

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 2016

	Note	3 months ended		9 months ended	
		30.09.2016 RM'000	30.09.2015 RM'000	30.09.2016 RM'000	30.09.2015 RM'000
Revenue	A8	356,060	411,844	1,101,783	1,279,688
Cost of sales		(268,047)	(294,085)	(865,995)	(983,185)
Gross profit		88,013	117,759	235,788	296,503
Other income		3,631	7,246	12,417	18,919
Administrative expenses		(7,625)	(13,657)	(31,161)	(48,688)
Selling and marketing expenses		(2,789)	(2,783)	(9,704)	(9,444)
Other expenses		2,355	(1,728)	(7,062)	(7,020)
Operating profit		83,585	106,837	200,278	250,270
Finance costs		(2,953)	(963)	(7,414)	(2,660)
Share of results of associates		8,415	(2,782)	(40,486)	15,431
Share of results of joint ventures		5,697	1,472	8,035	3,240
Profit before taxation		94,744	104,564	160,413	266,281
Income tax expense	B5	(23,165)	(27,145)	(58,496)	(67,716)
Profit for the period		71,579	77,419	101,917	198,565
Other comprehensive income/(expense)					
Foreign currency translation, net of tax		2	19	(3)	32
Share of other comprehensive (expenses)/income of associates, net of tax		(38,558)	10,489	39,750	(11,936)
Other comprehensive (expense)/income for the period, net of tax		(38,556)	10,508	39,747	(11,904)
Total comprehensive income for the period, net of tax		33,023	87,927	141,664	186,661
Profit attributable to:					
Owners of the Company		58,715	65,480	67,664	163,564
Non-controlling interests		12,864	11,939	34,253	35,001
		71,579	77,419	101,917	198,565
Total comprehensive income attributable to:					
Owners of the Company		59,875	64,110	107,323	153,334
Non-controlling interests		12,898	11,881	34,341	33,327
		72,773	75,991	141,664	186,661
		sen	sen	sen	sen
Earnings per share attributable to owners of the Company:					
Basic	B13	5.47	6.09	6.30	15.41
Diluted		N/A	N/A	N/A	N/A

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and 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 2016

	Note	Unaudited As at 30.09.2016 RM'000	Audited As at 31.12.2015 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		719,453	730,028
Prepaid land lease payments		15,404	15,974
Land held for property development		308,147	297,022
Investment properties		5,420	5,508
Intangible assets		4,102	4,142
Goodwill		61,709	61,709
Investments in associates		825,377	671,280
Investments in joint ventures		34,456	34,090
Deferred tax assets		33,417	38,709
Other receivables		64,523	64,561
Investment securities		300	300
		<u>2,072,308</u>	<u>1,923,323</u>
Current assets			
Property development costs		325,609	265,972
Inventories		189,288	143,765
Trade and other receivables		386,068	400,324
Other current assets		47,594	37,102
Investment securities		9,830	98,116
Derivative financial asset		35,414	35,414
Tax recoverable		4,147	1,996
Cash and bank balances		258,231	325,067
		<u>1,256,181</u>	<u>1,307,756</u>
TOTAL ASSETS		<u>3,328,489</u>	<u>3,231,079</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		537,188	537,188
Share premium		330,716	330,716
Other reserves		21,072	(18,760)
Retained earnings		1,203,617	1,168,357
		<u>2,092,593</u>	<u>2,017,501</u>
Non-controlling interests		<u>307,983</u>	<u>295,226</u>
Total equity		<u>2,400,576</u>	<u>2,312,727</u>
Non-current liabilities			
Deferred tax liabilities		41,732	41,805
Loans and borrowings	B7	102,208	95,322
Trade and other payables		169,850	170,113
		<u>313,790</u>	<u>307,240</u>
Current liabilities			
Income tax payable		17,541	21,730
Loans and borrowings	B7	152,394	68,356
Trade and other payables		345,981	474,732
Other current liabilities		98,207	46,294
		<u>614,123</u>	<u>611,112</u>
Total liabilities		<u>927,913</u>	<u>918,352</u>
TOTAL EQUITY AND LIABILITIES		<u>3,328,489</u>	<u>3,231,079</u>
Net assets per share attributable to ordinary owners of the Company (RM)		<u>1.95</u>	<u>1.88</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and 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 2016

