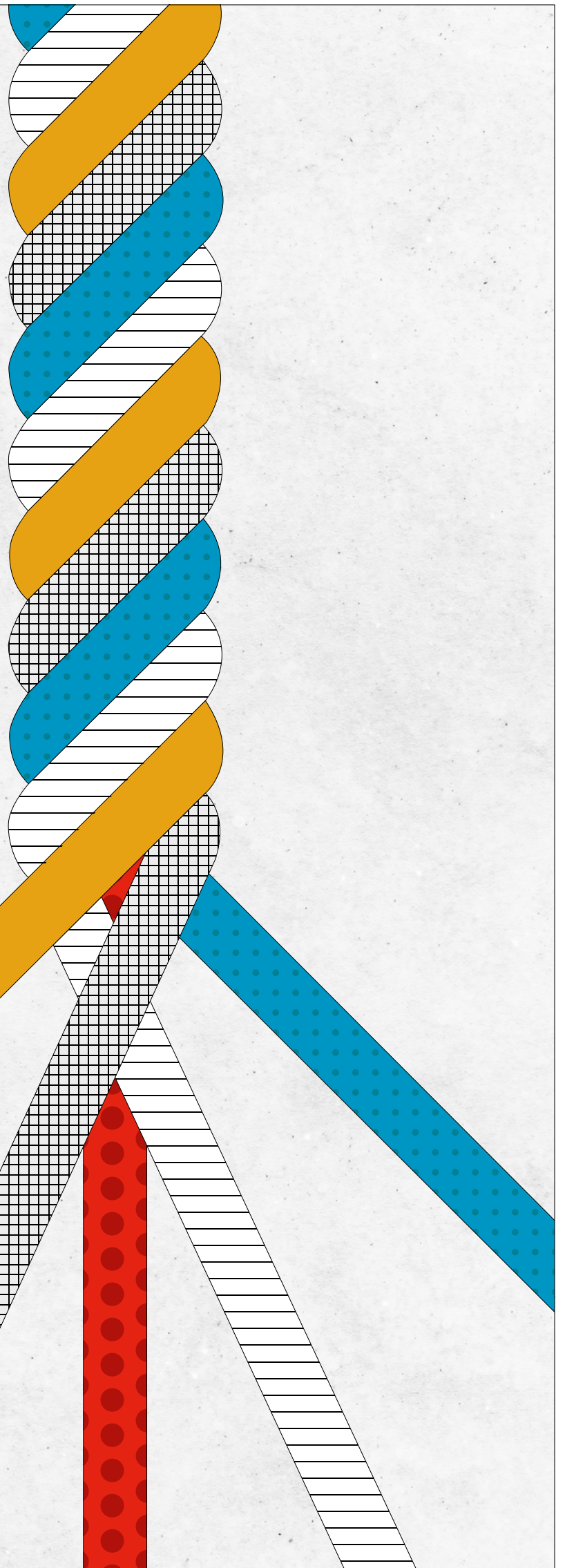




CAHYA MATA SARAWAK

COLLABORATE TO REINVIGORATE

AUDITED FINANCIAL STATEMENTS 2020



Registration No: 197401003655 (21076-T)

Cahya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors:	Tan Sri Abdul Rashid bin Abdul Manaf <i>Group Chairman</i> Dato Sri Mahmud Abu Bekir Taib <i>Deputy Group Chairman</i> Dato Isaac Lugun <i>Group Managing Director</i> Tan Sri Datuk Amar (Dr.) Haji Abdul Aziz bin Dato Haji Husain Datuk Seri Dr. Yam Kong Choy Datuk Ir. Kamarudin bin Zakaria Chin Mui Khiong Umang Nangku Jabu Dr. Khor Jaw Huei Ho Heng Chuan
Secretary:	Koo Swee Pheng
Registered office:	Level 6, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching, Sarawak, Malaysia Tel: 082-238888 Fax: 082-333828 Website: www.cmsb.my
Registrar:	Boardroom Share Registrars Sdn. Bhd. 11th Floor, Menara Symphony No 5, Jalan Professor Khoo Kay Kim, Seksyen 13 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia Tel: 03-78904700 Fax: 03-78904670
Auditors:	Ernst & Young PLT
Principal bankers:	Bank Muamalat Malaysia Berhad CIMB Islamic Bank Berhad Hong Leong Bank Berhad Maybank Islamic Berhad RHB Bank Berhad
Stock Exchange Listing:	Bursa Malaysia Securities Berhad - Main Market
Stock Code:	2852
Stock Name:	CMSB

Registration No: 197401003655 (21076-T)

Cahya Mata Sarawak Berhad
(Incorporated in Malaysia)

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Cahya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

Principal activities

The Company is principally an investment holding company. It also provides centralised treasury functions to the Group.

The Group is principally engaged in manufacturing of cement, construction, road maintenance and township, property & infrastructure development. The principal activities of the subsidiaries are set out in Note 20 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year except for the activities discontinued due to the disposals of subsidiaries as disclosed in Note 12 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
- Owners of the Company	194,807	51,266
- Non-controlling interests	(4,899)	-
	<u>189,908</u>	<u>51,266</u>

Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Issue of shares and debentures

There were no issuance of shares or debentures during the financial year.

Treasury shares

During the financial year, the Company repurchased 9,494,900 of its issued ordinary shares from the open market at an average price of RM1.51 per share totalling RM14,369,038. The shares repurchased are being held as treasury shares in accordance with Section 127(4) of the Companies Act 2016.

As at 31 December 2020, the number of treasury shares were 11,246,000 and the outstanding ordinary shares in issue after set-off of treasury shares was therefore 1,063,129,720.

Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

Dividends

Since the end of the previous financial year, the Company paid on 17 September 2020 a first and final tax exempt (single-tier) dividend of 3.00 sen per ordinary share, totalling RM32,178,739 in respect of the financial year ended 31 December 2019.

At the forthcoming Annual General Meeting, a first and final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2020, of 2.00 sen per share will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Abdul Rashid bin Abdul Manaf	Group Chairman
Dato Sri Mahmud Abu Bekir Taib	Deputy Group Chairman
Dato Isaac Lugun	Group Managing Director
Tan Sri Datuk Amar (Dr.) Haji Abdul Aziz bin Dato Haji Husain	(Appointed on 1 November 2020)
Datuk Seri Dr. Yam Kong Choy	
Datuk Ir. Kamarudin bin Zakaria	
Chin Mui Khiong	
Umang Nangku Jabu	
Dr. Khor Jaw Huei	(Appointed on 15 July 2020)
Ho Heng Chuan	(Appointed on 1 November 2020)
Datu Hubert Thian Chong Hui	(Retired on 1 February 2020)

Pursuant to Section 253 of the Companies Act 2016, the list of directors of the subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, is as follows:

Chen King Yu	(Appointed on 22 March 2021 and alternate to Emily Hii San San)
Datuk Hasmi bin Hasnan	
Derek Chee Huong Xing	(Appointed on 1 March 2020)
Dr. Zaidi bin Osman	(Appointed on 18 November 2020 and resigned on 3 March 2021)
Emily Hii San San	(Appointed on 22 March 2021)
Fariz Salleh bin Mohamad Ali	
Haji Abdul Hadi bin Datuk Haji Abdul Kadir	
Haji Muhamad Yakup bin Kari	(Appointed on 12 November 2020)
James Ambrose Dago	
Karim bin Reduan	(Appointed on 20 February 2020)
Kueh Hoi Chuang	(Resigned on 1 December 2020)
Lim Lee Wan	
Ling Koah Wi	
Mohammad bin Alwi	(Appointed on 12 June 2020)
Mohammad Farish Nizar bin Othman	

Cahya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

Directors (contd.)

Pursuant to Section 253 of the Companies Act 2016, the list of directors of the subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, is as follows: (contd.)

Mohamed Zaid bin Mohamed Zaini	
Mok Chek Wei	(Appointed on 1 December 2020)
Suhadi bin Sulaiman	(Appointed on 1 September 2020)
Syed Hizam Alsagoff	
Wong Ping Eng	(Resigned on 22 March 2021)
Chong Swee Sin	(Resigned on 1 March 2020)
Dato' Richard Alexander John Curtis	(Resigned on 1 December 2020)
Datu Haji Junaidi bin Haji Reduan	(Resigned on 1 December 2020)
Goh Chii Bing	(Resigned on 20 February 2020)
Goh Chii Yew	(Resigned on 1 December 2020)
Karl Vink @ Khalid Abdullah	(Resigned on 22 September 2020)
Mohamad bin Abdullah	(Resigned on 12 June 2020)
Datuk Rodziah binti Morshidi	(Resigned on 15 October 2020)
Wendy Yong San San	(Resigned on 18 November 2020)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employees' Share Option Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 41(e) to the financial statements.

Employees' Share Option Scheme

At an Extraordinary General Meeting held on 12 November 2020, the shareholders approved the Employees' Share Option Scheme ("ESOS") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible executive directors and eligible employees of the Company and/or its eligible subsidiaries.

The committee administering the ESOS comprises the following directors:

Datuk Ir. Kamarudin bin Zakaria
Chin Mui Khiong
Dr. Khor Jaw Huei

Cahya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

Employees' Share Option Scheme (contd.)

The salient features and other terms of the ESOS are disclosed in Note 38 to the financial statements.

During the financial year, the Company granted 60,607,500 share options under the ESOS. These options will expire on 12 November 2024 and are exercisable at an exercise price of RM1.14 per share if vesting conditions as detailed in Note 38 to the financial statements are met.

Details of options granted to directors are disclosed in the section on Directors' interests in this report.

Directors' remuneration

Included in the analysis below is remuneration for directors of the Company and its subsidiaries in accordance with the requirements of Companies Act 2016.

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	6,271	9,743	1,382	5,768
Defined contribution and social security plans	757	807	167	334
Share-based payment	50	-	30	-
Total executive directors' remuneration (excluding benefits-in-kind)	7,078	10,550	1,579	6,102
Benefits-in-kind	104	115	40	31
Total executive directors' remuneration (including benefits-in-kind)	7,182	10,665	1,619	6,133
Non-executive:				
Fees	920	1,019	788	708
Other emoluments	1,615	1,763	1,482	1,436
Defined contribution and social security plans	58	58	58	58
Total non-executive directors' remuneration (excluding benefits-in-kind)	2,593	2,840	2,328	2,202
Benefits-in-kind	61	89	58	58
Total non-executive directors' remuneration (including benefits-in-kind)	2,654	2,929	2,386	2,260
Total directors' remuneration	9,836	13,594	4,005	8,393

Cahya Mata Sarawak Berhad
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Directors' Report

Directors' interests

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the interests of directors in office at the end of the financial year in shares and options over ordinary shares in the Company during the financial year were as follows:

	Number of ordinary shares			
	At 1.1.2020/ date of appointment	Acquired	Disposed	At 31.12.2020
Direct interest:				
Dato Sri Mahmud Abu Bekir Taib	1,000,000	-	-	1,000,000
Dato Isaac Lugun	250,000	-	-	250,000
Tan Sri Datuk Amar (Dr.) Haji Abdul Aziz bin Dato Haji Husain	60,000	-	-	60,000
Datuk Seri Dr. Yam Kong Choy	60,000	-	-	60,000
Datuk Ir. Kamarudin bin Zakaria	-	15,900	-	15,900
Umang Nangku Jabu	200,000	-	-	200,000
Indirect interest*:				
Dato Sri Mahmud Abu Bekir Taib	4,407,100	-	-	4,407,100

* Deemed interest pursuant to Section 59(11)(c) of the Companies Act 2016.

	Number of options over ordinary shares		
	At 1.1.2020	Granted	At 31.12.2020
Dato Isaac Lugun	-	1,522,500	-

The other directors in office at the end of the financial year had no interest in shares and options over ordinary shares in the Company or its related corporations during the financial year.

Indemnification of directors and officers

The Group maintained a directors and officers liability insurance for the purpose of Section 289 of the Companies Act 2016, throughout the year, which provide appropriate insurance cover for the directors and officers of the Group. The amount of insurance premium effected for directors and officers of the Group during the financial year was RM89,000. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

Cahya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

Other statutory information

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
 - (i) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and
 - (iv) not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (c) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

Cahya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

Other statutory information (contd.)

(d) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due;
- (ii) the results of the operations of the Group and of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature except for the effect arising from the disposals of certain subsidiaries as disclosed in Note 12 to the financial statements; and
- (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Significant events

Details of significant events are disclosed in Note 47 to the financial statements.

Subsequent events

Details of subsequent events are disclosed in Note 48 to the financial statements.

Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remunerations are disclosed in Note 8 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young PLT during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 April 2021.

Tan Sri Abdul Rashid bin Abdul Manaf

Dato Isaac Lugun

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Cahya Mata Sarawak Berhad
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

We, **Tan Sri Abdul Rashid bin Abdul Manaf** and **Dato Isaac Lugun**, being two of the directors of **Cahya Mata Sarawak Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 169 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and their cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 15 April 2021.

Tan Sri Abdul Rashid bin Abdul Manaf

Dato Isaac Lugun

Statutory Declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Syed Hizam Alsagoff**, being the officer primarily responsible for the financial management of **Cahya Mata Sarawak Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 169 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed **Syed Hizam Alsagoff** at Kuching
in the State of Sarawak on 15 April 2021

Syed Hizam Alsagoff
Group Chief Financial Officer

Before me,

Registration No: 197401003655 (21076-T)

**Independent Auditors' Report to the Members of
Cahya Mata Sarawak Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Cahya Mata Sarawak Berhad**, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 169.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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**Independent Auditors' Report to the Members of
Cahya Mata Sarawak Berhad (contd.)**

Report on the audit of the financial statements (contd.)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment testing of goodwill

As at 31 December 2020, the Group's goodwill stood at RM61.7 million as disclosed in Note 19 to the financial statements. The annual impairment test for goodwill is significant to our audit as the assessment process is complex and highly judgemental. Significant judgement is required in determining the reasonableness of assumptions used to estimate the recoverable amounts of the cash generating units to which the above goodwill was allocated to. The assumptions used include estimates of future sales volumes, prices, operating costs, terminal value, growth rates and discount rates. As such, we determined this to be a key audit matter.

Our procedures included, amongst others, involving our internal expert to evaluate the discount rates applied, evaluating the reasonableness of assumptions used by management, in particular those assumptions relating to sales volume, prices, operating costs and growth rates. We also reviewed the effects of reasonable changes in certain key assumptions to the recoverable amounts of the cash generating units. We further focused on the adequacy of the disclosures as set out in Notes 3.2(d) and Note 19 to the financial statements.

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**Independent Auditors' Report to the Members of
Cahaya Mata Sarawak Berhad (contd.)**

Report on the audit of the financial statements (contd.)

Key audit matters (contd.)

Disposal of investment in subsidiaries

During the financial year, the Group entered into share sale agreements with Sarawak Economic Development Corporation for the disposals of two groups of subsidiaries for a total cash consideration of RM17.5 million. The disposals were completed on 2 October 2020. Subsequent to the disposals, these former subsidiaries became jointly controlled entities of the Group.

