)	(15,652)	
Share of results of associates		24,319	20,108		99,198	12,625	
Share of results of joint ventures		(237)	5,304		2,289	25,850	
Profit before taxation		113,308	97,554	16%	289,248	230,464	26%
Income tax expense	B5	(21,212)	(26,409)		(53,175)	(59,024)	
Profit for the period		92,096	71,145	29%	236,073	171,440	38%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Foreign currency translation		(2)	(4)		(6)	(4)	
Share of other comprehensive income of associates		992	(4,002)		713	(4,074)	
Share of other comprehensive income of joint ventures		0	0		(23)	(584)	
Other comprehensive income for the period		990	(4,006)		684	(4,662)	
Total comprehensive income for the period		93,086	67,139	39%	236,757	166,778	42%
Profit attributable to:							
Owners of the Company		78,015	63,198	23%	208,618	146,496	42%
Non-controlling interests		14,081	7,947		27,455	24,944	
		92,096	71,145		236,073	171,440	
Total comprehensive income attributable to:							
Owners of the Company		78,965	59,204		209,299	141,877	
Non-controlling interests		14,121	7,935		27,458	24,901	
		93,086	67,139		236,757	166,778	
		sen	sen		sen	sen	
Earnings per share attributable to owners of the Company:							
Basic/diluted	B13	7.29	5.89		19.45	13.64	

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 2018

	Note	Unaudited As at 30.09.2018 RM'000	Unaudited As at 31.12.2017 (Restated) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		738,238	727,960
Prepaid land lease payments		13,875	14,448
Land held for property development		228,044	241,516
Investment properties		5,186	5,274
Intangible assets		1,086	2,201
Goodwill		62,954	62,954
Investments in associates	A13	1,009,891	897,565
Investments in joint ventures		27,839	27,197
Deferred tax assets		18,577	21,376
Other receivables		55,104	52,312
Investment securities		1,013	70
		<u>2,161,807</u>	<u>2,052,873</u>
Current assets			
Property development costs		182,035	216,690
Inventories		346,502	294,020
Trade and other receivables		417,616	270,737
Other current assets		132,280	102,927
Investment securities		99,196	96,520
Derivative financial asset		35,414	35,414
Tax recoverable		5,027	4,030
Cash and bank balances		692,712	977,835
		<u>1,910,782</u>	<u>1,998,173</u>
TOTAL ASSETS		<u>4,072,589</u>	<u>4,051,046</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		867,902	867,902
Treasury shares		(12,277)	0
Other reserves		9,925	9,092
Retained earnings		1,599,930	1,476,662
		<u>2,465,480</u>	<u>2,353,656</u>
Non-controlling interests		<u>344,558</u>	<u>332,677</u>
Total equity		<u>2,810,038</u>	<u>2,686,333</u>
Non-current liabilities			
Deferred tax liabilities		36,680	36,835
Loans and borrowings	B7	568,103	584,633
Trade and other payables		64,577	93,719
		<u>669,360</u>	<u>715,187</u>
Current liabilities			
Income tax payable		22,700	20,549
Loans and borrowings	B7	62,537	51,731
Trade and other payables		486,029	525,371
Other current liabilities		21,925	51,875
		<u>593,191</u>	<u>649,526</u>
Total liabilities		<u>1,262,551</u>	<u>1,364,713</u>
TOTAL EQUITY AND LIABILITIES		<u>4,072,589</u>	<u>4,051,046</u>
Net assets per share attributable to ordinary owners of the Company (RM)		<u>2.30</u>	<u>2.19</u>
The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the interim financial report.			

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 30 September 2018

	< ----- Attributable to Owners of the Company ----- >						
	< ----- Non-distributable ----- >			Distributable			
	Total equity	Total	Share capital	Treasury shares	Other reserves	Retained earnings	Non-controlling interests
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	2,682,387	2,349,846	867,902	0	9,092	1,472,852	332,541
Effect of adoption of MFRS 15	3,946	3,810	0	0	0	3,810	136
As restated	2,686,333	2,353,656	867,902	0	9,092	1,476,662	332,677
Profit net of tax	236,073	208,618	0	0	0	208,618	27,455
Other comprehensive income, net of tax	684	681	0	0	681	0	3
Total comprehensive income	236,757	209,299	0	0	681	208,618	27,458
Transactions with owners:-							
Purchase of treasury shares	(17,731)	(17,731)	0	(17,731)	0	0	0
Disposal of treasury shares	6,272	6,272	0	5,454	0	818	0
Dividends on ordinary shares	(85,950)	(85,950)	0	0	0	(85,950)	0
Dividends paid to non-controlling interests	(15,574)	0	0	0	0	0	(15,574)
Total transactions with owners	(112,983)	(97,409)	0	(12,277)	0	(85,132)	(15,574)
Share of associates' reserves	(69)	(66)	0	0	152	(218)	(3)
Share of joint ventures' reserves	0	0	0	0	0	0	0
At 30 September 2018	2,810,038	2,465,480	867,902	(12,277)	9,925	1,599,930	344,558