	Equity, total RM'000	< ----- Attributable to Owners of the Company ----- >					Non- controlling interests RM'000
		Total RM'000	< ----- Non-distributable ----- >			Distributable	
			Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2016	2,312,727	2,017,501	537,188	330,716	(18,760)	1,168,357	295,226
Profit net of tax	101,917	67,664	-	-	-	67,664	34,253
Other comprehensive income, net of tax	39,747	39,659	-	-	39,659	-	88
Total comprehensive income	141,664	107,323	-	-	39,659	67,664	34,341
Transactions with owners:-							
Share of associate's reserves	-	-	-	-	173	(173)	-
Dividends on ordinary shares	(32,231)	(32,231)	-	-	-	(32,231)	-
Dividends paid to non-controlling interests	(24,584)	-	-	-	-	-	(24,584)
Non-controlling interests arising from acquisition of a subsidiary	3,000	-	-	-	-	-	3,000
Total transactions with owners	(53,815)	(32,231)	-	-	173	(32,404)	(21,584)
At 30 September 2016	2,400,576	2,092,593	537,188	330,716	21,072	1,203,617	307,983

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 30 September 2015

	Equity, total RM'000	< ----- Attributable to Owners of the Company ----- >					Non- controlling interests RM'000
		Total RM'000	----- Non-distributable -----		Distributable		
			Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2015	2,074,533	1,811,731	519,752	289,304	(15,329)	1,018,004	262,802
Profit net of tax	198,565	163,564	-	-	0	163,564	35,001
Other comprehensive expense, net of tax	(13,622)	(11,948)	-	-	(11,948)	0	(1,674)
Total comprehensive income/(expense)	184,943	151,616	-	-	(11,948)	163,564	33,327
Transactions with owners:-							
Grant of equity-settled share options to employees	4,497	4,497	-	-	4,497	-	-
Exercise of employees' share options	43,588	43,588	17,436	41,413	(15,261)	-	-
Expiry on employees' share options	-	-	-	-	(151)	151	-
Dividends payable	(16,116)	(16,116)	-	-	-	(16,116)	-
Dividends on ordinary shares	(74,829)	(74,829)	-	-	-	(74,829)	-
Dividends paid to non-controlling interests	(22,351)	-	-	-	-	-	(22,351)
Total transactions with owners	(65,211)	(42,860)	17,436	41,413	(10,915)	(90,794)	(22,351)
At 30 September 2015	2,194,265	1,920,487	537,188	330,717	(38,192)	1,090,774	273,778

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the period ended 30 September 2016