As a result of the disposals, the Group and Company recognised a total gain on disposal of RM11.6 million and RM7.7 million respectively. In addition, the Group recognised a total remeasurement gain on the retained interests in these former subsidiaries of RM151.4 million as disclosed in Note 12 to the financial statements.

The determination of the fair value of the retained interests in the former subsidiaries requires significant judgement and estimates and as the amounts involved are significant, we determined this to be a key audit matter.

Our audit procedures included the following:

- (1). We have read the share sale agreements and evaluated the effective date of the transfer of control of the equity interests that were disposed;
- (2). We have involved our internal valuation specialists to evaluate the reasonableness of the assumptions used in arriving at the fair value;
- (3). We have compared the data used in the key assumptions and compared against current year actual results to assess the reasonableness of the assumptions used; and
- (4). We have held discussions with management with regards to the reasonableness of the assumptions used in arriving at the fair value.

We also considered the adequacy of the disclosures in the significant accounting judgements and estimates in Notes 3.2(j) and Note 12 to the financial statements.

Registration No: 197401003655 (21076-T)

**Independent Auditors' Report to the Members of
Cahya Mata Sarawak Berhad (contd.)**

Report on the audit of the financial statements (contd.)

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after the date of this auditors' report. Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Registration No: 197401003655 (21076-T)

**Independent Auditors' Report to the Members of
Cahaya Mata Sarawak Berhad (contd.)**

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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**Independent Auditors' Report to the Members of
Cahya Mata Sarawak Berhad (contd.)**

Report on the audit of the financial statements (contd.)

Auditors' responsibilities for the audit of the financial statements (contd.)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**Independent Auditors' Report to the Members of
Cahya Mata Sarawak Berhad (contd.)**

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 20 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

LOW KHUNG LEONG
No. 02697/01/2023 J
Chartered Accountant

Kuching, Malaysia
Date: 15 April 2021

Cahya Mata Sarawak Berhad**Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2020**

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue	4	762,788	1,117,863	158,952	133,833
Cost of sales		(635,416)	(928,572)	(23,243)	(32,015)
Gross profit		127,372	189,291	135,709	101,818
Other items of income					
Interest income	5	2,186	2,429	-	-
Other income	6	29,715	25,008	14,499	10,033
Other items of expense					
Administrative expenses		(53,550)	(47,549)	(23,554)	(29,697)
Selling expenses		(11,895)	(13,571)	-	-
Finance costs	7	(31,069)	(41,558)	(24,173)	(24,110)
Other expenses		(105,550)	(12,638)	(49,677)	(6,249)
Share of results of associates		48,278	58,396	-	-
Share of results of joint ventures		719	(587)	-	-
Profit before tax from continuing operations	8	6,206	159,221	52,804	51,795
Income tax expense	11	(23,456)	(40,968)	(1,538)	(1,969)
(Loss)/profit net of tax from continuing operations		(17,250)	118,253	51,266	49,826
Discontinued operations					
CMS Resources Sdn. Bhd.		173,186	65,576	-	-
PPES Works (Sarawak) Sdn. Bhd.		33,972	4,288	-	-
Profit for the period from discontinued operations	12	207,158	69,864	-	-
Profit for the year		189,908	188,117	51,266	49,826
Other comprehensive income					
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:					
Share of other comprehensive income of associates		1,293	1,579	-	-
Share of other comprehensive income of a joint venture		(111)	(139)	-	-
Other comprehensive income for the year		1,182	1,440	-	-
Total comprehensive income for the year		191,090	189,557	51,266	49,826
Profit/(loss) attributable to:					
Owners of the Company		194,807	159,455	51,266	49,826
Non-controlling interests		(4,899)	28,662	-	-
		189,908	188,117	51,266	49,826

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Cahya Mata Sarawak Berhad

**Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2020 (contd.)**

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:					
Owners of the Company		195,908	160,767	51,266	49,826
Non-controlling interests		(4,818)	28,790	-	-
		<u>191,090</u>	<u>189,557</u>	<u>51,266</u>	<u>49,826</u>
		2020	2019		
Earnings per share attributable to owners of the Company (sen per share):					
Basic					
- from continuing operations	13	0.79	11.32		
- from discontinued operations	13	17.39	3.55		
		<u>18.18</u>	<u>14.87</u>		
Diluted					
- from continuing operations	13	0.79	11.32		
- from discontinued operations	13	17.30	3.55		
		<u>18.09</u>	<u>14.87</u>		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Cahya Mata Sarawak Berhad

**Statements of Financial Position
As at 31 December 2020**

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	1,312,746	1,332,139	12,085	12,953
Land held for property development	16(a)	192,529	191,853	-	-
Investment properties	17	28,255	8,651	-	-
Intangible assets	18	423	15,934	251	161
Goodwill	19	61,709	83,678	-	-
Investments in subsidiaries	20	-	-	1,180,854	1,249,489
Investments in associates	21	995,975	975,964	243,853	243,853
Investments in joint ventures	22	321,656	20,855	66,414	-
Deferred tax assets	23	4,816	15,444	-	-
Other receivables	26	95,688	89,737	71,397	30,312
Investment securities	29	19,961	11,525	-	-
		<u>3,033,758</u>	<u>2,745,780</u>	<u>1,574,854</u>	<u>1,536,768</u>
Current assets					
Property development costs	16(b)	145,203	154,647	-	-
Inventories	24	327,065	342,322	-	-
Trade and other receivables	26	186,244	294,007	204,411	351,315
Other current assets	27	19,021	61,212	-	-
Investment securities	29	361,164	239,309	361,164	239,309
Derivative financial asset	30	96,698	90,058	96,698	90,058
Tax recoverable		9,394	6,511	257	-
Cash and bank balances	31	281,819	621,093	222,442	441,430
		<u>1,426,608</u>	<u>1,809,159</u>	<u>884,972</u>	<u>1,122,112</u>
TOTAL ASSETS		<u>4,460,366</u>	<u>4,554,939</u>	<u>2,459,826</u>	<u>2,658,880</u>

Cahya Mata Sarawak Berhad

**Statements of Financial Position
As at 31 December 2020 (contd.)**

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Current liabilities					
Income tax payable		850	7,082	-	315
Loans and borrowings	32	47,555	45,529	-	-
Lease liabilities	33	10,967	11,997	359	342
Trade and other payables	34	489,287	471,103	862,176	1,066,489
Other current liabilities	35	8,138	71,267	-	-
		<u>556,797</u>	<u>606,978</u>	<u>862,535</u>	<u>1,067,146</u>
Net current assets		<u>869,811</u>	<u>1,202,181</u>	<u>22,437</u>	<u>54,966</u>
Non-current liabilities					
Deferred tax liabilities	23	51,551	49,427	37	37
Loans and borrowings	32	803,711	709,332	500,000	500,000
Lease liabilities	33	25,726	36,253	638	997
Trade and other payables	34	3,057	1,003	-	-
		<u>884,045</u>	<u>796,015</u>	<u>500,675</u>	<u>501,034</u>
TOTAL LIABILITIES		<u>1,440,842</u>	<u>1,402,993</u>	<u>1,363,210</u>	<u>1,568,180</u>
Equity attributable to owners of the Company					
Share capital	36	867,902	867,902	867,902	867,902
Treasury shares	36	(19,994)	(5,625)	(19,994)	(5,625)
Other reserves	37	6,520	14,049	169,198	168,000
Retained earnings		<u>1,931,849</u>	<u>1,762,141</u>	<u>79,510</u>	<u>60,423</u>
		<u>2,786,277</u>	<u>2,638,467</u>	<u>1,096,616</u>	<u>1,090,700</u>
Non-controlling interests		<u>233,247</u>	<u>513,479</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>3,019,524</u>	<u>3,151,946</u>	<u>1,096,616</u>	<u>1,090,700</u>
TOTAL EQUITY AND LIABILITIES		<u>4,460,366</u>	<u>4,554,939</u>	<u>2,459,826</u>	<u>2,658,880</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Cahaya Mata Sarawak Berhad

**Statements of Changes in Equity
For the financial year ended 31 December 2020**

Group	Note	Attributable to owners of the Company					Non- controlling interests
		Total equity	Total	Share capital (Note 36)	Treasury shares (Note 36)	Other reserves (Note 37)	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020		3,151,946	2,638,467	867,902	(5,625)	14,049	513,479
Profit net of tax		189,908	194,807	-	-	-	(4,899)
Other comprehensive income, net of tax		1,182	1,101	-	-	1,096	81
Total comprehensive income		191,090	195,908	-	-	1,096	(4,818)
Transactions with owners							
Acquisition of treasury shares	36(b)	(14,369)	(14,369)	-	(14,369)	-	-
Grant of equity-settled share options to employees		1,198	1,198	-	-	1,198	-
Dividends paid to owners of the Company	46(a)	(32,179)	(32,179)	-	-	-	-
Dividends paid to non-controlling interests		(107,488)	-	-	-	-	(107,488)
Total transactions with owners		(152,838)	(45,350)	-	(14,369)	1,198	(107,488)
Arising from disposal of a joint venture	22(b)	159	151	-	-	151	8
Arising from disposal of subsidiaries	12	(170,860)	(2,925)	-	-	(8,265)	(167,935)
Share of associates' reserves		27	26	-	-	(1,709)	1
At 31 December 2020		3,019,524	2,786,277	867,902	(19,994)	6,520	233,247

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Cahaya Mata Sarawak Berhad

**Statements of Changes in Equity
For the financial year ended 31 December 2020 (contd.)**

Group (contd.)	Note	Attributable to owners of the Company					Non- controlling interests
		Total equity	Total	Share capital (Note 36)	Treasury shares (Note 36)	Other reserves (Note 37)	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019		2,916,211	2,548,906	867,902	(12,277)	13,589	367,305
Profit net of tax		188,117	159,455	-	-	-	28,662
Other comprehensive income, net of tax		1,440	1,312	-	-	511	128
Total comprehensive income		189,557	160,767	-	-	511	28,790
Transactions with owners							
Acquisition of treasury shares	36(b)	(8,338)	(8,338)	-	(8,338)	-	-
Disposal of treasury shares	36(b)	16,657	16,657	-	14,990	-	-
Dividends paid to owners of the Company	46(a)	(79,374)	(79,374)	-	-	-	-
Dividends paid to non-controlling interests		(14,535)	-	-	-	-	(14,535)
Issuance of shares to a non-controlling interest		300	-	-	-	-	300
Total transactions with owners		(85,290)	(71,055)	-	6,652	-	(14,235)
Arising from acquisition of a subsidiary	20(c)	8,074	-	-	-	-	8,074
Deemed acquisition of a subsidiary	20(c)	123,550	-	-	-	-	123,550
Arising from disposal of a subsidiary		(39)	(39)	-	-	(39)	-
Share of associates' reserves		-	-	-	-	(12)	-
Share of a joint venture's reserve		(117)	(112)	-	-	-	(5)
At 31 December 2019		3,151,946	2,638,467	867,902	(5,625)	14,049	513,479

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Cahaya Mata Sarawak Berhad

**Statements of Changes in Equity
For the financial year ended 31 December 2020 (contd.)**

Company	Note	Total equity RM'000	Share capital (Note 36) RM'000	Treasury shares (Note 36) RM'000	Other reserves (Note 37) RM'000	Retained earnings RM'000
At 1 January 2020		1,090,700	867,902	(5,625)	168,000	60,423
Total comprehensive income		51,266	-	-	-	51,266
Transactions with owners						
Acquisition of treasury shares	36(b)	(14,369)	-	(14,369)	-	-
Grant of equity-settled share options to employees		1,198	-	-	1,198	-
Dividends paid to owners of the Company	46(a)	(32,179)	-	-	-	(32,179)
Total transactions with owners		(45,350)	-	(14,369)	1,198	(32,179)
At 31 December 2020		1,096,616	867,902	(19,994)	169,198	79,510
At 1 January 2019		1,111,929	867,902	(12,277)	168,000	88,304
Total comprehensive income		49,826	-	-	-	49,826
Transactions with owners						
Acquisition of treasury shares	36(b)	(8,338)	-	(8,338)	-	-
Disposal of treasury shares	36(b)	16,657	-	14,990	-	1,667
Dividends paid to owners of the Company	46(a)	(79,374)	-	-	-	(79,374)
Total transactions with owners		(71,055)	-	6,652	-	(77,707)
At 31 December 2019		1,090,700	867,902	(5,625)	168,000	60,423

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Cahya Mata Sarawak Berhad

Statements of Cash Flows
For the financial year ended 31 December 2020

Group	Note	2020 RM'000	2019 RM'000
Operating activities			
Profit before tax			
- continuing operations		6,206	159,221
- discontinued operations		219,236	88,675
<u>Adjustments for:</u>			
Amortisation of intangible assets	8,12	1,017	1,540
Bad debts written off	8	19	-
Depreciation of property, plant and equipment	8,12	73,879	75,600
Depreciation of investment properties	8,12	391	155
Dilution loss in investment in an associate	8	4,400	-
Fair value gain in a derivative financial asset	6	(6,640)	(8,787)
Gain on deemed disposal of investment in an associate	6	-	(5,262)
Gain on disposal of subsidiaries	6,12	(11,559)	(7)
Gain on termination of lease contracts	6	(12)	-
Gross dividend income	4	(8,875)	(10,222)
Impairment loss on trade and other receivables	8,12	6,186	2,030
Impairment loss on property development costs	8	1,225	-
Impairment loss on property, plant and equipment	8	63,012	-
Intangible asset written off	8	7,810	2
Interest expense	7,12	39,642	41,353
Interest income	4,5,12	(12,808)	(19,296)
Inventories written off	8,12	3,113	12
Investment properties written off	8	1	-
Loss on disposal of a joint venture	8	3,237	-
Loss on disposal of investment properties	8	31	-
Loss on disposal of investment securities	8	496	-
Net fair value changes in investment securities	8	881	1,303
Net gain on disposal of property, plant and equipment	8,12	(2,670)	(2,230)
Property development costs written off	8	5,560	-
Property, plant and equipment written off	8,12	3,267	1,091
Remeasurement gain on retained interests	12	(151,388)	-
Reversal of impairment loss on amount due from an associate	6	-	(365)
Reversal of impairment loss on trade and other receivables	6,12	(1,133)	(780)
Reversal of provision of compensation	12	(1,191)	-
Share-based payment	9	1,198	-
Share of results of associates		(48,278)	(58,396)
Share of results of joint ventures		(3,791)	584
Unrealised foreign exchange gain	8	(8,303)	(772)
Total adjustments		(41,283)	17,553
Operating cash flows before changes in working capital		184,159	265,449

Cahya Mata Sarawak Berhad**Statements of Cash Flows
For the financial year ended 31 December 2020**