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 30 September 2018

	< ----- Attributable to Owners of the Company ----- >						
	< ----- Non-distributable ----- >					Distributable	Non-controlling interests
	Total equity RM'000	Total RM'000	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2017	2,534,739	2,212,836	537,188	330,716	40,090	1,304,842	321,903
Effect of adoption of MFRS 15	10,777	9,887	0	0	0	9,887	890
As restated	2,545,516	2,222,723	537,188	330,716	40,090	1,314,729	322,793
Profit net of tax	171,440	146,496	0	0	0	146,496	24,944
Other comprehensive income, net of tax	(4,662)	(4,619)	0	0	(4,619)	0	(43)
Total comprehensive income	166,778	141,877	0	0	(4,619)	146,496	24,901
Transactions with owners:-							
Dividends on ordinary shares	(67,686)	(67,686)	0	0	0	(67,686)	0
Dividends paid to non-controlling interests	(23,257)	0	0	0	0	0	(23,257)
Total transactions with owners	(90,943)	(67,686)	0	0	0	(67,686)	(23,257)
Acquisition of a subsidiary	177	0	0	0	0	0	177
Share of associates' reserves	(2)	(2)	0	(2)	(22,521)	22,521	0
Share of joint ventures' reserves	(10,637)	(10,126)	0	0	0	(10,126)	(511)
Transfer pursuant to Companies Act 2016	0	0	330,714	(330,714)	0	0	0
At 30 September 2017 (Restated)	2,610,889	2,286,786	867,902	0	12,950	1,405,934	324,103

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the period ended 30 September 2018

	9 months ended 30.09.2018 RM'000	9 months ended 30.09.2017 (Restated) RM'000
Profit before taxation	289,248	230,464
Adjustments for non-cash items:		
Non-cash items	(63,005)	(7,601)
Operating cash flows before changes in working capital	226,243	222,863
Changes in working capital		
Increase in current assets	(194,085)	(112,054)
Decrease/(increase) in non-current assets	13,472	(83)
Decrease in current liabilities	(67,945)	(29,046)
Decrease in non-current liabilities	(29,142)	(265)
Cash flows (used in)/from operations	(51,457)	81,414
Interest received	21,255	13,767
Interest paid	(24,529)	(20,004)
Income tax paid, net of refund	(49,377)	(57,054)
Net cash flows (used in)/from operating activities	(104,108)	18,123
Investing activities		
Acquisition of investment securities	(3,325)	(91,049)
Acquisition of investment properties	(407)	0
Acquisition of property, plant and equipment	(55,791)	(46,109)
Additional investment in associates A13(b)	(45,542)	0
Additional investment in joint ventures	(3,294)	0
Distribution of profits from joint ventures	4,917	20,523
Dividends from associates	6,534	4,128
Dividends from investments	2,382	2,372
Net cash outflow from acquisition of a subsidiary	0	(1,692)
Proceeds from disposal of property, plant and equipment	908	133
Proceeds from disposal of investment securities	0	5,790
Proceeds from disposal of investments in irredeemable convertible preference shares A13(a)	30,786	0
Proceeds from redemption of investments in redeemable preference shares	0	37,458
Others	(3)	(103)
Net cash used in investing activities	(62,835)	(68,548)
Financing activities		
Acquisition of treasury shares	(17,731)	0
Deposit pledged to a licensed bank	(43)	0
Drawdown of borrowings	32,700	(76,748)
Repayments of borrowings	(38,424)	0
Dividends paid to shareholders of the Company	(85,950)	(67,686)
Dividends paid to non-controlling interests	(15,573)	(23,256)
Proceeds from disposal of treasury shares	6,272	0
Proceeds from issuance of Islamic medium term notes	0	500,000
Net cash (used in)/from financing activities	(118,749)	332,310
Net (decrease)/increase in cash and cash equivalents	(285,692)	281,885
Effect of foreign exchange changes in cash and cash equivalents	526	0
Cash and cash equivalents as at 1 January	975,781	455,073
Cash and cash equivalents as at 30 September	690,615	736,958
Cash and cash equivalents as at 30 September comprised the following:		
Cash and short term deposits	692,712	738,955
Less: Deposits pledged to licensed banks	(2,097)	(1,997)
	690,615	736,958

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 2018

Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 September 2018 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 2017.