	9 months ended 30.09.2016 RM'000	9 months ended 30.09.2015 RM'000
Profit before taxation	160,413	266,281
Adjustments for non-cash items:		
Non-cash items	74,208	(27,950)
Operating cash flows before changes in working capital	234,621	238,331
Changes in working capital		
Increase in current assets	(100,893)	(261,726)
Increase in land held for development	(11,125)	(256,331)
Decrease in current liabilities	(76,837)	(104,550)
(Decrease)/increase in non-current liabilities	(263)	208,518
Cash flows from/(used in) operations	45,503	(175,758)
Interest received	4,018	2,856
Interest paid	(7,414)	(1,652)
Income tax paid, net of refund	(59,616)	(61,158)
Net cash flows used in operating activities	(17,509)	(235,712)
Investing activities		
Purchases of investment securities	(19,239)	(40,399)
Dividends from investments	7,321	50,283
Dividends from associates	2,067	4,054
Additional investment in associates	(156,900)	(65,961)
Additional investment in joint ventures	(1,333)	-
Acquisition of property, plant and equipment	(35,431)	(134,364)
Additional investment in investment properties	-	(1,088)
Proceeds from disposal of property, plant and equipment	258	63
Proceeds from disposal of investment securities	108,735	70,417
Distribution of profit from joint ventures	9,002	-
Redemption of redeemable preference shares	-	4,267
Others	(916)	(654)
Net cash used in investing activities	(86,436)	(113,382)
Financing activities		
Drawdown of borrowings	90,924	74,369
Decrease/(increase) in deposits pledged to licensed banks	80	(45)
Decrease in wholesale fund pledged to a licensed bank	-	23,000
Dividends paid to shareholders of the Company	(32,231)	(74,829)
Dividends paid to non-controlling interests in subsidiary companies	(24,584)	(22,351)
Advancement of shareholder's loan	-	(27,821)
Proceeds from exercise of employee's share options	-	43,588
Proceeds from issuance of share to non-controlling interests	3,000	-
Net cash from financing activities	37,189	15,911
Net decrease in cash and cash equivalents	(66,756)	(333,183)
Cash and cash equivalents as at 1 January	323,003	804,676
Cash and cash equivalents as at 30 September	256,247	471,493
Cash and cash equivalents as at 30 September comprised the following:		
Cash and short term deposits	258,231	473,452
Less: Deposits pledged to licensed banks	(1,984)	(1,955)
	256,247	471,497

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial report.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016

Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 September 2016 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.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015. 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 2015.

A2. Changes in accounting policies

The significant accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2015, except with the adoption of the following Malaysian Financial Reporting Standards (“MFRS”), IC interpretations and Amendments to MFRSs and interpretations.

- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investments Entities - Applying the Consolidation Exception
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- MFRS 14: Regulatory Deferral Accounts

The initial application of the above is not expected to have any material financial impact on the Group’s results.

A3. Seasonal or cyclical factors

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

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016

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 2016.

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

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities for the financial period under review.

A7. Dividends paid

The final tax exempt (single-tier) dividend of 3.0 sen per share for the financial year ended 31 December 2015 amounting to RM32,231,272 was paid on 26 May 2016.

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NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016

A8. Segmental information

	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	139,345	149,027	414,500	443,511
Construction materials & trading	131,693	147,965	408,202	508,579
Construction & road maintenance	83,183	110,689	270,732	329,661
Property development	17,893	19,101	59,097	54,185
Samalaju development [#]	-	4,189	-	9,333
Strategic investments [*]	2,530	2,388	7,580	7,081
Others	12,111	5,219	30,799	18,909
Total revenue including inter-segment sales	386,755	438,578	1,190,910	1,371,259
Elimination of inter-segment sales	(30,695)	(26,734)	(89,127)	(91,571)
	356,060	411,844	1,101,783	1,279,688
Segment Results				
Operating profit/(loss):				
Cement	35,290	34,637	76,979	89,230
Construction materials & trading	26,433	24,452	74,654	72,790
Construction & road maintenance	19,179	43,904	57,607	89,022
Property development	3,075	3,574	10,108	9,602
Samalaju development [#]	-	6,146	-	5,078
Strategic investments [*]	(828)	(457)	(2,518)	(1,117)
Others	1,726	(1)	(9,698)	(20)
	84,875	112,255	207,132	264,585
Unallocated corporate expenses	(4,243)	(6,381)	(14,268)	(16,975)
Share of results of associates	8,415	(2,782)	(40,486)	15,431
Share of results of joint ventures	5,697	1,472	8,035	3,240
Profit before tax	94,744	104,564	160,413	266,281
Income tax expenses	(23,165)	(27,145)	(58,496)	(67,716)
Profit for the year	71,579	77,419	101,917	198,565

[#] Upon internal restructuring, the subsidiaries within the division have been reclassified to property development and others.