Group (contd.)	Note	2020 RM'000	2019 RM'000
<u>Changes in working capital</u>			
(Increase)/decrease in property development costs		(18,335)	38,346
Decrease in land held for development		1,709	51,592
Decrease/(increase) in inventories		17,446	(7,912)
(Increase)/decrease in other current assets		(53,312)	20,773
(Increase)/decrease in receivables		(266,220)	54,913
Increase/(decrease) in payables		315,393	(76,661)
Decrease in other current liabilities		(50,029)	(19,778)
Total changes in working capital		(53,348)	61,273
Cash flows from operations		130,811	326,722
Interest received		10,890	18,254
Interest paid		(36,300)	(41,485)
Income taxes paid, net of refund		(32,185)	(57,097)
Net cash flows from operating activities		73,216	246,394
Investing activities			
Acquisition of property, plant and equipment	14(e)	(265,186)	(371,053)
Acquisition of land held for property development	16(a)	(2,385)	(15,816)
Acquisition of investment properties	17	-	(3,650)
Additional costs incurred on intangible assets	18	(1,737)	(6,224)
Additional investments in an associate	21(b)	-	(62,564)
Additional investments in investment securities		(134,872)	(147,978)
Additional investments in a joint venture	22(a)(ii)	(1,819)	-
Advancement of shareholders' loan		(4,644)	-
Dividends received from associates		25,187	4,085
Dividends received from investments		8,727	10,222
Distribution of profit from joint ventures		7,676	2,221
Net cash outflows from acquisition of subsidiaries	20(c)	-	(5,670)
Net cash inflows from disposals of subsidiaries	12	1,771	26
Placement of deposits with licensed banks		(156)	(2,469)
Proceeds from disposals of a joint venture	22(b)	2,500	-
Proceeds from disposal of property, plant and equipment		8,948	5,634
Proceeds from disposal of investment properties		31	-
Proceeds from disposal of investment securities		3,204	-
Proceeds from return on capital from a joint venture		100	-
Tax paid on gain on disposal of a subsidiary		(833)	-
Net cash flows used in investing activities		(353,488)	(593,236)

Cahya Mata Sarawak Berhad**Statements of Cash Flows
For the financial year ended 31 December 2020 (contd.)**

Group (contd.)	Note	2020 RM'000	2019 RM'000
Financing activities			
Acquisition of treasury shares	36(b)	(14,369)	(8,338)
Dividends paid to owners of the Company	46(a)	(32,179)	(79,374)
Dividends paid to non-controlling interests		(107,488)	(14,535)
Drawdown of borrowings		132,560	179,157
(Increase)/decrease in deposits pledged to licensed banks	31	(52)	181
Repayment of borrowings		(26,173)	(37,129)
Repayment of lease liabilities	33	(11,907)	(11,404)
Net proceeds from disposal of treasury shares	36(b)	-	16,657
Proceeds from lease receivables	26(b)(vi)	1,250	556
Proceeds from issuance of ordinary shares to a non-controlling interest		-	300
Transaction costs paid on borrowings		(154)	-
Net cash flows (used in)/from financing activities		(58,512)	46,071
Net decrease in cash and cash equivalents		(338,784)	(300,771)
Cash and cash equivalents at 1 January		616,706	918,440
Effect of foreign exchange changes on cash and cash equivalents		(698)	(963)
Cash and cash equivalents at 31 December	31	277,224	616,706

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Loans and borrowings (Note 32) RM'000	Lease liabilities (Note 33) RM'000	Total RM'000
At 1 January 2019	616,533	-	616,533
Effect of adoption of MFRS 16	(1,261)	34,199	32,938
Acquisition of new leases	-	25,455	25,455
Repayment of lease liabilities	-	(11,404)	(11,404)
Drawdown of borrowing	179,157	-	179,157
Repayment of borrowings	(37,129)	-	(37,129)
Unrealised foreign exchange gain	(2,439)	-	(2,439)
At 31 December 2019 and 1 January 2020	754,861	48,250	803,111
Acquisition of new leases	-	2,585	2,585
Disposals of subsidiaries	-	(1,869)	(1,869)
Repayment of lease liabilities	-	(11,907)	(11,907)
Termination of lease contracts	-	(366)	(366)
Drawdown of borrowings	132,560	-	132,560
Repayment of borrowings	(26,173)	-	(26,173)
Transaction costs paid on borrowings	(154)	-	(154)
Unrealised foreign exchange gain	(9,828)	-	(9,828)
At 31 December 2020	851,266	36,693	887,959

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Cahya Mata Sarawak Berhad

Statements of Cash Flows
For the financial year ended 31 December 2020 (contd.)

Company	Note	2020 RM'000	2019 RM'000
Operating activities			
Profit before tax		52,804	51,795
<u>Adjustments for:</u>			
Amortisation of intangible asset	8	1	-
Depreciation of property, plant and equipment	8	1,341	1,311
Fair value gain in a derivative financial asset	6	(6,640)	(8,787)
Gain on disposal of a subsidiary	6	(7,679)	-
Gross dividend income	4	(139,159)	(103,470)
Interest expense	7	47,368	56,090
Interest income	4	(19,793)	(30,363)
Impairment loss on amount due from a subsidiary	8	42,231	3,580
Impairment loss on investment in a subsidiary	8	6,000	2,669
Loss on disposal of investment securities	8	496	-
Net fair value changes in investment securities	8	950	(1,175)
Share-based payment	9	83	-
Total adjustments		(74,801)	(80,145)
Operating cash flows before changes in working capital		(21,997)	(28,350)
<u>Changes in working capital</u>			
(Increase)/decrease in receivables		(20,543)	4,250
Increase in payables		5,805	856
Total changes in working capital		(14,738)	5,106
Cash flows used in operations		(36,735)	(23,244)
Interest received		9,599	15,705
Interest paid		(20,377)	(20,327)
Taxes paid		(1,277)	(563)
Net cash flows used in operating activities		(48,790)	(28,429)
Investing activities			
Additional investments in investment securities		(126,505)	(137,933)
Acquisition of property, plant and equipment	14(e)	(479)	(1,900)
Acquisition of intangible assets	18	(91)	(60)
Dividends received		139,011	103,257
Proceeds from disposal of a subsidiary	12	9,900	-
Proceeds from disposal of investment securities		3,204	-
Proceeds from disposal of property, plant and equipment		6	-
Subscription of additional shares in a subsidiary	20(a)	(6,000)	(126,807)
Tax paid on gain on disposal of a subsidiary		(833)	-
Net cash flows from/(used in) investing activities		18,213	(163,443)

Cahya Mata Sarawak Berhad

Statements of Cash Flows
For the financial year ended 31 December 2020 (contd.)

Company (contd.)	Note	2020 RM'000	2019 RM'000
Financing activities			
Acquisition of treasury shares	36(b)	(14,369)	(8,338)
Increase in amounts due to joint ventures under central cash management accounts		205,825	-
Decrease in amounts due to subsidiaries under central cash management accounts		(347,346)	(155,981)
Dividends paid to owners of the Company	46(a)	(32,179)	(79,374)
Net proceeds from disposal of treasury shares	36(b)	-	16,657
Repayment of lease liabilities	33	(342)	(369)
Net cash flows used in financing activities		(188,411)	(227,405)
Net decrease in cash and cash equivalents		(218,988)	(419,277)
Cash and cash equivalents at 1 January		441,220	860,497
Cash and cash equivalents at 31 December	31	222,232	441,220

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Loans and borrowings (Note 32) RM'000	Lease liabilities (Note 33) RM'000	Total RM'000
At 1 January 2019	500,000	-	500,000
Effect of adoption of MFRS 16	-	1,708	1,708
Repayment of lease liabilities	-	(369)	(369)
At 31 December 2019 and 1 January 2020	500,000	1,339	501,339
Repayment of lease liabilities	-	(342)	(342)
At 31 December 2020	500,000	997	500,997

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The principal place of business is located at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak.

The Company is principally an investment holding company. It also provides centralised treasury functions to the Group. The Group is principally engaged in manufacturing and trading of cement and construction materials, construction, road maintenance, township, property and infrastructure development.

The principal activities of the subsidiaries are set out in Note 20. There have been no significant changes in the nature of the principal activities during the financial year except for the disposals of subsidiaries as disclosed in Note 12 to the financial statements.

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as disclosed in the accounting policies below. The accounting policies below are adhered to by the Group and by the Company except when otherwise indicated.

The financial statements of the Group and the Company are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2.2 Changes in accounting policies

On 1 January 2020, the Group and the Company adopted the following amendments which are effective for annual periods beginning on or after 1 January 2020.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of these amendments did not have any material effect on the financial performance or position of the Group and the Company.

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendment to MFRS 16: Covid-19-Related Rent Concessions	1 June 2020
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors do not expect any material impact from the adoption of the above standards in the period of initial application.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect its returns.

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (a) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (b) potential voting rights held by the Company, other vote holders or other parties;
- (c) rights arising from other contractual arrangements; and
- (d) any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

Business combinations and goodwill (contd.)

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. All other contingent consideration shall be measured at fair value and such changes shall be recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.5 Subsidiaries

A subsidiary is an entity over which the Group has:

- (a) power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) exposure, or rights, to variable returns from its investment with the investee; and
- (c) the ability to use its power over the investee to affect its returns.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.6 Current versus non-current classification

The Group and the Company present assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.7 Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 9 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.7 Investments in associates and joint ventures (contd.)

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.8 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.8 Foreign currency (contd.)

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rates of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment, except for freehold land, are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has unlimited useful lives and therefore are not amortised. Leasehold land are amortised over their lease terms. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and infrastructure	50 years or over the period of lease whichever is shorter
Plant and machinery	2 years to 50 years
Equipment and others	3 years to 30 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet ready for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.9 Property, plant and equipment (contd.)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

A contract which involves the use of an item of property, plant and equipment that meets the definition of a lease is recognised as a right-of-use asset.

2.10 Land held for property development and property development costs

(a) Land held for property development

Land held for property development consists of land on which no significant development work has been undertaken other than earthwork, infrastructure work and professional fees incurred to put the land ready for development or where development activities are not expected to be completed within the normal operating cycle. Included in land held for property development consists of leasehold land that meet the definition of right-of-use asset.

Land held for property development is classified as non-current asset and is stated at the lower of cost and net realisable value.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Land held for property development is transferred to property development costs (under current assets) when development activities have commenced and where the development activities can be completed within the Group's normal operating cycle.

(b) Property development costs

Property development costs that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. Such inventory costs are determined based on a specific identification basis.

Property development costs comprise of costs of land, direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors. Leasehold land that are included in property development costs meets the definition of right-of-use asset.

Incremental costs of obtaining a contract with a customer are recognised as assets if the entity expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.10 Land held for property development and property development costs (contd.)

(b) Property development costs (contd.)

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. The asset is subsequently recognised as an expense in profit or loss when or as the control of the asset is transferred to the customer over time or at a point in time.

Where revenue recognised in profit or loss exceeds billings to purchasers, the balance is shown as contract assets under other current assets. Where billings to purchasers exceed revenue recognised in profit or loss, the balance is shown as contract liabilities under other current liabilities.

2.11 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. These include land held for a currently undetermined future use. Transfers are made to or from investment properties only when there is a change in use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses consistent with the accounting policies for property, plant and equipment.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

2.12 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.12 Intangible assets (contd.)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Amortisation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	3 years to 5 years
Other intangible assets	8 years to 20 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The expenditure is capitalised and no amortisation is necessary as the asset is still under the development stage.

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.13 Impairment of non-financial assets (contd.)

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials and consumables: costs of purchases on a first-in first-out method or weighted average cost formula.
- Finished goods and work-in-progress: costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.
- Completed development units: cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.
- Food and beverages: costs of purchases on a first-in first-out method.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.15 Contract assets and contract liabilities

A contract asset is the right to consideration for goods or services transferred to the customer. In the case of property development and construction contracts, contract asset is the excess of cumulative revenue earned over the billings to-date.

A contract asset is subject to impairment in accordance to MFRS 9. When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received the consideration or has billed the customer. In the case of property development and construction contracts, contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include advance payment and down payments received from customers and other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers.

2.16 Contract costs

(a) Incremental cost of obtaining a contract

The Group recognises incremental costs of obtaining contracts when the Group expects to recover these costs.

(b) Cost to fulfil a contract

The Group recognises a contract cost that relates directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group, will be used in satisfying performance obligations in the future and it is expected to be recovered.

(b) Cost to fulfil a contract

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected loss that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.17 Financial instruments

(a) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(b) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(i) Amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.17 Financial instruments (contd.)

(b) Financial instrument categories and subsequent measurement (contd.)

Financial assets (contd.)

(iii) Fair value through OCI (“debt instruments”)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(i) Fair value through profit or loss (“FVTPL”)

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.17 Financial instruments (contd.)

(b) Financial instrument categories and subsequent measurement (contd.)

Financial liabilities (contd.)

The categories of financial liabilities at initial recognition are as follows: (contd.)

(i) Fair value through profit or loss (“FVTPL”) (contd.)

On initial recognition, the Group and the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- If doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- A group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group’s key management personnel; or
- If a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability’s credit risk would create or enlarge an accounting mismatch.

(ii) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.17 Financial instruments (contd.)

(c) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash asset transferred or liabilities assumed, is recognised in profit or loss.

(d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amount and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

2.18 Impairment of financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at the amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balances and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.18 Impairment of financial assets (contd.)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk. The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt instruments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flow of the financial assets have occurred.

The gross carrying amount of a financial assets is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedure for recovery of amounts due.

2.19 Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.19 Fair value measurement (contd.)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale in discontinued operations.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.22 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and the activities to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are recognised in profit or loss in the period they are incurred.

2.23 Leases

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As a lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are classified within the same line item as the corresponding underlying assets would be presented if they were owned. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.23 Leases (contd.)

(a) As a lessee (contd.)

(i) Right-of-use assets (contd.)

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	1 to 94 years
Buildings	1 to 17 years
Plant and machinery	1 to 3 years
Equipment and others	2 years

If ownership of the leased asset is transferred to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset instead of the lease term. The right-of-use assets are also subject to impairment.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and by the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.23 Leases (contd.)

(a) As a lessee (contd.)

(iii) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). They also apply the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(b) As a lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.24 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount in accordance to the principles of MFRS 15.

Liabilities arising from financial guarantees are presented together with other provisions.

2.25 Revenue

Revenue is measured based on the consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group and the Company satisfy a performance obligation by transferring a promised good and service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.25 Revenue (contd.)

(a) Sale of goods

Revenue from sale of goods is measured based on the consideration specified in a contract with a customer in exchange for transferring goods to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product to customer. An asset is transferred when (or as) the customer obtains control over the asset.

The Group transfers control of a good at a point in time unless one of the following over time criteria is met:

- the customer simultaneously receives and consumes the benefits provided as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to-date.

(b) Construction contracts

Revenue is recognised progressively based on the percentage of completion determined by the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Variation claim gives rise to a variable consideration which are estimated at either the expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not be reversed. No element of financing is deemed present as the payment schedule and credit terms of 30 days to 90 days are consistent with the market practice.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.25 Revenue (contd.)

(c) Property development

Contracts with customers may include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the standalone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

Revenue from property development is measured at the fixed transaction price agreed under the sale and purchase agreement.

Revenue from property development is recognised as and when the control of the asset is transferred to the customer and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The Group recognises revenue over time using the input method based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

The Group recognises revenue at a point in time for the sale of completed properties, when the control of the properties has been delivered to the purchasers, being when the properties have been delivered to the purchasers and it is probable that the Group will collect the considerations to which it will be entitled to in exchange for the assets sold.