In preparing its opening Statement of Financial Position as at 1 January 2018, the Group has adjusted the amounts previously reported in financial statements due to the adoption of MFRS 15: Revenue from Contracts with Customers. The Group has adopted the new standard on the required effective date using the full retrospective method. An explanation of how the adoption of MFRS 15 has affected the Group’s financial statements is set out in Note A2 below. These include reconciliations of equity for comparative periods as well as the statement of profit or loss and other comprehensive income.

A2. Changes in accounting policies

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

On 1 January 2018, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2018.

- Annual Improvements to MFRS Standards 2014 - 2016 Cycle:
 - (i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards
 - (ii) Amendments to MFRS 128: Investments in Associates and Joint Ventures
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 140: Transfers of Investment Property
- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

(a) Annual Improvements to MFRS Standards 2014 - 2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group’s and the Company’s financial statements.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018

A2. Changes in accounting policies (contd.)

(a) Annual Improvements to MFRS Standards 2014 - 2016 Cycle (contd.)

Amendments to MFRS 128: Investments in Associates and Joint Ventures

The amendments clarify that:

- an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which:
 - (i) the investment entity associate or joint venture is initially recognised;
 - (ii) the associate or joint venture becomes an investment entity; and
 - (iii) the investment entity associate or joint venture first becomes a parent.

(b) Amendments to MFRS 140: Transfers of Investment Property

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. Since the Group's current practice is in line with the clarifications issued, there is no effect on its consolidated financial statements.

(c) MFRS 9: Financial Instruments

On the adoption of MFRS 9, the Group has assessed all the three aspects of the accounting for the financial assets and liabilities for classification and measurement, impairment and hedge accounting. In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments. During the current financial quarter ended, there is no requirement for any reclassification for loans and receivables nor any significant impact on the statement of financial position on fair value measurement on the financial assets and quoted equity shares held as available-for-sale (AFS) and there is no expectation of any impairment on trade receivables.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers when or as the Group transfers goods or services to a customer, measured at the amount to which the Group expects to be entitled, according to the term and condition stipulated in the contracts with customers. Depending on whether certain criteria are met, revenue is recognised over time, in a manner that depicts the Group’s performance; or at a point in time, when control of the goods or services is transferred to the customers. The adoption of this new MFRS 15 have not resulted in any material impact on the financial statements of the Group except for the following areas:

(i) Property development

The Group is in the business developing residential and commercial properties. The Group used to recognise revenue from the sale of development properties under construction using the completion method. Under MFRS 15, performance obligations for the sale of development properties are satisfied over time where the Group is restricted contractually from directing the properties for alternative use as they are being developed and has an enforceable right to payment for performance completed to date. Accordingly, the revenue used to recognise using the completed contract method is adjusted upon adoption of MFRS 15 to recognised the revenue over time.

(ii) Costs incurred in obtaining a contract

Prior to adoption of MFRS 15, sales commissions incurred were taken to profit or loss because they do not qualify for recognition as an asset under any of the other accounting standards. Upon the adoption of MFRS 15, the Group capitalises such commissions as incremental costs to obtain a contract if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(iii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgments made, i.e. when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation and the assumptions made to estimate the stand-alone selling prices of each performance obligation. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

In summary, the impact of MFRS 15 adoption is as follows:

(i) Reconciliation of equity as at 1 January 2017

	As at 1.1.2017 RM'000	Impact of MFRS 15 RM'000	As at 1.1.2017 RM'000
Assets			
Non-current assets			
Deferred tax assets	34,989	(2,296)	32,693
Others	2,044,364		2,044,364
	<u>2,079,353</u>		<u>2,077,057</u>
Current assets			
Property development costs	354,748	(52,471)	302,277
Other current assets	37,442	4,950	42,392
Others	979,794		979,794
	<u>1,371,984</u>		<u>1,324,463</u>
Total assets	3,451,337		3,401,520

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(i) Reconciliation of equity as at 1 January 2017 (contd.)

	As at 1.1.2017 RM'000	Impact of MFRS 15 RM'000	As at 1.1.2017 RM'000
Equity and liabilities			
Equity			
Share capital	537,188		537,188
Share premium	330,716		330,716
Other reserves	40,090		40,090
Retained earnings	1,304,842	9,887	1,314,729
	<u>2,212,836</u>		<u>2,222,723</u>
Non-controlling interests	321,903	890	322,793
	<u>2,534,739</u>		<u>2,545,516</u>
 Non-current liabilities			
Deferred taxation	39,292	1,107	40,399
Others	189,439		189,439
	<u>228,731</u>		<u>229,838</u>
 Current liabilities			
Trade payables	289,204	1,161	290,365
Other current liabilities	126,783	(62,862)	63,921
Others	271,880		271,880
	<u>687,867</u>		<u>626,166</u>
Total liabilities	916,598		856,004
Total equity and liabilities	3,451,337		3,401,520