^{*} Financial services and education.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016

A9. Changes in composition of the Group

There have been no changes in the composition of the Group for the quarter ended 30 September 2016 other than the following:

On 19 August 2016, PPES Works (Sarawak) Sdn Bhd (“PPESW”), a subsidiary of the Company acquired two (2) ordinary shares of RM1.00 each, representing the entire equity interest in PPESW BPSB JV Sdn. Bhd. (“the JV company”) (formerly known as CMS Property Development Services Sdn. Bhd.) from CMS Property Development Sdn. Bhd., a wholly-owned subsidiary of the Company, for a total cash consideration of RM12,000.00. Subsequently, the JV company increased its issued and paid up share capital from RM2.00 to RM10,000,000 divided into 9,999,998 ordinary shares of RM1.00 each, with PPESW and Bina Puri Sdn. Bhd. subscribing to 6,999,998 and 3,000,000 ordinary shares, respectively. As a result, the JV company became a 70% own subsidiary of PPESW.

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 2016		30 September 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM’000	RM’000	RM’000	RM’000
Financial assets:				
Available-for-sale financial assets:				
- Equity instruments	300	300	300	300
- Redeemable participating shares	-	-	8,134	8,134
	<u>300</u>	<u>300</u>	<u>8,434</u>	<u>8,434</u>
Financial liabilities:				
Interest-bearing loans and borrowings				
- Bankers’ acceptances	46,600	46,600	40,012	40,012
- Term loans	121,300	137,471	89,500	89,684
- Revolving credits	85,600	85,600	48,000	48,000
- Loans from corporate shareholders	1,102	1,171	1,654	1,799
	<u>254,602</u>	<u>270,842</u>	<u>179,166</u>	<u>179,495</u>

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016

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 2016				
Financial assets				
Income debt securities fund	-	5,155	-	5,155
Equity instruments	4,675	-	-	4,675
Derivative financial asset	-	-	35,414	35,414
	4,675	5,155	35,414	45,244
30 September 2015				
Financial assets				
Income debt securities fund	-	63,539	-	63,539
Equity instruments	33,104	-	-	33,104
	33,104	63,539	-	96,643

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

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016**A11. Capital & other commitments**

The amount of commitments not provided for in the interim financial statements as at 30 September 2016 was as follows:

(a) Capital commitments

	RM'000
Approved and contracted for:	
- Property, plant and equipment	34,931
- Investment properties	7,092
- Others	4,371
	<u>46,394</u>
Approved but not contracted for:	
- Property, plant and equipment	162,943
- Intangible assets	360
- Investment properties	9,445
- Investment in associates	298,271
- Others	6,667
	<u>477,686</u>
	<u>524,080</u>

(b) Other commitment

On 7 April 2016, the Company announced the subscription of RM110 million convertible preference share ("CPS") in a 25% owned associate, OM Materials (Sarawak) Sdn. Bhd., by its wholly owned subsidiary, Samalaju Industries Sdn. Bhd. ("SISB"). SISB has the right to subscribe to the remaining RM190 million of the CPS.

A12. Changes in contingent liabilities and contingent assets

There were no changes in the contingent liabilities or contingent assets since the last annual reporting date.

CAHYA MATA SARAWAK BERHAD

(Company No. 21076-T)

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016**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 2016 and 30 September 2015 as well as the balances with the related parties as at 30 September 2016 and 30 September 2015:

		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	2016	-	44	-	-
	2015	307	103	-	-
- KKB Engineering Bhd	2016	184	-	-	-
	2015	31	-	50	-
- Harum Bidang Sdn Bhd	2016	-	-	-	-
	2015	-	65,720	-	3,197
- Kenanga Investors Bhd	2016	6,398	69	-	-
	2015	15,456	60	-	-
- Sacofa Sdn Bhd	2016	709	82	2	1
	2015	-	-	-	-
- OM Materials (Sarawak) Sdn Bhd	2016	4,112	-	2,762	-
	2015	4,034	-	900	-
Joint Ventures:					
- PPES Works Wibawa	2016	111	-	39	-
	2015	105	-	41	-
- PPES Works Naim Land	2016	78	-	60	-
	2015	8	-	10	-
- PPES Works Larico	2016	394	-	202	-
	2015	-	-	73	-
- PPES Works PCSB	2016	984	-	805	-
	2015	-	-	-	-
Key management personnel of the Group:					
- Directors' interest	2016	5,353	1,652	280	-
	2015	12,754	1,690	1,557	3

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

A14. 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.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016

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

B1. Review of performance

Quarter 3, 2016 (“3Q16”) vs Quarter 3, 2015 (“3Q15”)

The Group’s profit before tax (“PBT”) for 3Q16 was down by 9% compared to 3Q15. This was mainly due to reinstatement of arrears of revenue from routine maintenance works in the preceding year’s third quarter.

Year-to-date, 2016 (“PE2016”) v Year-to-date, 2015 (“PE2015”)

Revenue fell by 14% while PBT and profit after non-controlling interests (“PATNCI”) decreased by 40% and 59%, respectively, in comparison to preceding year’s corresponding period’s result. The substantial reductions in the PBT and PATNCI were attributable to the Group’s share of substantial losses in its associates and lower earnings by the Cement and Construction & Road Maintenance Divisions.

Gross profit margin remained strong at above 20%.

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

- (a) **Cement Division** - recorded a 14% lower PBT of RM76.98 million in PE2016 over PE2015’s PBT of RM89.23 million. This was mainly attributable to lower sales volume, higher raw materials costs due to the weaker Ringgit, repair costs on plants shutdowns and costs linked to the new grinding mill. A 5% increase in cement selling price effective 1 January 2016 has helped to partially mitigate the higher costs.
- (b) **Construction Materials & Trading Division** – reported a strong PBT of RM74.65 million for PE2016, 3% greater than the high PBT of RM72.79 million for PE2015. This was mainly attributable to higher gross profit margin.
- (c) **Construction & Road Maintenance Division** - posted a PBT of RM57.61 million in PE2016, representing a decrease of 35% over PE2015’s profit of RM89.02 million. This was due to less construction works undertaken and higher costs for state road maintenance. High PBT in PE2015 was mainly due to the reinstatement of arrears of revenue from routine maintenance work. Its share of joint ventures’ results registered a PBT of RM8.00 million in PE2016 against a PBT of RM3.24 million in PE2015.
- (d) **Property Development Division** - PBT improved to RM10.11 million in PE2016 from a PBT of RM9.60 million in PE2015, an increase of 5%.
- (e) **Strategic Investments Division** – reported a slightly higher loss of RM2.52 million for PE2016 (PE2015: loss of RM1.12 million). The education subsidiary saw a higher loss whilst the investment holding subsidiary had lower PBT.

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016

B1. Review of performance (contd.)

Year-to-date, 2016 (“PE2016”) v Year-to-date, 2015 (“PE2015”) (contd.)

- (f) **Associates** – recorded a loss of RM40.49 million for the 9 months ended 30 September 2016 in PE 2016 (PE2015: PBT of RM15.43 million) from the share of results of its associates, largely due to the significant losses reported by the Group’s 25% associates, OM Materials (Sarawak) Sdn. Bhd..

B2. Material changes in profit before tax for the quarter (Quarter 3, 2016 vs Quarter 2, 2016)

The Group’s 3Q16 PBT exceeded 2Q16’s PBT by 122%. The main reason was share of results from associates had turned from a loss of RM32.74 million to a profit of RM8.42 million.

Cement Division posted a PBT of RM35.29 million, up 10% from preceding quarter despite lower cement sales volume, due to lower costs incurred.

Construction Materials and Trading Division’s PBT was 15% down from 2Q16 to RM26.43 million in 3Q16. 2Q16 revenue was exceptionally high due to the special works done before the state election.