(d) Services rendered

Revenue from services is recognised when the Group and the Company transfer control upon performance of services over time to customers where the customer simultaneously receives and consumes the benefits provided as the Group and the Company perform.

Revenue from provision of road maintenance service is recognised in the period in which services are rendered in accordance with the concession.

Project management fee from projects is recognised over time when the services are rendered.

Marketing fee from projects is recognised over time when the services are rendered.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.25 Revenue (contd.)

(e) Camp management and food catering fees

Camp management and food catering fees are recognised progressively in accordance with the terms of the agreements.

(f) Hotel operations, room rental and related revenue

Room rental revenue is recognised over the period of the guests' stay at the hotel. Any cancellation of hotel reservation during the non-refundable periods are immediately recognised as room revenue. Revenue from the sale of food and beverages is recognised when the customer receives and consumes, and the Group has a present right to payment for the food and beverage product. Hotel room rental and food and beverages revenue are recorded based on the published rates, net of discounts and collectability is reasonably certain. Revenue for rendering of other services is recognised when the services are provided or on a straight line basis over the term of the service.

(g) Revenue for school fees

School tuition fees are received upfront and recognised over time on a straight line basis over the tenure of the school term offered.

(h) Other revenue

Revenue from other sources are recognised as follows:

- (i) dividend income is recognised when the Group's and the Company's right to receive payment is established, which is generally when shareholders approve the dividend;
- (ii) interest income is recognised on an accrual basis using the effective interest method;
- (iii) rental income is recognised on a straight line basis over the tenure of the lease; and
- (iv) grant is recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss as other income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.26 Taxes

(a) Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.26 Taxes (contd.)

(b) Deferred tax (contd.)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales and Services Tax (“SST”) and Goods and Services Tax (“GST”)

Revenue, expenses and assets are recognised net of the amount of SST or GST except:

- Where the SST and GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the SST and GST are recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of SST and GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the statements of financial position.

2.27 Employee benefits

(a) Short term benefits

Wages, salaries, overtimes, allowances and social security contributions are recognised as an expense in the year in which the associated services are rendered by the employees. Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments as a result of past events and when a reliable estimate can be made of the amount of the obligation.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.27 Employee benefits (contd.)

(b) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group and Company make contributions to the Employees' Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to the defined contribution pension scheme are recognised as expenses in the period in which the related service is performed.

(c) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer to those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(d) Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

(d) Share-based payments (contd.)

Equity-settled transactions (contd.)

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 45, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(a) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(b) Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.29 Equity instruments (contd.)

(c) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividend are discretionary. Dividends thereon are recognised as distribution within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(d) Repurchased, disposal and reissued of share capital (treasury shares)

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in retained earnings.

2.30 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group or the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company but discloses its existence in the notes to the financial statements.

2.31 Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

2. Basis of preparation and summary of significant accounting policies (contd.)

2.31 Discontinued operations (contd.)

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

3. Significant accounting judgements and estimates

The preparation of the Group's and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(a) Classification between investment properties and property, plant and equipment

The Group and the Company have developed certain criteria based on MFRS 140 in making their judgement on whether a property qualifies as an investment property. An investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group and the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

3. Significant accounting judgements and estimates (contd.)

3.1 Critical judgements made in applying accounting policies (contd.)

(b) Determining the lease term of contracts with extension and termination options

The Group and the Company determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group and the Company have several lease contracts that include extension and termination options. The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, they consider all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Group and the Company reassess the lease term for significant events change in circumstances that are within their control and affect their ability to exercise, renew or terminate.

The Group and the Company include the renewal periods as part of the lease term for leases of buildings when they are reasonably certain to be exercised. In addition, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 50 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore, future depreciation charges could be revised. The carrying amount of the Group's and the Company's property, plant and equipment at the reporting date are disclosed in Note 14.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(b) Impairment of property, plant and equipment

An impairment loss of RM11,259,000 (2019: Nil) was recognised during the financial year by a subsidiary carrying on the business of hotelling. The impairment is the result of the depressed economic situation brought about by the Movement Control Order of COVID-19.

The Group has impaired the property, plant and equipment of this subsidiary to their estimated recoverable amount based on fair value less cost to sell. Due to the lack of comparable market data for the hotel and resort business in Samalaju Industrial Park, Sarawak, significant estimates and judgement was used to determine the fair value less cost to sell which was based on the depreciated replacement cost method. The recoverable amount is sensitive to the expected costs to build similar structure and adjustments necessary to reflect the decline in the industry. The Group relied on an internal specialist to assess the reasonableness of these assumptions.

The Group also recognised an impairment loss of RM51,753,000 (2019: Nil) on the construction in progress in relation to phase 2 of an integrated phosphate complex project during the financial year, due to the decision by the Board of Directors of the subsidiary not to proceed with the construction of phase 2 of the project given the challenging market conditions and the uncertainties surrounding the COVID-19 situation globally.

As there was no further economic benefit to be derived from phase 2 of this project, the entire costs incurred of RM51,753,000 was impaired.

(c) Impairment of investment in subsidiaries

The Company assesses whether there is any indication that investment in subsidiaries may be impaired at each reporting date. In assessing whether there is any indication that its interest in subsidiaries may be impaired, the Company considers external and internal sources of information. The Company estimated the recoverable amounts of the interest in subsidiaries based on estimated future cash flows and discounting them at an appropriate rate.

(d) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash-generating units to which goodwill is allocated.

When value in use calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 19.

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(e) Revenue recognition for construction contracts

Revenue is recognised as and when the control of the asset is transferred to customers and it is probable that the Group will collect the consideration to which they will be entitled in exchange for the asset that will be transferred to the customer. The Group recognises contract revenue based on the percentage of completion method. The stage of completion is measured by reference to the costs incurred to-date to the estimated total cost. Significant judgement is required in determining the stage of completion, the extent of the costs incurred and the estimated total revenue (for contracts other than fixed contracts) and costs. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and work of specialists. The carrying amount of the Group's construction contracts is shown in Note 28.

(f) Revenue recognition for property development

The Group recognises property development revenue and expenses in the statements of profit or loss and other comprehensive income by using the stage of completion method. The stage of completion is determined based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of assets and liabilities of the Group arising from property development activities are disclosed in Note 28.

(g) Allowance for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(g) Allowance for expected credit losses of trade receivables and contract assets (contd.)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 26 and Note 28.

(h) Valuation on derivative assets

The determination of the fair value of derivative financial assets that are linked to and must be settled by delivery of unquoted equity instruments is subjective and involves significant judgement and uncertainties due to the use of assumptions and certain unobservable inputs. The Group's and the Company's investment in warrants were valued using the Binomial approach and is sensitive to data inputs including stock price, strike price, risk-free rate and volatility.

(i) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

(j) Determination of the fair value of the disposal group of subsidiaries

The Group carries its retained interests in subsidiaries disposed of during the year at their estimated fair values. For the estimation of the fair values, a methodology based on the income approach model was used for the active entities and adjusted net assets approach for the inactive entities. The Group engaged an independent valuation specialist to assess the reasonableness of the assumptions used to determine the estimated fair values. The key assumptions used to determine the fair value of the retained interests in the former subsidiaries are detailed in Note 12.

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

4. Revenue

Revenue comprised the following:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers	739,656	1,085,808	-	-
Revenue from other sources:				
- Interest income	10,346	16,747	19,793	30,363
- Dividends from investments	8,875	10,222	8,875	10,222
- Dividends from associates	-	-	20,204	2,398
- Dividends from subsidiaries	-	-	110,080	90,850
- Licensing fee	-	60	-	-
- Mobilisation fee	-	2	-	-
- Rental income	3,148	4,414	-	-
- Supervision fee	763	610	-	-
	23,132	32,055	158,952	133,833
Total revenue	762,788	1,117,863	158,952	133,833

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

4. Revenue (contd.)

(a) Disaggregation of revenue from contracts with customers:

Group	Cement RM'000	Trading RM'000	Construction and road maintenance RM'000	Property development and related services RM'000	Strategic investments and others RM'000	Total RM'000
2020						
- Sale of goods	448,631	81,419	-	-	-	530,050
- Construction and road maintenance	6,174	778	124,346	-	-	131,293
- Rendering of services	-	-	4,785	12,593	7,648	25,031
- Sale of land	-	-	-	4,440	-	4,440
- Sale of completed properties	-	-	-	24,598	-	24,598
- Sale of properties under construction	-	-	-	24,244	-	24,244
	454,805	82,197	129,131	65,875	7,648	739,656
Timing of revenue recognition:						
- At a point in time	448,631	81,419	-	29,737	-	559,787
- Over time	6,174	778	129,131	36,138	7,648	179,869
	454,805	82,197	129,131	65,875	7,648	739,656

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

4. Revenue (contd.)

(a) Disaggregation of revenue from contracts with customers: (contd.)

Group (contd.)	Cement RM'000	Trading RM'000	Construction and road maintenance RM'000	Property development and related services RM'000	Strategic investments and others RM'000	Total RM'000
2019						
- Sale of goods	575,026	115,804	-	-	-	690,830
- Construction and road maintenance	-	508	239,821	607	-	240,936
- Rendering of services	-	3,150	3,870	14,934	16,415	38,369
- Sale of land	-	-	-	9,014	-	9,014
- Sale of completed properties	-	-	-	62,114	-	62,114
- Sale of properties under construction	-	-	-	44,545	-	44,545
	575,026	119,462	243,691	131,214	16,415	1,085,808

Timing of revenue recognition:

- At a point in time	575,026	105,407	-	72,236	-	752,669
- Over time	-	14,055	243,691	58,978	16,415	333,139
	575,026	119,462	243,691	131,214	16,415	1,085,808

Information regarding receivables and contract balances are disclosed in Note 26 and 28, respectively.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

4. Revenue (contd.)

- (b) Transaction prices allocated to the remaining performance obligations:

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied as at the reporting date.

Group	Cement RM'000	Trading RM'000	Construction and road maintenance RM'000	Property development and related services RM'000	Strategic investments and others RM'000	Total RM'000
2020						
Within one year						
Construction and road maintenance	2,071	296	98,386	-	-	100,753
Rending of services	-	-	-	3,199	-	3,199
Sale of land	-	-	-	20,015	-	20,015
Sale of properties under construction	-	-	-	11,075	-	11,075
	2,071	296	98,386	34,289	-	135,042
Over one year						
Construction and road maintenance	-	-	840,129	6,700	-	846,829
Rending of services	-	-	-	1,524	-	1,524
Sale of land	-	-	-	300	-	300
	-	-	840,129	8,524	-	848,653
	2,071	296	938,515	42,813	-	983,695

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

4. Revenue (contd.)

- (b) Transaction prices allocated to the remaining performance obligations: (contd.)

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied as at the reporting date (contd.).

Group (contd.)	Cement RM'000	Trading RM'000	Construction and road maintenance RM'000	Property development and related services RM'000	Strategic investments and others RM'000	Total RM'000
2019						
Within one year						
Construction and road maintenance	-	-	109,689	-	-	109,689
Rendering of services	-	-	-	6,421	-	6,421
Sale of properties under construction	-	-	-	4,961	-	4,961
	-	-	109,689	11,382	-	121,071
Over one year						
Construction and road maintenance	-	-	934,574	6,700	-	941,274
Rendering of services	-	-	-	4,249	-	4,249
Sale of land	-	-	-	300	-	300
	-	-	934,574	11,249	-	945,823
	-	-	1,044,263	22,631	-	1,066,894

All consideration from contracts with customers is included in the amounts presented above.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

4. Revenue (contd.)

(c) Significant terms of sale are as follows:

Sale of goods - Credit period of 30 to 90 (2019: 30 to 180) days from invoicing date.

Construction contracts - Credit period of 30 to 90 (2019: 30 to 90) days from invoicing date. Subject to defect liability period of at least 2 years from handover.

Road maintenance - Credit period of 60 (2019: 60) days from invoicing date.

Rendering of services - Credit period of 30 to 90 (2019: 30 to 180) days from invoicing date.

Sale of completed properties - Credit period of 30 to 90 (2019: 30 to 90) days from invoicing date. Subject to defect liability period of at least 12 months from vacant possession date.

Sale of properties under construction - Credit period of 30 to 90 (2019: 30 to 90) days from invoicing date. Subject to defect liability period of at least 12 months from vacant possession date.

Sale of land - Based on terms stipulated in sale and purchase agreements. Subject to fulfilment of condition precedents.

5. Interest income

	Group	
	2020	2019
	RM'000	RM'000
Interest income for financial assets:		
- Trade receivables	189	191
- Amount due from an associate under shareholder's loan	1,741	1,101
- Short term deposits	167	326
- Money held in trust	-	793
- Lease receivables (Note 26(b)(vi))	89	18
	<u>2,186</u>	<u>2,429</u>

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

6. Other income

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fair value gain on derivative financial asset (Note 30)	6,640	8,787	6,640	8,787
Gain on deemed disposal of an associate (Note 20(c)(i))	-	5,262	-	-
Gain on disposal of a subsidiary	-	7	7,679	-
Gain on disposal of property, plant and equipment	2,670	2,257	-	-
Gain on termination of lease contracts	12	-	-	-
Licence fee	746	903	-	-
Miscellaneous income	1,599	684	11	71
Net fair value changes in investment securities held as fair value through profit or loss	69	1,175	-	1,175
Net foreign exchange gain:				
- Realised	1,272	193	-	-
- Unrealised	8,692	772	-	-
Rental income	3,222	4,177	-	-
Reversal of impairment loss on:				
- Amount due from an associate	-	365	-	-
- Trade and other receivables	1,133	14	-	-
Supervision fees	916	412	-	-
Wage subsidies - government grant	2,744	-	169	-
	29,715	25,008	14,499	10,033

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

7. Finance costs

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Interest expense for financial liabilities:				
- Amounts due to joint ventures under central cash management account	8,770	-	8,770	-
- Amounts due to subsidiaries under central cash management account	-	-	14,473	32,015
- Amount due to a corporate shareholder	24	-	-	-
- Islamic medium term notes	24,067	24,000	24,067	24,000
- Bank borrowings and bank overdrafts	13,723	8,141	-	-
- Unwinding of discount	31	436	-	-
- Land premium	-	10,367	-	-
- Lease liabilities (Note 33)	1,996	2,006	58	75
	48,611	44,950	47,368	56,090
Interest capitalised in property, plant and equipment (Note 14(g))	(9,102)	(3,880)	-	-
	39,509	41,070	47,368	56,090
Other finance costs:				
- Trade facility charges	282	453	-	-
- Facility fee and commitment fee	48	35	48	35
	330	488	48	35
	39,839	41,558	47,416	56,125
Recognised in profit or loss as:				
- Cost of sales	8,770	-	23,243	32,015
- Finance costs	31,069	41,558	24,173	24,110
	39,839	41,558	47,416	56,125

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

8. Profit before tax

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets (Note 18)	20	432	1	-
Auditors' remuneration:	1,230	889	465	227
- Statutory audit	747	756	178	175
- Other services	483	133	287	52
Bad debts written off	19	-	-	-
Depreciation of property, plant and equipment (Note 14)	64,221	63,815	1,341	1,311
Depreciation of investment properties (Note 17)	220	117	-	-
Impairment loss on:				
- Amount due from subsidiaries	-	-	42,231	3,580
- Investment in a subsidiary	-	-	6,000	2,669
- Property development costs (Note 16(b))	1,225	-	-	-
- Property, plant and equipment (Note 14)	63,012	-	-	-
- Trade and other receivables	5,819	1,015	-	-
Intangible assets written off (Note 18)	7,810	2	-	-
Investment properties written off	1	-	-	-
Inventories written off	3,097	12	-	-
Loss arising from dilution of equity interests in an associate (Note 21(a))	4,400	-	-	-
Loss on disposal of a joint venture	3,237	-	-	-
Loss on disposal of investment properties	31	-	-	-
Loss on disposal of investment securities	496	-	496	-
Net foreign exchange loss/(gain):				
- Realised	1,317	1,682	-	-
- Unrealised	(8,303)	(772)	-	-
Net fair value changes in investment securities	881	1,303	950	(1,175)
Net gain on disposal of property, plant and equipment	(2,670)	(2,195)	-	-
Property development costs written off	5,560	-	-	-
Property, plant and equipment written off	3,007	1,042	-	-

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2020****9. Employee benefits expense**

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and others	94,067	118,005	6,944	9,609
Contributions to a defined contribution plan	10,760	13,499	868	1,005
Contributions to social security plans	1,011	1,282	36	39
Gratuity	1,140	3,003	1,250	3,003
Share-based payment	1,198	-	83	-
Termination benefits	-	4,471	-	-
	108,176	140,260	9,181	13,656
Less: Amount capitalised in property, plant and equipment	(4,433)	(4,514)	-	-
	103,743	135,746	9,181	13,656

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM7,078,376 (2019: RM10,550,363) and RM1,578,832 (2019: RM6,101,791) respectively, as further disclosed in Note 10.