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018**A2. Changes in accounting policies (contd.)****(d) MFRS 15: Revenue from Contracts with Customers (contd.)****(ii) Reconciliation of equity as at 30 September 2017**

	As at 30.9.2017 RM'000	Impact of MFRS 15 RM'000	As at 30.9.2017 RM'000
Assets			
Non-current assets			
Deferred tax assets	23,650	(1,019)	22,631
Others	2,029,259		2,029,259
	<u>2,052,909</u>		<u>2,051,890</u>
Current assets			
Property development costs	287,512	(44,028)	243,484
Inventories	265,637	(277)	265,360
Other current assets	54,898	13,977	68,875
Others	1,230,455		1,230,455
	<u>1,838,502</u>		<u>1,808,174</u>
Total assets	<u>3,891,411</u>		<u>3,860,064</u>
Equity and liabilities			
Equity			
Share capital	867,901		867,901
Other reserves	12,950		12,950
Retained earnings	1,398,984	6,950	1,405,934
	<u>2,279,835</u>		<u>2,286,785</u>
Non-controlling interests	320,623	3,480	324,103
	<u>2,600,458</u>		<u>2,610,888</u>
Non-current liabilities			
Deferred taxation	38,395	2,173	40,568
Others	674,584		674,584
	<u>712,979</u>		<u>715,152</u>
Current liabilities			
Other payables	122,902	170	123,072
Other current liabilities	121,122	(44,120)	77,002
Others	333,950		333,950
	<u>577,974</u>		<u>534,024</u>
Total liabilities	<u>1,290,953</u>		<u>1,249,176</u>
Total equity and liabilities	<u>3,891,411</u>		<u>3,860,064</u>

CAHYA MATA SARAWAK BERHAD

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018**A2. Changes in accounting policies (contd.)****(d) MFRS 15: Revenue from Contracts with Customers (contd.)**

(iii) Reconciliation of equity as at 31 December 2017

	As at 31.12.2017 RM'000	Impact of MFRS 15 RM'000	As at 31.12.2017 RM'000
Assets			
Non-current assets			
Deferred tax assets	22,621	(1,245)	21,376
Others	2,031,497		2,031,497
	<u>2,054,118</u>		<u>2,052,873</u>
Current assets			
Property development costs	251,866	(35,176)	216,690
Inventories	294,310	(290)	294,020
Other current assets	102,372	555	102,927
Others	1,384,536		1,384,536
	<u>2,033,084</u>		<u>1,998,173</u>
Total assets	<u>4,087,202</u>		<u>4,051,046</u>
Equity and liabilities			
Equity			
Share capital	867,902		867,902
Other reserves	9,092		9,092
Retained earnings	1,472,852	3,810	1,476,662
	<u>2,349,846</u>		<u>2,353,656</u>
Non-controlling interests	332,541	136	332,677
	<u>2,682,387</u>		<u>2,686,333</u>
Non-current liabilities	715,187		715,187
Current liabilities			
Trade payables	406,337	806	407,143
Other payables	119,138	(910)	118,228
Other current liabilities	91,873	(39,998)	51,875
Others	72,280		72,280
	<u>689,628</u>		<u>649,526</u>
Total liabilities	<u>1,404,815</u>		<u>1,364,713</u>
Total equity and liabilities	<u>4,087,202</u>		<u>4,051,046</u>

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(iv) Reconciliation of total comprehensive income for the period ended 30 September 2017

	As at 30.9.2017 RM'000	Impact of MFRS 15 RM'000	As at 30.9.2017 RM'000
Revenue	1,018,538	(10,949)	1,007,589
Cost of sales	(772,347)	10,903	(761,444)
Gross profit	246,191		246,145
Other income	14,814	(47)	14,767
Administrative expenses	(33,653)	(1,007)	(34,660)
Other expenses	(19,152)	541	(18,611)
Operating profit	208,200		207,641
Finance costs	(15,652)		(15,652)
Share of results of associates	12,625		12,625
Share of results of joint ventures	25,850		25,850
Profit before tax	231,023		230,464
Income tax expense	(59,236)	212	(59,024)
Profit for the period	171,787		171,440
Other comprehensive income for the period	(4,662)		(4,662)
Total comprehensive income for the period	167,125		166,778
Profit attributable to:			
Owners of the Company	149,434		146,496
Non-controlling interests	22,353		24,944
	171,787		171,440
Total comprehensive income attributable to:			
Owners of the Company	144,814		141,877
Non-controlling interests	22,311		24,901
	167,125		166,778
Earnings per share attributable to owners of the Company:			
Basic/diluted	13.91		13.64

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 2018.