B3. Prospects for the year ending 31 December 2016

Whilst the operating environment surrounding the Group is expected to remain challenging, the Group’s healthy financial position through our diversified portfolio of Sarawak-based businesses is positioned to weather this challenging environment.

We remain focused on growing our portfolio of businesses by taking advantage of the opportunities in Sarawak. Our strong fundamentals and resilience will enable us to perform and to deliver a satisfactory financial performance for the year 2016 and, coupled with other measures Management are taking, the Group is positioning itself for long term sustainable revenue and profitability growth.

B4. Profit forecast or profit guarantee

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

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CAHYA MATA SARAWAK BERHAD

(Company No. 21076-T)

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016**B5. Income tax expense**

	3 months ended		9 months ended	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	22,571	25,158	58,621	65,909
- Under provision in respect of previous years	1,403	1,949	1,494	1,950
Deferred tax	(809)	38	(1,619)	(143)
Total income tax expense	23,165	27,145	58,496	67,716

The effective tax rate for the period ended 30 September 2016 was higher than the statutory tax rate principally due to the losses of certain subsidiaries and share of associates' losses 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 30.09.2016 RM'000	As at 31.12.2015 RM'000
Secured		
Revolving credits	45,600	21,000
Unsecured		
Revolving credits	40,000	11,000
Bankers' acceptances	46,600	33,500
Term loans	121,300	96,800
Loan from corporate shareholder	1,102	1,378
Total	254,602	163,678
Maturity		
Repayable within one year	152,394	68,356
One year to five years	102,208	95,322
	254,602	163,678

All borrowings were denominated in Ringgit Malaysia.

CAHYA MATA SARAWAK BERHAD

(Company No. 21076-T)

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016**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 2015.

B12. Dividend payable

No interim dividend has been declared for the financial period ended 30 September 2016 (2015: 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 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	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	58,715	65,480	67,664	163,564
Weighted average number of ordinary shares in issue ('000)	1,074,376	1,074,376	1,074,376	1,061,529
Basic earnings per share (sen)	5.47	6.09	6.30	15.41

B14. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2015 was not subject to any qualification.

CAHYA MATA SARAWAK BERHAD

(Company No. 21076-T)

NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2016**B15. Additional disclosure on profit for the period**

	Quarter ended 30.09.2016 RM'000	Financial period ended 30.09.2016 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	427	957
Amortisation of prepaid land lease payments	191	572
Bad debt written off	-	-
Property, plant and equipment written off	4	4
Depreciation of property, plant and equipment	14,548	45,889
Depreciation of investment properties	29	88
(Gain)/loss on foreign exchange	(1,684)	(322)
(Gain)/loss on disposal of property, plant and equipment	(209)	(147)
(Gain)/loss on disposal of investments	(614)	(12)
(Gain)/loss on fair value changes of derivatives	-	-
Impairment loss on trade receivables	-	636
Interest expense	5,438	7,414
Interest income	(2,684)	(6,730)
Inventory written off	-	93
Net fair value changes in investment securities	379	(1,199)
Reversal of allowance for impairment loss on trade receivables	-	(1,147)
Reversal of allowance for obsolete inventory	-	-
Write down of inventory	-	-

B16. Realised and unrealised profits/losses

	As at 30 September 2016 RM'000	As at 31 December 2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	1,221,741	1,202,273
- Unrealised	(10,501)	(4,126)
	1,211,240	1,198,147
Total retained earnings from associates:		
- Realised	27,102	65,129
- Unrealised	5,844	(29,381)
	32,946	35,748
Total retained earnings from jointly controlled entities:		
- Realised	(5,088)	(6,521)
- Unrealised	17,892	17,891
	1,256,990	1,245,265
Add: consolidation adjustments	(53,373)	(76,908)
Total Group retained earnings as per consolidated accounts	1,203,617	1,168,357