10. Directors' remuneration

The remuneration received and receivable by directors of the Group and of the Company is as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
Executive:				
Salaries and other emoluments	1,382	5,768	1,382	5,768
Defined contribution and social security plans	167	334	167	334
Share-based payment	30	-	30	-
Total short-term employee benefits	1,579	6,102	1,579	6,102
Benefits-in-kind	40	31	40	31
	1,619	6,133	1,619	6,133
Non-executive:				
Fees	828	829	788	708
Other emoluments	1,520	1,586	1,482	1,436
Defined contribution and social security plans	58	58	58	58
	2,406	2,473	2,328	2,202
Benefits-in-kind	61	89	58	58
	2,467	2,562	2,386	2,260
Total remuneration of the directors of the Company	4,086	8,695	4,005	8,393

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

10. Directors' remuneration (contd.)

The remuneration received and receivable by directors of the Group and of the Company is as follows: (contd.)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Other directors:				
Executive:				
Salaries and other emoluments	4,889	3,975	-	-
Defined contribution and social security plans	590	473	-	-
Share-based payment	20	-	-	-
Total short-term employee benefits	5,499	4,448	-	-
Benefits-in-kind	64	84	-	-
	5,563	4,532	-	-
Non-executive:				
Fees	92	190	-	-
Other emoluments	95	177	-	-
	187	367	-	-
Total remuneration of other directors	5,750	4,899	-	-
Total directors' remuneration	9,836	13,594	4,005	8,393
Less: Amount capitalised in property, plant and equipment	(799)	(744)	-	-
	9,037	12,850	-	-

The details of remuneration received and receivable by the directors of the Company are set out below:

Group	Fees	Other emoluments	Total
	RM'000	RM'000	RM'000
2020			
Executive:			
Dato Isaac Lugun	-	1,619	1,619

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

10. Directors' remuneration (contd.)

The details of remuneration received and receivable by the directors of the Company are set out below: (contd.)

Group (contd.)	Fees RM'000	Other emoluments RM'000	Total RM'000
2020 (contd.)			
Non-executive:			
Tan Sri Abdul Rashid bin Abdul Manaf	150	692	842
Dato Sri Mahmud Abu Bekir Taib	150	620	770
Tan Sri Datuk Amar (Dr.) Haji Abdul Aziz	17	6	23
Datu Hubert Thian Chong Hui	11	6	17
Datuk Seri Dr. Yam Kong Choy	112	107	219
Datuk Ir. Kamarudin bin Zakaria	113	53	166
Chin Mui Khiong	100	68	168
Umang Nangku Jabu	101	47	148
Dr. Khor Jaw Huei	56	28	84
Ho Heng Chuan	18	12	30
	828	1,639	2,467
	828	3,258	4,086
2019			
Executive:			
Dato Isaac Lugun	-	357	357
Datuk Syed Ahmad Alwee Alsree	-	5,776	5,776
	-	6,133	6,133
Non-executive:			
Tan Sri Abdul Rashid bin Abdul Manaf	150	666	816
Dato Sri Mahmud Abu Bekir Taib	182	659	841
Datu Hubert Thian Chong Hui	166	192	358
Datuk Seri Dr. Yam Kong Choy	123	102	225
Datuk Ir. Kamarudin bin Zakaria	8	2	10
Chin Mui Khiong	100	66	166
Umang Nangku Jabu	100	46	146
	829	1,733	2,562
	829	7,866	8,695

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Notes to the Financial Statements
For the financial year ended 31 December 2020

10. Directors' remuneration (contd.)

The details of remuneration received and receivable by the directors of the Company are set out below: (contd.)

Company	Fees RM'000	Other emoluments RM'000	Total RM'000
2020			
Executive:			
Dato Isaac Lugun	-	1,619	1,619
Non-executive:			
Tan Sri Abdul Rashid bin Abdul Manaf	150	692	842
Dato Sri Mahmud Abu Bekir Taib	150	620	770
Tan Sri Datuk Amar (Dr.) Haji Abdul Aziz	17	6	23
Datu Hubert Thian Chong Hui	8	3	11
Datuk Seri Dr. Yam Kong Choy	100	83	183
Datuk Ir. Kamarudin bin Zakaria	100	45	145
Chin Mui Khiong	100	68	168
Umang Nangku Jabu	100	47	147
Dr. Khor Jaw Huei	46	22	68
Ho Heng Chuan	17	12	29
	788	1,598	2,386
	788	3,217	4,005
2019			
Executive:			
Dato Isaac Lugun	-	357	357
Datuk Syed Ahmad Alwee Alsree	-	5,776	5,776
	-	6,133	6,133
Non-executive:			
Tan Sri Abdul Rashid bin Abdul Manaf	150	666	816
Dato Sri Mahmud Abu Bekir Taib	150	615	765
Datu Hubert Thian Chong Hui	100	87	187
Datuk Seri Dr. Yam Kong Choy	100	74	174
Datuk Ir. Kamarudin bin Zakaria	8	2	10
Chin Mui Khiong	100	66	166
Umang Nangku Jabu	100	42	142
	708	1,552	2,260
	708	7,685	8,393

Other emoluments comprised salaries, allowances, bonuses, defined contribution plan, social security plans, gratuity and benefits-in-kind.

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Notes to the Financial Statements
For the financial year ended 31 December 2020

11. Income tax expense

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	18,069	27,396	900	1,535
- (Over)/under provision in respect of previous years	(2,984)	156	(195)	434
- Real property gains tax	833		833	
	<u>15,918</u>	<u>27,552</u>	<u>1,538</u>	<u>1,969</u>
Deferred income tax (Note 23):				
- Origination and reversal of temporary differences	5,640	14,967	-	-
- Under/(over) provision in respect of previous years	1,898	(1,551)	-	-
	<u>7,538</u>	<u>13,416</u>	<u>-</u>	<u>-</u>
Income tax expense recognised in profit or loss	<u>23,456</u>	<u>40,968</u>	<u>1,538</u>	<u>1,969</u>

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate are as follows:

	Group	
	2020	2019
	RM'000	RM'000
Accounting profit before tax	<u>6,206</u>	<u>159,221</u>
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	1,489	38,213
Adjustments:		
Share of results of associates	(11,587)	(14,015)
Share of results of joint ventures	(173)	141
Non-deductible expenses	40,790	21,318
Income not subject to tax	(4,693)	(4,995)
Difference in tax rate between corporate income and real property gains	(1,167)	-
Utilisation of previously unrecognised tax losses	(541)	(407)
Deferred tax assets not recognised	424	2,108
(Over)/under provision of income tax in respect of previous years	(2,984)	156
Under/(over) provision of deferred tax in respect of previous years	1,898	(1,551)
Income tax expense recognised in profit or loss	<u>23,456</u>	<u>40,968</u>

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

11. Income tax expense (contd.)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate are as follows: (contd.)

	Company	
	2020	2019
	RM'000	RM'000
Accounting profit before tax	52,804	51,795
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	12,673	12,431
Adjustments:		
Non-deductible expenses	25,218	16,288
Income not subject to tax	(34,991)	(27,184)
Difference in tax rate between corporate income and real property gains	(1,167)	-
(Over)/under provision of income tax in respect of previous years	(195)	434
Income tax expense recognised in profit or loss	1,538	1,969

Income tax is calculated at the Malaysian statutory rate of 24% (2019: 24%) of the estimated assessable profit for the year.

At the reporting date, the Group and the Company has the following for offset against future taxable income:

	Group	
	2020	2019
	RM'000	RM'000
Unutilised tax losses	65,824	65,329
Unabsorbed capital allowances	22,839	22,645
Investment tax allowances	55,504	55,504
Reinvestment allowances	82,194	123,209
	226,361	266,687

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Notes to the Financial Statements
For the financial year ended 31 December 2020

11. Income tax expense (contd.)

Pursuant to Section 44(5F) of the Income Tax Act, 1967, the unutilised tax losses and reinvestment allowances can only be carried forward until the following years of assessment:

	Group	
	2020	2019
	RM'000	RM'000
Unutilised tax losses to be carried forward until:		
- Year of assessment 2025	52,681	57,987
- Year of assessment 2026	9,082	7,342
- Year of assessment 2027	4,061	-
	<u>65,824</u>	<u>65,329</u>
Reinvestment allowances to be carried forward until:		
- Year of assessment 2026	<u>82,194</u>	<u>123,209</u>

12. Discontinued operations

On 28 August 2020, Cahya Mata Sarawak Berhad ("CMSB") and CMS Works Sdn. Bhd. ("CMSW"), a wholly owned subsidiary of CMSB, entered into share sale agreements with Sarawak Economic Development Corporation for the disposals of:

- (i) 13,220 ordinary shares in SEDC Resources Sdn. Bhd. ("SEDCR") (formerly known as CMS Resources Sdn. Bhd.), a 51% owned subsidiary of CMSB, representing 2% equity interest in SEDCR, for a cash consideration of RM9,900,000; and
- (ii) 200,000 ordinary shares in PPES Works (Sarawak) Sdn. Bhd. ("PPESW"), a 51% owned subsidiary of CMSW, representing 2% equity interest in PPESW, for a cash consideration of RM7,600,000.

The disposals were completed on 2 October 2020 upon completion of the share transfer. SEDCR and PPESW ceased to be subsidiaries and became joint ventures of the Group.

As SEDCR and PPESW represent major business segments of the operations, their results before 2 October 2020 are excluded from the results of continuing operations and are presented as a single amount as profit after tax from discontinued operations in the statements of comprehensive income (including comparative period).

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Notes to the Financial Statements
For the financial year ended 31 December 2020

12. Discontinued operations (contd.)

The effect of the disposals of SEDCR and PPESW on the financial position and results of the Group for the year ended 31 December 2020 are as follows:

Assets and liabilities of SEDCR and PPESW at the date of disposal:

	SEDCR RM'000	PPESW RM'000	Total RM'000
Property, plant and equipment	121,947	2,151	124,098
Goodwill (Note 19)	21,969	-	21,969
Investment properties	3,441	-	3,441
Intangible assets	8,421	-	8,421
Investments in joint ventures	-	5,422	5,422
Deferred tax assets	7,313	3,072	10,385
Inventories	15,692	-	15,692
Trade and other receivables	220,018	147,983	368,001
Other current assets	875	94,628	95,503
Current tax assets	326	1,659	1,985
Cash	6,704	9,025	15,729
	<u>406,706</u>	<u>263,940</u>	<u>670,646</u>
Trade and other payables	(134,554)	(171,854)	(306,408)
Other current liabilities	(12,189)	(911)	(13,100)
Current tax liabilities	(5,397)	(1,512)	(6,909)
Lease liabilities (Note 33)	(664)	(1,205)	(1,869)
Deferred taxation	(4,340)	-	(4,340)
Net assets	<u>249,562</u>	<u>88,458</u>	<u>338,020</u>
Less: Non-controlling interests	(119,365)	(48,570)	(167,935)
Less: Premium on acquisition (Note 37)	(2,925)	-	(2,925)
Net assets attributable to the Group	<u>127,272</u>	<u>39,888</u>	<u>167,160</u>
Less: Retained interests of 49% in the Group after disposal	(122,895)	(38,324)	(161,219)
Less: Cash proceeds from disposals	(9,900)	(7,600)	(17,500)
Gain on disposals to the Group	<u>(5,523)</u>	<u>(6,036)</u>	<u>(11,559)</u>

	2020 RM'000
Company	
Sales proceeds in cash	9,900
Less: Cost of investment	(2,221)
Gain on disposal to the Company (Note 6)	<u>7,679</u>

Group

Cash flows arising from disposals:

Cash consideration	17,500
Cash and cash equivalents of the subsidiaries disposed	(15,729)
Net cash inflows on disposals to the Group	<u>1,771</u>

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

12. Discontinued operations (contd.)

The retained interests of the 49% in the Group after disposal were derived based on the estimated fair value of the entities. The income approach was used in determining the fair value of active entities, whilst the adjusted net assets approach was used for inactive entities. The fair values of the inactive entities are not considered material. These fair values are classified under level 3 of the fair value hierarchy. The key assumptions used in the income approach were as follows:

Key assumptions	SEDCR Group of companies
Budgeted margin	13% to 36%
Terminal growth rate	0% to 2%
Discount rate	12% to 13%

Key assumptions	PPESW Group of companies
Budgeted margin	2% to 10%
Terminal growth rate	0% to 2%
Discount rate	10% to 11%

An analysis of the results of discontinued operations is as follows:

	2020 (Up to date of disposal) RM'000	Group 2019 RM'000
Revenue	361,903	622,665
Cost of sales	(299,756)	(528,738)
Gross profit	62,147	93,927
Interest income	276	120
Other income	3,007	16,445
Administrative and other expenses	(12,015)	(21,426)
Finance costs	(198)	(394)
Share of results of joint ventures	3,072	3
Gain on disposals of subsidiaries	11,559	-
Remeasurement gain on retained interests	151,388	-
Profit before tax from discontinued operations	219,236	88,675
Income tax expense	(12,078)	(18,811)
Profit for the period from discontinued operations	207,158	69,864
Profit for the period attributable to:		
- owners of the Company	186,302	38,012
- non-controlling interests	20,856	31,852
	207,158	69,864

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

12. Discontinued operations (contd.)

Cash flows attributable to the discontinued operations:

	2020	Group 2019
	(Up to date of disposal)	
	RM'000	RM'000
Net cash from operating activities	212,560	101,356
Net cash used in investing activities	(3,991)	(60,006)
Net cash used in financing activities	(234,416)	(30,759)
Total net cash (outflows)/inflows	<u>(25,847)</u>	<u>10,591</u>

The following amounts have been included in arriving at profit before tax of discontinued operations:

	2020	Group 2019
	(Up to date of disposal)	
	RM'000	RM'000
Amortisation of intangible assets (Note 18)	997	1,108
Auditors' remuneration	137	327
- Statutory audit	105	250
- Other services	32	77
Depreciation of investment properties (Note 17)	171	38
Depreciation of property, plant and equipment (Note 14)	9,658	11,785
Employee benefits expense	16,094	24,945
Gain on disposal of property, plant and equipment	-	(35)
Interest expense	133	283
Interest income	(276)	(120)
Impairment loss on trade and other receivables	367	1,015
Inventories written off	16	-
Non-executive directors' remuneration:	92	229
- fees	63	133
- other emoluments	29	96
Property, plant and equipment written off	260	49
Reversal of impairment loss on trade receivables	-	(766)
Reversal of provision of compensation	<u>(1,191)</u>	<u>-</u>

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

12. Discontinued operations (contd.)

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	2020	Group 2019
	(Up to date of disposal)	
	RM'000	RM'000
Statements of profit or loss and other comprehensive income:		
Current income tax:		
- Malaysian income tax	12,913	20,039
- Over provision in respect of previous years	(4)	(756)
	<u>12,909</u>	<u>19,283</u>
Deferred income tax (Note 23):		
- Origination and reversal of temporary differences	(831)	(661)
- Under provision in respect of previous years	-	189
	<u>(831)</u>	<u>(472)</u>
Income tax expense recognised in profit or loss	<u>12,078</u>	<u>18,811</u>

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 are as follows:

	2020	Group 2019
	(Up to date of disposal)	
	RM'000	RM'000
Accounting profit before tax	<u>219,236</u>	<u>88,675</u>
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	52,617	21,282
Adjustments:		
Share of results of joint ventures	(737)	(1)
Non-deductible expenses	-	2,054
Income not subject to tax	(39,798)	(4,113)
Utilisation of previously unrecognised tax losses	-	(103)
Deferred tax assets not recognised	-	259
Over provision of income tax in respect of previous years	(4)	(756)
Under provision of deferred tax in respect of previous years	-	189
Income tax expense recognised in profit or loss	<u>12,078</u>	<u>18,811</u>

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

13. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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.

	2020	Group 2019
Profit net of tax from continuing operations attributable to owners of the Company (RM'000)	8,505	121,443
Profit net of tax from discontinued operations attributable to owners of the Company (RM'000)	186,302	38,012
Profit net of tax attributable to owners of the Company (RM'000)	<u>194,807</u>	<u>159,455</u>
Weighted average number of ordinary shares in issue ('000)	1,071,053	1,072,595
Effect of dilution from:		
- Employees' Share Option Scheme (ESOS)(RM'000)	5,738	-
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	<u>1,076,791</u>	<u>1,072,595</u>
Basic earnings per share (sen) for:		
- continuing operations	0.79	11.32
- discontinued operations	17.39	3.55
	<u>18.18</u>	<u>14.87</u>
Diluted earnings per share (sen) for:		
- continuing operations	0.79	11.32
- discontinued operations	17.30	3.55
	<u>18.09</u>	<u>14.87</u>

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year. To calculate the EPS for discontinued operations, the weighted average number of ordinary shares for both the basic and diluted EPS is as per the table above.

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

14. Property, plant and equipment

Group	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Equipment and others RM'000	Total RM'000
Cost:					
At 1 January 2019	80,793	409,336	987,651	139,277	1,617,057
Effect of adoption of MFRS 16	50,625	20,269	1,482	-	72,376
Additions	16,932	35,433	334,334	10,067	396,766
Arising from acquisition of a subsidiary (Note 20(c))	25,000	81,246	90,530	99	196,875
Disposals	-	-	(4,125)	(3,038)	(7,163)
Reclassification	-	16,992	(17,376)	384	-
Termination of lease contracts	-	-	(1,482)	-	(1,482)
Written off	-	-	(1,466)	(2,153)	(3,619)
At 31 December 2019 and 1 January 2020	173,350	563,276	1,389,548	144,636	2,270,810
Additions	-	13,511	254,260	7,223	274,994
Disposals	-	-	(11,515)	(6,441)	(17,956)
Disposals of subsidiaries	(14,437)	(46,112)	(139,954)	(33,575)	(234,078)
Reclassification	1,262	(1,262)	(5)	5	-
Termination of lease contracts	-	(458)	-	-	(458)
Transferred to investment properties	(6,151)	(23,126)	-	(3,167)	(32,444)
Written off	-	(1,468)	(20,451)	(10,988)	(32,907)
At 31 December 2020	154,024	504,361	1,471,883	97,693	2,227,961

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

14. Property, plant and equipment (contd.)

Group (contd.)

Accumulated depreciation:

At 1 January 2019

Depreciation charge for the year
- continuing operations (Note 8)
- discontinued operations (Note 12)
Disposals
Depreciation on lease contracts written off
Reclassification
Written off

At 31 December 2019 and 1 January 2020

Depreciation charge for the year
- continuing operations (Note 8)
- discontinued operations (Note 12)
Disposals
Disposal of subsidiaries
Depreciation on terminated lease contracts
Transferred to investment properties
Written off

At 31 December 2020

	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Equipment and others RM'000	Total RM'000
	14,889	153,991	603,148	98,812	870,840
	5,421	15,395	44,371	10,413	75,600
	4,878	12,637	37,894	8,406	63,815
	543	2,758	6,477	2,007	11,785
	-	-	(1,509)	(2,250)	(3,759)
	-	-	(1,482)	-	(1,482)
	-	(31)	31	-	-
	-	-	(471)	(2,057)	(2,528)
	20,310	169,355	644,088	104,918	938,671
	5,319	15,304	43,896	9,360	73,879
	4,884	12,862	38,447	8,028	64,221
	435	2,442	5,449	1,332	9,658
	-	-	(6,833)	(4,845)	(11,678)
	(3,436)	(16,279)	(60,304)	(29,961)	(109,980)
	-	(104)	-	-	(104)
	(1,350)	(5,155)	-	(2,440)	(8,945)
	-	(289)	(19,112)	(10,239)	(29,640)
	20,843	162,832	601,735	66,793	852,203

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

14. Property, plant and equipment (contd.)

Group (contd.)	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Equipment and others RM'000	Total RM'000
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Accumulated impairment:

At 31 December 2019 and 1 January 2020

Impairment loss for the year (Note 8)

At 31 December 2020

Net carrying amount:

At 31 December 2019

At 31 December 2020

-	-	-	-	-	-
-	11,212	51,783	17	63,012	63,012
-	11,212	51,783	17	63,012	63,012
153,040	393,921	745,460	39,718	1,332,139	1,332,139
133,181	330,317	818,365	30,883	1,312,746	1,312,746

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

14. Property, plant and equipment (contd.)

Company	Land RM'000	Buildings RM'000	Motor vehicles RM'000	Equipment and others RM'000	Total RM'000
Cost:					
At 1 January 2019	-	-	4,062	3,018	7,080
Effect of adoption of MFRS 16	8,435	1,708	-	-	10,143
Additions	-	-	1,863	37	1,900
At 31 December 2019 and 1 January 2020	8,435	1,708	5,925	3,055	19,123
Additions	-	-	419	60	479
Disposals	-	-	-	(12)	(12)
At 31 December 2020	8,435	1,708	6,344	3,103	19,590
Accumulated depreciation:					
At 1 January 2019	-	-	2,063	2,796	4,859
Depreciation charge for the year (Note 8)	426	366	443	76	1,311
At 31 December 2019 and 1 January 2020	426	366	2,506	2,872	6,170
Depreciation charge for the year (Note 8)	426	366	476	73	1,341
Disposals	-	-	-	(6)	(6)
At 31 December 2020	852	732	2,982	2,939	7,505
Net carrying amount:					
At 31 December 2019	8,009	1,342	3,419	183	12,953
At 31 December 2020	7,583	976	3,362	164	12,085

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

14. Property, plant and equipment (contd.)

(a) Right-of-use assets

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

Group	Land RM'000	Buildings RM'000	Plant and machinery RM'000	Equipment and others RM'000	Total RM'000
At 1 January 2019					
Effect of adoption of MFRS 16	65,488	-	901	735	67,124
Additions	50,625	20,269	1,482	-	72,376
Lease contracts written off	41,932	5,045	16,654	-	63,631
Depreciation charge for the year	-	-	(1,482)	-	(1,482)
- continuing operations	(5,421)	(3,166)	(5,791)	(99)	(14,477)
- discontinued operations	(4,878)	(2,339)	(5,646)	-	(12,863)
Termination of lease contracts	(543)	(827)	(145)	(99)	(1,614)
At 31 December 2019 and 1 January 2020	-	-	1,482	-	1,482
Additions	152,624	22,148	13,246	636	188,654
Depreciation charge for the year	-	706	-	-	706
- continuing operations	(5,215)	(3,293)	(5,635)	(74)	(14,217)
- discontinued operations	(4,884)	(2,678)	(5,551)	-	(13,113)
Disposal of subsidiaries	(331)	(615)	(84)	(74)	(1,104)
Reclassification	(13,442)	(1,067)	(507)	(562)	(15,578)
Settlement of finance lease contracts	1,262	-	-	-	1,262
Termination of lease contracts	-	-	(165)	-	(165)
At 31 December 2020	135,229	18,140	6,939	-	160,308

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

14. Property, plant and equipment (contd.)

(a) Right-of-use assets (contd.)

Company	Land RM'000	Building RM'000	Total RM'000
Cost:			
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16	8,435	1,708	10,143
At 31 December 2019 and 31 December 2020	<u>8,435</u>	<u>1,708</u>	<u>10,143</u>
Accumulated depreciation:			
At 1 January 2019	-	-	-
Depreciation charge for the year	426	366	792
At 31 December 2019 and 1 January 2020	<u>426</u>	<u>366</u>	<u>792</u>
Depreciation charge for the year	426	366	792
At 31 December 2020	<u>852</u>	<u>732</u>	<u>1,584</u>
Net carrying amount:			
At 31 December 2019	<u>8,009</u>	<u>1,342</u>	<u>9,351</u>
At 31 December 2020	<u>7,583</u>	<u>976</u>	<u>8,559</u>

The Group and the Company have lease contracts for various items of land, buildings, plant and machinery, equipment and others used in their operations.

The Group and the Company also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group and the Company first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective lease.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in the statements of financial position:

Group	Land	Buildings	Plant and machinery
At 31 December 2020			
No. of right-of-use assets	16	35	1
No. of leases with extension option	6	30	-
No. of leases with purchase option	-	-	-
No. of leases with variable lease payments	-	-	-
No. of leases with termination option	5	35	-

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

14. Property, plant and equipment (contd.)

(a) Right-of-use assets (contd.)

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in the statements of financial position: (contd.)

Group (contd.)	Land	Buildings	Plant and machinery	Equipment and others
At 31 December 2019				
No. of right-of-use assets	49	79	8	6
No. of leases with extension option	16	74	-	-
No. of leases with purchase option	-	-	-	-
No. of leases with variable lease payments	-	-	-	-
No. of leases with termination option	15	75	-	-

Company	Land	Buildings
At 31 December 2019 and 31 December 2020		
No. of right-of-use assets	2	1
No. of leases with extension option	-	-
No. of leases with purchase option	-	-
No. of leases with variable lease payments	-	-
No. of leases with termination option	-	1

(b) Assets under construction

Included in the Group's property, plant and equipment which are under construction are as follows:

	Group	
	2020	2019
	RM'000	RM'000
Land	25,000	25,000
Buildings	105,688	105,623
Plant and machinery	532,507	366,468
	<u>663,195</u>	<u>497,091</u>

(c) Fully depreciated property, plant and equipment

The gross carrying amounts of fully depreciated property, plant and equipment that are still in use at the reporting date were RM404,529,338 (2019: RM587,596,017) and RM2,716,466 (2019: RM2,636,234) for the Group and the Company, respectively.

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

14. Property, plant and equipment (contd.)

(d) Land

Included in the carrying amount of land are:

	Group	
	2020	2019
	RM'000	RM'000
Freehold land	-	416
Leasehold land	135,229	152,624
	<u>135,229</u>	<u>153,040</u>

(e) Reconciliation to the statements of cash flows

Reconciliation to the cash flows for purchase of property, plant and equipment is as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Additions for the financial year	274,994	396,766	479	1,900
Less: Interest expense capitalised in assets under construction (Note 14(g))	(9,102)	(3,880)	-	-
Less: Leasing arrangements	(706)	(21,833)	-	-
Total cash payments during the financial year	<u>265,186</u>	<u>371,053</u>	<u>479</u>	<u>1,900</u>

(f) Assets charged

Property, plant and equipment with a carrying amount of RM653,427,349 (2019: RM449,556,235) are subject to a first charge to secure the bank loan of a subsidiary as disclosed in Note 32.

(g) Capitalised borrowing costs

Interest expense capitalised in construction in progress during the current financial year amounted to RM9,102,436 (2019: RM3,880,258). The capitalisation rate to determine the amount of borrowing costs to be capitalised was 5.65% (2019: 5.65%).

(h) Capitalised employee benefits

Employee benefits capitalised in construction in progress amounted to RM4,433,456 (2019: 4,513,962), which includes executive directors' remuneration amounting to RM798,770 (2019: RM743,846).

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

14. Property, plant and equipment (contd.)

(i) Impairment of property, plant and equipment

The Group has recognised an impairment loss of RM51,752,783 (2019: Nil) on those assets under construction in relation to the integrated phosphate complex project (Phase 2) during the financial year ended 31 December 2020 due to the decision by the Board of Directors of the subsidiary not to proceed with the construction of the integrated phosphate complex project (Phase 2) given the challenging market conditions and the uncertainties surrounding the COVID-19 situation globally. The recoverable amount of the property plant and equipment of Phase 1 of the Project remains unimpaired but for Phase 2 has been fully impaired. Negotiation is underway with the vendors to finalise the costs incurred on Phase 2. However, minimal cash flows impact is anticipated as the substantial amount of the cost incurred for Phase 2 were prepaid by the previous owner of the subsidiary.

Due to the restrictions arising from the Movement Control Order of COVID-19, the Group has also recognised an impairment loss of RM11,259,000 (2019: Nil) on the carrying amount of the hotel buildings based on the estimated fair value of the hotel buildings. The recoverable amount of the hotel buildings is estimated at RM34,716,000.