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018

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

On 25 April 2018, the shareholders of the Company renewed their approval for the Company to buy-back its own shares. The Company initiated its share buy-back programme on 23 May 2018.

During the current quarter ended 30 September 2018, the Company repurchased 3,892,200 of its issued ordinary shares from the open market at an average price of RM2.85 per share. The total consideration paid for the repurchase including transaction costs was RM11,097,322 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 (16) of the Companies Act 2016.

During the current quarter ended 30 September 2018, the Company had resold 2,240,000 treasury shares from the open market for a total consideration of RM6,271,760, net of commission. After the resale of the treasury shares, the Company holds 4,430,400 treasury share in its books.

A7. Dividends paid

The final tax exempt (single-tier) dividend of 8.0 sen per share for the financial year ended 31 December 2017 amounting to RM85,950,058 was paid on 23 May 2018.

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018**A8. Segmental information**

	3 months ended		9 months ended	
	30.9.2018	30.9.2017 (Restated)	30.9.2018	30.9.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	147,161	132,202	409,455	374,382
Construction materials & trading	150,942	124,010	351,475	306,143
Construction & road maintenance	142,170	92,655	407,425	251,819
Property development	51,060	27,095	105,422	116,672
Strategic investments *	2,405	2,791	7,246	8,318
Others	17,728	15,960	52,971	43,933
Total revenue including inter-segment sales	511,467	394,713	1,333,994	1,101,267
Elimination of inter-segment sales	(46,300)	(37,350)	(118,562)	(93,678)
	465,167	357,363	1,215,432	1,007,589
Segment Results				
Operating profit/(loss):				
Cement	31,181	35,123	70,372	82,160
Construction materials & trading	23,976	22,641	47,388	52,139
Construction & road maintenance	21,758	19,006	66,513	55,117
Property development	17,740	5,154	29,040	28,720
Strategic investments *	(298)	61	(1,277)	6,513
Others	5,495	(1,678)	5,105	(7,383)
	99,852	80,307	217,141	217,266
Unallocated corporate expenses	(10,626)	(8,165)	(29,380)	(25,278)
Share of results of associates	24,319	20,108	99,198	12,626
Share of results of joint ventures	(237)	5,304	2,289	25,850
Profit before tax	113,308	97,554	289,248	230,464
Income tax expenses	(21,212)	(26,409)	(53,175)	(59,024)
Profit for the year	92,096	71,145	236,073	171,440

* Financial services and education.

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018**A9. Changes in composition of the Group**

There have been no changes in the composition of the Group for the quarter ended 30 September 2018.

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 2018		31 December 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM'000	RM'000	RM'000	RM'000
Financial liabilities:				
Interest-bearing loans and borrowings				
- Bankers' acceptances	13,500	13,500	2,300	2,300
- Term loans	88,729	88,729	104,800	104,800
- Obligation under finance lease	1,412	1,412	1,988	1,988
- Revolving credits	27,000	27,000	27,000	27,000
- Loans from corporate shareholders	-	-	276	287
- Islamic medium term notes	500,000	515,983	500,000	508,133
	<u>630,641</u>	<u>646,624</u>	<u>636,364</u>	<u>644,508</u>

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018**A10. Fair value of instruments (contd.)****(b) Fair value hierarchy**

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities,

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at the reporting date, the Group held the following financial assets and liabilities that were measured at fair value by level of fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2018				
Financial assets				
Investment securities				
- Income debt securities fund	-	94,971	-	94,971
- Real Estate Investment Trust	4,225	-	-	4,225
- Financial derivatives	-	-	35,414	35,414
	<u>4,225</u>	<u>94,971</u>	<u>35,414</u>	<u>134,610</u>
31 December 2017				
Financial assets				
Investment securities				
- Income debt securities fund	-	91,970	-	91,970
- Real Estate Investment Trust	4,550	-	-	4,550
	<u>4,550</u>	<u>91,970</u>	<u>-</u>	<u>96,520</u>

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

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018**A11. Capital & other commitments**

The amount of commitments not provided for in the interim financial statements as at 30 September 2018 and 31 December 2017 was as follows:

Capital commitments

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
Approved and contracted for:		
- Property, plant and equipment	45,940	70,739
- Investments in joint ventures	52,087	53,030
	<u>98,027</u>	<u>123,769</u>
Approved but not contracted for:		
- Property, plant and equipment	176,052	280,805
- Intangible assets	430	4,015
- Investments in associates	290,654	334,000
	<u>467,136</u>	<u>618,820</u>
	<u>565,163</u>	<u>742,589</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.

A13. Investments in associates**(a) Disposal of Irredeemable Convertible Preference Shares (ICPS) in an associate**

On 26 September 2018, the Group disposed 26,523,880 number of ICPS in OM Materials (Sarawak) Sdn Bhd through its wholly-owned subsidiary, Samalaju Industries Sdn Bhd for a total cash consideration of RM30,785,666 which gave rise to a gain of RM4.26 million.

Subsequent to the reporting date, on 25 October 2018, the Group further disposed 39,785,820 number of ICPS for a total cash consideration of RM46,383,969 which gave rise to a gain of RM6.60 million.

(b) Additional investments in an associate

During the period under review, the Group subscribed 45,542,400 ordinary shares in Malaysian Phosphate Additives (Sarawak) Sdn Bhd through its wholly-owned subsidiary, Samalaju Industries Sdn Bhd for a total cash consideration of RM45,542,400 thereby increasing the total equity in this associate from 40% to 49.94%.

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018**A14. 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 2018 and 30 September 2017 as well as the balances with the related parties as at 30 September 2018 and 30 September 2017:

		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	2018	3,725	-	-	-
	2017	622	-	-	-
- KKB Engineering Bhd	2018	-	22,903	-	8,058
	2017	86	652	-	-
- Kenanga Investors Bhd	2018	-	-	-	-
	2017	1,109	-	-	-
- Sacofa Sdn Bhd	2018	1,374	313	304	7
	2017	1,303	28	311	28
- OM Materials (Sarawak) Sdn Bhd	2018	4,320	-	480	-
	2017	2,876	-	5,541	-
Joint Ventures:					
- PPES Works Wibawa	2018	-	-	-	-
	2017	2	-	-	-
- PPES Works Naim Land	2018	114	-	93	-
	2017	326	-	94	-
- PPES Works Larico	2018	692	-	644	-
	2017	1,290	-	1,155	-
- PPES Works PCSB	2018	702	9,068	584	4,596
	2017	398	12,919	135	7,736
- COPE Private Equity Sdn Bhd	2018	87	-	15	-
	2017	86	-	8	1
Key management personnel of the Group:					
- Directors' interest	2018	-	3,077	-	158
	2017	4,514	1,809	882	18

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

A15. Subsequent event

There was no material event subsequent to the statement of financial position date that has not been reflected in the quarterly financial statements other than as disclosed in A13(a) above.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018

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

B1. Review of performance

Year-to-date, 2018 (“PE2018”) vs Year-to-date, 2017 Restated (“PE2017”)

Revenue increased by 21% while profit before tax (PBT) and profit after tax and non-controlling interest (PATNCI) increased by 26% and 42% respectively in comparison to the preceding year.

All Divisions except the Property Development and Strategic Investments Divisions reported higher revenue. However, only Construction & Road Maintenance, Property Development and Others Divisions reported higher PBT in PE2018.

The significant improvement in PBT and PATNCI was mainly due to higher share of results of associates which is partially negated by lower contribution from joint ventures.

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

- (a) **Cement Division** - reported a 14% lower PBT of RM70.37 million in PE2018 over PE2017’s PBT of RM82.16 million, despite a 9% increase in its revenue. The lower PBT was mainly due to repair costs from the planned maintenance shutdown exercise carried at its clinker plant in first and third quarters this year which was compounded by an increase in the price of imported clinker due to spike in demand following the reduction of cement and clinker production in China and continued high demand from Bangladesh and the Philippines.
- (b) **Construction Materials & Trading Division** - reported a lower PBT of RM47.39 million for PE2018, which was 9% lower than the PBT of RM52.14 million for PE2017, despite a 15% increase in its revenue. The lower PBT was attributable to the lower gross profit margins from the premix and quarry as a result of increase in prices of bitumen and diesel and lower production as a result of state wide shortage of quarry sand.
- (c) **Construction & Road Maintenance Division** - reported a strong PBT of RM66.51 million in PE2018, representing an increase of 21% over PE2017’s profit of RM55.12 million. This was on the back of higher percentage of completion of Pan Borneo Highway, Miri-Marudi road rehabilitation and Museum projects respectively.
- (d) **Property Development Division** - reported a marginally higher PBT of RM29.04 million in PE2018 in comparison to PBT of RM28.72 million in PE2017 (restated) despite lower revenue. This was attributable mainly to the downward revisions in costs for the construction of building projects upon practical completion of the buildings.
- (e) **Strategic Investments Division** - reported a loss of RM1.28 million in PE2018 as compared to a PBT of RM6.51 million in PE2017. The profit in PE2017 was due to a reversal of impairment in investment.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018

B1. Review of performance (contd.)