15. Prepaid land lease payments

	Group RM'000	Company RM'000
Cost:		
At 1 January 2019	52,979	11,925
Effect of adoption of MFRS 16	(52,979)	(11,925)
At 31 December 2019 and 31 December 2020	<u>-</u>	<u>-</u>
Accumulated amortisation:		
At 1 January 2019	10,471	3,490
Effect of adoption of MFRS 16	(10,471)	(3,490)
At 31 December 2019 and 31 December 2020	<u>-</u>	<u>-</u>
Net carrying amount		
At 31 December 2019 and 31 December 2020	<u>-</u>	<u>-</u>

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Notes to the Financial Statements
For the financial year ended 31 December 2020

16. Land held for property development and property development costs

(a) Land held for property development

Group	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Cost:			
At 1 January 2019	207,520	20,109	227,629
Additions	15,556	260	15,816
Disposals	(111)	(77)	(188)
Surrender of land	(64,522)	(4,468)	(68,990)
Transferred from property development costs	449	17,137	17,586
At 31 December 2019 and 1 January 2020	158,892	32,961	191,853
Additions	2,340	45	2,385
Disposals	(30)	(4)	(34)
Written off	-	(994)	(994)
Reclassification	5,017	(5,017)	-
Transferred to property development costs	(586)	(95)	(681)
At 31 December 2020	165,633	26,896	192,529

Certain long term leasehold land of the Group with a carrying amount of RM22,092,459 (2019: RM21,038,579) are pledged to secure revolving credit facilities granted to a subsidiary (Note 32(b)).

In the previous financial year, the Group surrendered two parcels of land to the relevant authority.

The Group has entered into temporary lease arrangements on certain pieces of leasehold land. Rental income recognised during the year amounted to RM177,000 (2019: RM216,000).

Future minimum rental receivable under non-cancellable operating lease as at 31 December were as follows:

	Group	
	2020	2019
	RM'000	RM'000
Within one year	252	225

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2020****16. Land held for property development and property development costs (contd.)****(b) Property development costs**

Group	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Cumulative property development costs:			
At 1 January 2019	88,503	882,355	970,858
Costs incurred during the year	1,821	49,913	51,734
Transferred to land held for property development	(449)	(17,137)	(17,586)
Unsold units transferred to inventories	(894)	(25,050)	(25,944)
Revision of costs	-	53	53
At 31 December 2019 and 1 January 2020	88,981	890,134	979,115
Costs incurred during the year	-	36,213	36,213
Impairment loss (Note 8)	(1,225)	-	(1,225)
Transferred from land held for property development	586	95	681
Transferred to land held for sale (Note 24)	(362)	(59)	(421)
Unsold units transferred to inventories	-	(20,994)	(20,994)
Written off	-	(4,566)	(4,566)
At 31 December 2020	87,980	900,823	988,803
Cumulative costs recognised in profit or loss:			
At 1 January 2019	(13,247)	(764,618)	(777,865)
Recognised during the year	(1,324)	(45,279)	(46,603)
At 31 December 2019 and 1 January 2020	(14,571)	(809,897)	(824,468)
Recognised during the year	(22)	(19,110)	(19,132)
At 31 December 2020	(14,593)	(829,007)	(843,600)
Property development costs:			
At 31 December 2019	74,410	80,237	154,647
At 31 December 2020	73,387	71,816	145,203

The Group has entered into operating lease agreements on certain pieces of leasehold land. Rental income recognised during the year was RM137,987 (2019: RM129,945).

Future minimum rental receivable under non-cancellable operating lease at the reporting date were as follows:

	Group 2020 RM'000	2019 RM'000
Within one year	75	75
One to five years	29	41

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Notes to the Financial Statements
For the financial year ended 31 December 2020

17. Investment properties

Group	Leasehold land RM'000	Buildings RM'000	Equipment and others RM'000	Total RM'000
Cost:				
At 1 January 2019	3,177	2,918	-	6,095
Additions	3,650	-	-	3,650
At 31 December 2019 and 1 January 2020	6,827	2,918	-	9,745
Disposals	-	-	(460)	(460)
Disposals of subsidiaries	(3,650)	-	-	(3,650)
Transferred from property, plant and equipment	6,151	23,126	3,167	32,444
Written off	-	-	(87)	(87)
At 31 December 2020	9,328	26,044	2,620	37,992
Accumulated depreciation:				
At 1 January 2019	308	631	-	939
Depreciation charge for the year	76	79	-	155
- continuing operations (Note 8)	38	79	-	117
- discontinued operations (Note 12)	38	-	-	38
At 31 December 2019 and 1 January 2020	384	710	-	1,094
Depreciation charge for the year	312	79	-	391
- continuing operations (Note 8)	141	79	-	220
- discontinued operations (Note 12)	171	-	-	171
Disposals	-	-	(398)	(398)
Disposals of subsidiaries	(209)	-	-	(209)
Transferred from property, plant and equipment	1,350	5,155	2,440	8,945
Written off	-	-	(86)	(86)
At 31 December 2020	1,837	5,944	1,956	9,737
Net carrying amount:				
At 31 December 2019	6,443	2,208	-	8,651
At 31 December 2020	7,491	20,100	664	28,255

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

17. Investment properties (contd.)

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2020	2019
	RM'000	RM'000
Rental income	-	(761)
Direct operating expenses:		
- income generating investment properties	-	158
- non-income generating investment properties	226	75

The estimated fair values for the investment properties are RM48,800,000 (2019: RM19,400,000) and they were derived from directors' valuations based on transacted dealings of comparable properties in nearby locations. During the financial year, certain land and buildings were reclassified from property, plant and equipment to investment properties as the property is no longer in use within the group and it will be held for capital appreciation.

The fair value of these properties is categorised under Level 3 of the fair value hierarchy.

The Group has no restriction on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

18. Intangible assets

Group	Computer software	Rights	Others	Total
	RM'000	RM'000	RM'000	RM'000
Cost:				
At 1 January 2019	10,652	-	1,027	11,679
Additions	6,164	-	60	6,224
Arising from acquisition of a subsidiary (Note 20(c)(ii))	-	10,526	-	10,526
Written off	(200)	-	-	(200)
At 31 December 2019 and 1 January 2020	16,616	10,526	1,087	28,229
Additions	1,646	-	91	1,737
Disposals of subsidiaries	-	(10,526)	-	(10,526)
Written off (Note 8)	(7,810)	-	-	(7,810)
At 31 December 2020	10,452	-	1,178	11,630

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Notes to the Financial Statements
For the financial year ended 31 December 2020

18. Intangible assets (contd.)

Group	Computer software RM'000	Rights RM'000	Others RM'000	Total RM'000
Accumulated amortisation:				
At 1 January 2019	10,193	-	760	10,953
Amortisation charge for the year	426	1,108	6	1,540
- continuing operations (Note 8)	426	-	6	432
- discontinued operations (Note 12)	-	1,108	-	1,108
Written off	(198)	-	-	(198)
At 31 December 2019 and 1 January 2020	10,421	1,108	766	12,295
Amortisation charge for the year	13	997	7	1,017
- continuing operations (Note 8)	13	-	7	20
- discontinued operations (Note 12)	-	997	-	997
Disposals of subsidiaries	-	(2,105)	-	(2,105)
At 31 December 2020	10,434	-	773	11,207

Net carrying amount:

At 31 December 2019	6,195	9,418	321	15,934
At 31 December 2020	18	-	405	423

Company	Others RM'000
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Cost:

At 1 January 2019	101
Additions	60
At 31 December 2019 and 1 January 2020	161
Additions	91
At 31 December 2020	252

Accumulated amortisation:

At 1 January and 31 December 2019	-
Amortisation charge for the year (Note 8)	1
At 31 December 2020	1

Net carrying amount:

At 31 December 2019	161
At 31 December 2020	251

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

18. Intangible assets (contd.)

The carrying amount of computer software includes costs incurred for the implementation of an Enterprise Resource Planning System under development amounting to RM7,810,442 (2019: Nil) was written off during the financial year. As detailed in Note 47(c), the implementation of this system was discontinued during the financial year.

19. Goodwill

	Group	
	2020	2019
	RM'000	RM'000
At 1 January	83,678	62,954
Arising from acquisition of a subsidiary (Note 20(c)(ii))	-	20,724
Arising from disposals of subsidiaries (Note 12)	(21,969)	-
At 31 December	61,709	83,678

The carrying amounts of goodwill arising from business combinations are allocated to the following Group's CGU:

	Group	
	2020	2019
	RM'000	RM'000
Manufacturing of cement and clinker	61,709	61,709
Manufacturing and selling of premix and quarries	-	21,969
	61,709	83,678

The recoverable amounts of the CGU are determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a three-year period. The key assumptions used for value-in-use calculations are:

	Gross Margin		Discount Rates	
	2020	2019	2020	2019
Manufacturing and selling of premix and quarries	-	11% to 24%	-	10%
Manufacturing of cement and clinker	19%	16%	13%	13%

(a) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budgeted year.

(b) Discount rates

The discount rates used are pre-tax and reflect specific risks relating to the segment.

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Notes to the Financial Statements
For the financial year ended 31 December 2020

19. Goodwill (contd.)

The table below provides the sensitivity analysis for financial year ended 31 December 2020 to the change of key assumptions:

Key assumptions	Sensitivity – impairment would arise if:
Budgeted gross margin	Margin falls below 17%
Discount rates	An increase of discount rate to above 14%

20. Investments in subsidiaries

	Company	
	2020	2019
	RM'000	RM'000
Unquoted shares, at cost	1,201,710	1,264,345
Redeemable preference shares, at cost	43,690	43,690
Less: Accumulated impairment losses	(64,546)	(58,546)
	<u>1,180,854</u>	<u>1,249,489</u>

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
Direct subsidiaries of the Company				
Cahya Mata Sarawak Management Services Sdn. Bhd.	Malaysia	Provision of management services and rental of investment properties	100.0	100.0
CMS Capital Sdn. Bhd.	Malaysia	Investment holding	95.2	95.2
CMS Cement Sdn. Bhd.	Malaysia	Investment and property holding	100.0	100.0
CMS Education Sdn. Bhd.	Malaysia	Investment holding	100.0	100.0
CMS Infra Trading Sdn. Bhd.	Malaysia	General trading and construction of telecommunication towers, products and services	51.0	51.0

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

20. Investments in subsidiaries (contd.)

Details of the subsidiaries are as follows: (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
Direct subsidiaries of the Company (contd.)				
CMS I-Systems Sdn. Bhd.	Malaysia	Provision of software and IT support related services	100.0	100.0
CMS Property Development Sdn. Bhd.	Malaysia	Property holding, property development and project management	100.0	100.0
CMS Wires Sdn. Bhd.	Malaysia	Manufacture and sale of wire mesh and related products	69.1	69.1
CMS Works Sdn. Bhd.	Malaysia	Investment holding, construction and provision of technical, machinery and motor vehicle rental services	100.0	100.0
SEDC Premix Sdn. Bhd. (formerly known as CMS Premix Sdn. Bhd.)	Malaysia	Production and sale of premix and road construction	-	40.0
SEDC Premix (Miri) Sdn. Sdn. (formerly known as CMS Premix (Miri) Sdn. Bhd.)	Malaysia	Production and sale of premix and road construction	-	20.0
SEDC Resources Sdn. Bhd. (formerly known as CMS Resources Sdn. Bhd.) ⁽ⁱ⁾	Malaysia	Investment and property holding	-	51.0
Projek Bandar Samariang Sdn. Bhd.	Malaysia	Property development and construction works	100.0	100.0
Samalaju Industries Sdn. Bhd.	Malaysia	Investment holding and provision of supervisory services	100.0	100.0

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

20. Investments in subsidiaries (contd.)

Details of the subsidiaries are as follows: (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
Subsidiaries of CMS Cement Sdn. Bhd.				
CMS Cement Industries Sdn. Bhd.	Malaysia	Manufacture and sale of cement and clinker	100.0	100.0
CMS Concrete Products Sdn. Bhd.	Malaysia	Manufacture and sale of concrete products & industrial building systems products and construction activities	100.0	100.0
Subsidiaries of CMS Property Development Sdn. Bhd.				
CMS Hotels Sdn. Bhd.	Malaysia	Property holding	100.0	100.0
CMS Land Sdn. Bhd.	Malaysia	Property holding, property development and construction	51.0	51.0
CMS Property Management Sdn. Bhd.	Malaysia	Property management and consultancy	51.0	51.0
Subsidiaries of SEDC Resources Sdn. Bhd.				
Borneo Granite Sdn. Bhd. ⁽ⁱ⁾	Malaysia	Quarry operations	-	56.0
CMS Penkuari Sdn. Bhd. ⁽ⁱ⁾	Malaysia	Quarry operations	-	60.0
SEDC Concrete Products Sdn. Bhd. (formerly known as PPES Concrete Product Sdn. Bhd.) ⁽ⁱ⁾	Malaysia	Manufacture and sale of concrete products	-	100.0
SEDC Premix Sdn. Bhd. ⁽ⁱ⁾	Malaysia	Production and sale of premix and road construction	-	60.0
SEDC Premix (Betong) Sdn. Bhd. (formerly known as Betong Premix Sdn. Bhd.) ⁽ⁱ⁾	Malaysia	Manufacture and sale of premix	-	80.0

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Notes to the Financial Statements
For the financial year ended 31 December 2020

20. Investments in subsidiaries (contd.)

Details of the subsidiaries are as follows: (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
Subsidiaries of SEDC Resources Sdn. Bhd. (contd.)				
SEDC Premix (Miri) Sdn. Bhd. ⁽ⁱ⁾	Malaysia	Production and sale of premix and road construction	-	60.0
SEDC Quarries Sdn. Bhd. (formerly known as CMS Quarries Sdn. Bhd.) ⁽ⁱ⁾	Malaysia	Quarry operations, trading and sale of aggregates	-	100.0
Subsidiaries of CMS Works Sdn. Bhd.				
CMS Roads Sdn. Bhd.	Malaysia	Road assessment, maintenance and management	100.0	100.0
CMS Pavement Tech Sdn. Bhd.	Malaysia	Road rehabilitation and maintenance	100.0	100.0
PPES Works (Sarawak) Sdn. Bhd. ⁽ⁱ⁾	Malaysia	Civil engineering, building works contractor, provision of road maintenance services and landscaping works	-	51.0
Subsidiaries of PPES Works (Sarawak) Sdn. Bhd.				
PPESW BPSB JV Sdn. Bhd. ⁽ⁱ⁾	Malaysia	Developing and upgrading the Pan Borneo Highway from Sg. Awik Bridge to Bintangor Junction	-	70.0
PPES Works CCCC JV Sdn. Bhd. ⁽ⁱ⁾	Malaysia	Construction and completion of Bintulu - Jepak Bridge crossing Kuala Kemena, Bintulu	-	70.0

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

20. Investments in subsidiaries (contd.)

Details of the subsidiaries are as follows: (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2020 %	2019 %
Subsidiaries of Samalaju Industries Sdn. Bhd.				
Malaysian Phosphate Additives (Sarawak) Sdn. Bhd. ⁽ⁱⁱ⁾	Malaysia	Construction and operation of an integrated phosphate complex for the manufacturing of food, feed and fertiliser phosphate products	60.0	60.0
Samalaju Properties Sdn. Bhd.	Malaysia	Provision and management of temporary accommodation, property and township development	51.0	51.0
Subsidiary of Samalaju Properties Sdn. Bhd.				
Samalaju Hotel Management Sdn. Bhd.	Malaysia	Hotel owner and operator	100.0	100.0

⁽ⁱ⁾ Became joint ventures of the Group during the financial year.