Year-to-date, 2018 (“PE2018”) vs Year-to-date, 2017 Restated (“PE2017”) (contd.)

- (f) **Others** – The better performance in PE2018 was mainly due to gain on sale of RM4.26 million of Irredeemable Convertible Preference Shares to OM Materials (S) Pte Ltd. In addition, an unrealized forex gain of RM0.96 million was recorded in PE2018 as opposed to an unrealized forex loss of RM4.24 million in PE2017.
- (g) **Unallocated corporate expenses** – CMSB recorded a higher loss in PE2018 compared to PE2017 mainly due to higher net interest expenses and overhead expenses.
- (h) **Share of results of associates** – The Group’s higher share of profit of associates in PE2018 was contributed by all of its operating associates. Collectively, the share of profits jumped by 685% to RM99.20 million in PE2018 from RM12.63 million in PE2017. The main contributor is the strong turnaround at OM Materials (Sarawak) Sdn Bhd.
- (i) **Share of results of joint-ventures** - recorded a significantly lower share of profit of RM2.29 million (PE2017: RM25.85million). The excellent performance in PE2017 was attributable to the performance fees income and profit sharing received by the private equity management company and two private equity funds, which were resulted from gains on realization of an investment.

Quarter 3, 2018 (“3Q18”) vs Quarter 3, 2017 (“3Q17”)

	3rd Qtr 2018 RM'000	3rd Qtr 2017		Changes 3Q18/3Q17 (Restated)
		Original RM'000	Restated RM'000	
Revenue	465,167	347,968	357,363	30%
Gross profit	103,035	91,321	93,675	10%
Share of results of associates	24,319	20,108	20,108	21%
Profit before tax	113,308	95,580	97,554	16%

The Group’s PBT for this year’s third quarter was 16% higher than last year’s same quarter. The increase was mainly attributable to the higher profit from the Property Development and Others Division as well as higher share of results of associates.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018

B2. Material changes in profit before tax for the quarter (Quarter 3, 2018 vs Quarter 2, 2018)

	3rd Qtr 2018 RM'000	2nd Qtr 2018 RM'000	Changes %
Revenue	465,167	395,278	18%
Gross profit	103,035	97,260	6%
Share of results of associates	24,319	38,829	-37%
Profit before tax	113,308	118,982	-5%

The Group's PBT for 3Q18 was RM5.67 million or 5% lower than 2Q18, despite 18% higher revenue. This was mainly due to lower share of profits of associates.

The Construction Materials & Trading Division's revenue and PBT in 3Q18 were significantly higher than 2Q18. Revenue in 3Q18 picked up after a long delay and slowness in carrying out JKR MARRIS program in first half of the year. Gross profit margin also improved by 2%.

The Property Development Division recorded better performance in 3Q18 mainly due to higher profit from construction activities as a result of downward revision in costs in one of its construction projects. In addition, this was also enhanced by higher percentage of completion of condominium project.

Cement Division's PBT for 3Q18 was slightly lower than 2Q18 despite higher revenue. This was mainly due to repair costs during major maintenance shutdown in 3Q18 of its clinker plant which was compounded by increase in price of imported clinker in 3Q18.

B3. Prospects for the year ending 31 December 2018

The operating environment is expected to remain challenging which the Group is well positioned to overcome due to its robust financial portfolio of diversified and strategic Sarawak-based businesses.

We remain focused on growing our portfolio of businesses by taking advantage of the opportunities in Sarawak especially in the area of energy intensive businesses. With our increasingly strong business fundamentals, coupled with other measures taken by Management including steps taken to position the Group for long term sustainable revenue and profitability growth, we are confident to deliver a satisfactory financial performance for the year 2018.

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

The Cement division is optimistic that sales for 2018 will be better than 2017. However, profitability is expected to be dampened by the below capacity performance of the clinker plant as well as higher repair costs incurred in the 1st and 3rd Quarter of the year. This is further compounded by the increase in price of imported clinker due to spike in demand following reduction of cement and clinker production in China due to environmental measures taken by the Government and continued high demand from Bangladesh and the Philippines. Nevertheless, Management is closely monitoring and optimising the performance of the clinker plant and vigorously exploring for new sources of supply of clinker.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018

B3. Prospects for the year ending 31 December 2018 (contd.)

The Construction Materials and Trading Division is facing an unprecedented shortage of quarry aggregates and quarry sand due to a steep spike in demand from the Pan Borneo Highway (PBH) project. This unprecedented shortage is expected to continue in the next two to three years. A total of 965,000MT of DCR stones and 120,000MT of premix on order was unable to be met in first 9 months of 2018. A further 1.03 million MT of DCR stones will be required to be supplied to the PBH Package 6 project in two years from 2019 to 2020. The premix unit has to-date secured a total of 1.0 million MT of premix supply to other packages of the PBH project. The unit is taking all steps to reposition itself to capitalise on this drastic spike in the demand for construction materials including quarry aggregates and quarry sand.

The Construction & Road Maintenance Division is focusing on positioning itself to increase its order book through major new infrastructure projects recently announced by the State Government: Coastal Road, 2nd Link Trunk Road, State Water Grid Project and other infrastructure projects announced for its rural transformation initiative. Its second focus is on the long term renewal of the State Road Maintenance Contract where it is well positioned as it has a full team of staff on-board, the investment it has made in state of the art equipment and the experience that it has gained over the last 15 years.

The Property Development Division expects steady sales from its Bandar Samariang township but sees increased competition to its Rivervale condominium project as more developers diversify into the construction of condominiums and apartments. Based on the latest National Property Information Centre report, high rise strata titled residential development continues to dominate the new residential development launches in Kuching. This category contributes 70% (7,129 out of 10,724 units) of the incoming supply. Nevertheless, the Management is confident that its Rivervale condominium will continue to do well due to its value-for-money proposition, strategic location and facilities and Division's increasing reputation as a quality urban housing developer. As at end of September 2018, about 60% of the Rivervale condominium had been sold.

The Division's other major project namely, its township development in Samalaju is a greenfield project and faces an uphill task in selling its residential and commercial development as most public amenities are not in place yet.

The occupancy levels at its Workers' and Executive Lodges in Samalaju are not expected to experience any significant increases until major construction activity starts from existing or new industries at Samalaju Industrial Park. We expect an increase in up-take when the construction of the MPAS Plant gains momentum in 2019. OM Materials (Sarawak) Sdn Bhd has moved their supervisors from the lodges to the hotel in Samalaju under a long term contract.

B4. Profit forecast or profit guarantee

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

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018**B5. Income tax expense**

	3 months ended		9 months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
		(Restated)		(Restated)
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	27,405	9,430	59,446	45,848
- Under/(over) provision in respect of previous years	(2,190)	4,941	(2,189)	2,944
Deferred tax	(4,003)	12,038	(4,082)	10,232
Total income tax expense	21,212	26,409	53,175	59,024

The effective tax rates for the quarter and period ended 30 September 2018 were lower than the statutory tax rate principally due to share of associates' profit which was net of tax.

The effective tax rates for the quarter and period ended 30 September 2017 were 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.

B6. Corporate proposals

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

B7. Borrowings

	As at 30.9.2018 RM'000	As at 31.12.2017 RM'000
Short term – Secured		
Revolving credits	17,000	17,000
Hire purchase	609	727
Short term – Unsecured		
Bankers' acceptances	13,500	2,300
Term loan	21,428	21,428
Loan from corporate shareholder	-	276
Revolving credits	10,000	10,000
	62,537	51,731
Long term – Secured		
Hire purchase	803	1,261
Long term – Unsecured		
Term loan	67,300	83,372
Islamic medium term notes	500,000	500,000
	568,103	584,633
Total	630,640	636,364

All borrowings were denominated in Ringgit Malaysia.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018

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.

B11. Changes in material litigation

There were no changes in material litigation since the last annual statement of financial position date of 31 December 2017.

B12. Dividend payable

No interim dividend has been declared for the financial period ended 30 September 2018 (30 September 2017: Nil).

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2018**B13. Earnings per share**

Basic earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to the owners of the Company by the weighted average number of ordinary shares outstanding, which takes into account the weighted average effect of changes in treasury shares transactions during the period.

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

	3 months ended		9 months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	78,015	63,198	208,618	146,496
Weighted average number of ordinary shares in issue ('000)	1,070,436	1,074,376	1,072,667	1,074,376
Basic earnings per share (sen)	7.29	5.89	19.45	13.64

The Group has no dilution in its earning per share in the current and the preceding financial period as there are no dilutive potential ordinary shares.

B14. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 was not subject to any qualification.

B15. Additional disclosure on profit for the period

	Quarter ended 30.9.2018 RM'000	Financial year ended 30.9.2018 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	373	1,118
Amortisation of prepaid land lease payments	197	610
Property, plant and equipment written off	1,361	1,379
Depreciation of property, plant and equipment	14,814	43,902
Depreciation of investment properties	30	88
Gain on foreign exchange - realised	(871)	(30)
Gain on foreign exchange - unrealised	(1,761)	(2,832)
Gain on disposal of property, plant and equipment	(247)	(304)
Interest expense	8,275	24,529
Interest income	(7,522)	(23,088)
Net fair value changes in investment securities	(140)	(294)