⁽ⁱⁱ⁾ Audited by firms other than Ernst & Young PLT.

(a) Additional investments in subsidiaries

- (i) During the financial year, the Company subscribed for an additional 6,000,000 ordinary shares in CMS I-Systems Sdn. Bhd. for a total cash consideration of RM6,000,000.
- (ii) In the previous financial year, the Company subscribed for an additional 126,806,971 ordinary shares in Samalaju Industries Sdn. Bhd. ("SISB") for a total cash consideration of RM126,806,971.
- (iii) In the previous financial year, the Group subscribed for 70% equity interest in PPES Works CCCC JV Sdn. Bhd. ("PPESW CCCC JV") through PPES Works (Sarawak) Sdn. Bhd., a 51% owned subsidiary, for a cash consideration of RM700,000. Upon the subscription, PPESW CCCC JV became a subsidiary of the Group.

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

20. Investments in subsidiaries (contd.)

(b) Disposal of subsidiaries

On 2 October 2020, the Group and the Company disposed of 2% equity interest in SEDCR and PPESW respectively to SEDC. The Group's and the Company's retained 49% equity interests in SEDCR and PPESW are reclassified as investments in joint ventures (Note 12 and Note 22).

(c) Acquisition of subsidiaries

- (i) On 14 January 2019, the Group subscribed for an additional 64,242,800 new ordinary shares in Malaysian Phosphate Additives (Sarawak) Sdn. Bhd. ("MPASSB") through its wholly-owned subsidiary, SISB, for a consideration of RM64,242,800 (inclusive of amount due to the Group of RM35,144,000 which was capitalised as equity in MPASSB), thereby increasing the total equity in this associate from 49.94% to 60%. Subsequent to the share subscription, MPASSB became a subsidiary of SISB.

The derecognition of MPASSB as an associate resulted in a gain of RM5,261,519 to the Group (Note 6).

- (ii) On 28 February 2019, the Group completed the acquisition of 56,000 ordinary shares, representing 56% of the equity interest in Borneo Granite Sdn. Bhd. ("BGSB"), through its 51% owned subsidiary, CMS Resources Sdn. Bhd. ("CMSR"), for a total cash consideration of RM31,000,000. Following the acquisition, BGSB became a subsidiary of CMSR.

The goodwill of RM20,724,000 comprises the value of expected synergies arising from the acquisition of BGSB. None of the goodwill recognised is expected to be deductible for income tax purposes.

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

20. Investments in subsidiaries (contd.)

(d) Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information presented below relate to amounts before inter-company elimination.

	Samalaju Industries Sdn. Bhd. Group	CMS Property Development Sdn. Bhd. Group
	RM'000	RM'000
Summarised Statements of Financial Position		
At 31 December 2020		
Non-current assets	1,178,812	78,754
Current assets	120,375	176,936
Total assets	1,299,187	255,690
Current liabilities	332,529	41,526
Non-current liabilities	378,271	1,642
Total liabilities	710,800	43,168
Net assets	588,387	212,522
Equity attributable to owners of the Company	467,559	140,908
Non-controlling interests	120,828	71,614
Summarised Statements of Profit or Loss and Other Comprehensive Income		
Year ended 31 December 2020		
Revenue	24,666	13,706
Loss for the year	(95,875)	(3,555)
Other comprehensive income	(879)	-
Total comprehensive income	(96,754)	-
Total comprehensive income attributable to owners of the Company	(68,698)	(3,685)
Total comprehensive income attributable to non-controlling interests	(28,056)	130
Dividends paid to non-controlling interests	-	3,430
Summarised Statements of Cash Flows		
Year ended 31 December 2020		
Net cash from operating activities	70,311	8,173
Net cash used in investing activities	(247,792)	(2,444)
Net cash from/(used in) financing activities	150,022	(5,541)
Net (decrease)/increase in cash and cash equivalents	(27,459)	188
Cash and cash equivalents at beginning of the year	54,322	163
Effect of foreign exchange changes	(309)	-
Cash and cash equivalents at end of the year	26,554	351

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Notes to the Financial Statements
For the financial year ended 31 December 2020

20. Investments in subsidiaries (contd.)

(d) Non-controlling interests in subsidiaries (contd.)

The Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information presented below relate to amounts before inter-company elimination (contd.).

	PPES Works (Sarawak) Sdn. Bhd. Group RM'000	CMS Resources Sdn. Bhd. Group RM'000	Samalaju Industries Sdn. Bhd. Group RM'000
Summarised Statements of Financial Position			
At 31 December 2019			
Non-current assets	8,937	171,171	1,012,146
Current assets	304,044	389,390	188,557
Total assets	312,981	560,561	1,200,703
Current liabilities	98,513	239,262	275,061
Non-current liabilities	970	7,915	240,501
Total liabilities	99,483	247,177	515,562
Net assets	213,498	313,384	685,141
Equity attributable to owners of the Company	104,348	172,942	536,257
Non-controlling interests	109,150	140,442	148,884
Summarised Statements of Profit or Loss and Other Comprehensive Income			
Year ended 31 December 2019			
Revenue	262,979	462,708	35,332
Profit/(loss) for the year	4,288	65,535	(16,524)
Profit/(loss) attributable to owners of the Company	933	37,058	(8,983)
Profit/(loss) attributable to non- controlling interests	3,355	28,477	(7,541)
Dividends paid to non-controlling interests	4,900	11,585	-

Cahya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2020****20. Investments in subsidiaries (contd.)****(d) Non-controlling interests in subsidiaries (contd.)**

The Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information presented below relate to amounts before inter-company elimination (contd.).

	PPES Works (Sarawak) Sdn. Bhd. Group RM'000	CMS Resources Sdn. Bhd. Group RM'000	Samalaju Industries Sdn. Bhd. Group RM'000
Summarised Statements of Cash flows			
Year ended 31 December 2019			
Net cash from operating activities	9,323	92,033	115,739
Net cash from/(used in) investing activities	402	(60,408)	(351,305)
Net cash (used in)/from financing activities	(10,582)	(20,177)	288,900
Net (decrease)/increase in cash and cash equivalents	(857)	11,448	53,334
Cash and cash equivalents at beginning of the year	9,093	21,843	1,974
Effect of foreign exchange changes	-	-	(986)
Cash and cash equivalents at end of the year	8,236	33,291	54,322

21. Investments in associates

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Quoted shares in Malaysia, at cost	339,233	339,233	57,063	57,063
Less: Accumulated impairment losses	(67,000)	(67,000)	-	-
	272,233	272,233	57,063	57,063
Unquoted shares, at cost	415,763	415,763	186,790	186,790
Irredeemable convertible preference shares, at cost	43,690	43,690	-	-
	731,686	731,686	243,853	243,853
Share of post-acquisition reserves	273,689	249,278	-	-
Less: Loss arising from dilution of equity interests	(9,400)	(5,000)	-	-
	995,975	975,964	243,853	243,853
Fair value of investments in associates for which there is published price quotation	264,692	159,544	119,007	90,535

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

21. Investments in associates (contd.)

The fair value of the quoted investments in associates is categorised under Level 1 of the fair value hierarchy.

Details of the associates, which are incorporated in Malaysia, are as follows:

Name of associates	Principal activities	Proportion of ownership interest	
		2020 %	2019 %
Held by the Company:			
Kenanga Investment Bank Berhad	Investment holding stockbroking and financial services business	4.2	4.3
KKB Engineering Berhad	Steel fabrication, civil construction, hot dip galvanising and the manufacture of LPG cylinders	20.0	20.0
SACOFA Sdn. Bhd.	Telecommunication infrastructure providers	50.0	50.0
Held through subsidiaries:			
Kenanga Investment Bank Berhad	Investment holding, stockbroking and financial services business	21.6	21.9
OM Materials (Samalaju) Sdn. Bhd. ⁽ⁱ⁾	Processing, smelting and trading of ferro alloy products	25.0	25.0
OM Materials (Sarawak) Sdn. Bhd. ⁽ⁱⁱ⁾	Processing, smelting and trading of ferro alloy products	25.0	25.0

⁽ⁱ⁾ Has yet to commence business operations.

⁽ⁱⁱ⁾ The shares of this associate have been pledged to a consortium of banks for credit facilities granted to this associate.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

21. Investments in associates (contd.)

(a) Dilution of equity interests

During the financial year, Kenanga Investment Bank Berhad transferred its treasury shares to its employees pursuant to its employees' shares scheme. Accordingly, the Group's and the Company's interests in this associate decreased from 26.25% and 4.30% at end of 2019 to 25.81% and 4.23% at end of 2020. A loss of RM4,400,000 was recognised arising from dilution of equity interests.

(b) Additional investment in an associate

In the previous financial year, the Group subscribed for an additional 62,564,171 ordinary shares in OM Sarawak for a total cash consideration of RM62,564,171.

(c) Material associates

The following table summarises the financial information in respect of each of the Group's material associates. The summarised financial information represents the amounts in the MFRS financial statements of the associates and not the Group's share of those amounts.

	Kenanga Investment Bank Berhad Group RM'000	KKB Engineering Berhad Group RM'000	OM Materials (Sarawak) Sdn. Bhd. RM'000	SACOF A Sdn. Bhd. Group RM'000
At 31 December 2020				
Non-current assets	791,734	166,859	1,821,699	658,100
Current assets	5,783,333	381,313	711,545	392,043
Current liabilities	(5,570,421)	(166,013)	(706,033)	(141,584)
Non-current liabilities	(156)	(5,926)	(1,093,370)	(99,107)
Net assets	<u>1,004,490</u>	<u>376,233</u>	<u>733,841</u>	<u>809,452</u>
Revenue	959,406	407,867	1,521,518	254,916
Profit/(loss) for the year	102,082	21,793	(94,907)	83,318
Other comprehensive income	8,319	-	(3,517)	31
Total comprehensive income	110,401	21,793	(98,424)	83,349
Dividends received by the Group during the year	<u>5,961</u>	<u>3,101</u>	<u>-</u>	<u>16,126</u>

Cahaya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

21. Investments in associates (contd.)

(c) Material associates (contd.)

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interests in associates.

	Kenanga Investment Bank Berhad Group RM'000	KKB Engineering Berhad Group RM'000	OM Materials (Sarawak) Sdn. Bhd. RM'000	SACOFA Sdn. Bhd. Group RM'000
At 31 December 2020				
Net assets	1,004,490	376,233	733,841	809,452
Total ICPS issued by an associate	-	-	(174,761)	-
Non-controlling interests	-	(37,279)	-	776
	<u>1,004,490</u>	<u>338,954</u>	<u>559,080</u>	<u>810,228</u>
Effective interests in associates	25.81%	20.00%	25.00%	50.00%
Group's share of net assets	259,259	67,791	139,770	405,114
Goodwill	6,358	4,979	46,684	-
ICPS subscribed by the Group	-	-	43,690	-
Group's carrying amount	<u>265,617</u>	<u>72,770</u>	<u>230,144</u>	<u>405,114</u>
Group's share of results for the year ended 31 December 2020				
Group's share of profit or loss	<u>26,797</u>	<u>3,416</u>	<u>(23,727)</u>	<u>41,659</u>
Group's share of other comprehensive income	<u>2,151</u>	<u>-</u>	<u>(879)</u>	<u>15</u>
Group's share of total comprehensive income	<u>28,948</u>	<u>3,416</u>	<u>(24,606)</u>	<u>41,674</u>

Cahya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2020****21. Investments in associates (contd.)****(c) Material associates (contd.)**

The following table summarises the financial information in respect of each of the Group's material associates. The summarised financial information represents the amounts in the MFRS financial statements of the associates and not the Group's share of those amounts. (contd.)

	Kenanga Investment Bank Berhad Group RM'000	KKB Engineering Berhad Group RM'000	OM Materials (Sarawak) Sdn. Bhd. RM'000	SACOFA Sdn. Bhd. Group RM'000
At 31 December 2019				
Non-current assets	595,891	156,735	1,917,427	698,928
Current assets	6,096,534	391,085	716,638	360,700
Current liabilities	(5,775,016)	(167,515)	(537,395)	(189,351)
Non-current liabilities	(690)	(10,444)	(1,264,405)	(111,646)
Net assets	916,719	369,861	832,265	758,631
Revenue	650,823	559,031	1,944,182	242,310
Profit/(loss) for the year	26,386	61,410	(3,149)	82,996
Other comprehensive income	12,793	-	(7,090)	(96)
Total comprehensive income	39,179	61,410	(10,239)	82,900
Dividends received by the Group during the year	2,018	2,067	-	-

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interests in associates.

	Kenanga Investment Bank Berhad Group RM'000	KKB Engineering Berhad Group RM'000	OM Materials (Sarawak) Sdn. Bhd. RM'000	SACOFA Sdn. Bhd. Group RM'000
At 31 December 2019				
Net assets	916,719	369,861	832,265	758,631
Total ICPS issued by an associate	-	-	(174,761)	-
Non-controlling interests	-	(32,484)	-	498
	916,719	337,377	657,504	759,129
Effective interests in associates	26.25%	20.00%	25.00%	50.00%
Group's share of net assets	240,639	67,475	164,376	379,565
Goodwill	6,359	4,979	46,684	-
ICPS subscribed by the Group	-	-	43,690	-
Group's carrying amount	246,998	72,454	254,750	379,565

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

21. Investments in associates (contd.)

(c) Material associates (contd.)

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interests in associates. (contd.)

	Kenanga Investment Bank Berhad Group RM'000	KKB Engineering Berhad Group RM'000	OM Materials (Sarawak) Sdn. Bhd. RM'000	SACOFA Sdn. Bhd. Group RM'000
Group's share of results for the year ended 31 December 2019				
Group's share of profit or loss	6,926	9,662	(787)	42,427
Group's share of other comprehensive income	3,358	-	(1,772)	(7)
Group's share of total comprehensive income	10,284	9,662	(2,559)	42,420

22. Investments in joint ventures

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost	314,107	9,118	66,414	-
Redeemable preference shares, at cost	1,821	2	-	-
Share of post-acquisition reserves	5,728	11,735	-	-
	321,656	20,855	66,414	-

The joint arrangements are structured via separate unincorporated and incorporated entities and provide the Group with the rights to the net assets of the entities under the arrangements. Under the contractual arrangements, unanimous consent is required from all parties to the agreements for all relevant activities.

Cahya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2020****22. Investments in joint ventures (contd.)**

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Proportion of ownership interest	
		2020 %	2019 %
Held by the Company:			
SEDC Resources Sdn. Bhd. (formerly known as CMS Resources Sdn. Bhd.) ⁽ⁱ⁾	Investment and property holding	49.0	-
Held through subsidiaries:			
COPE Private Equity Sdn. Bhd.	Management of private equity investments	-	51.0
COPE-KPF Opportunities 1 Sdn. Bhd. ⁽ⁱⁱ⁾	Investment holding	26.7	26.7
COPE Opportunities 2 Sdn. Bhd. ⁽ⁱⁱ⁾	Investment holding	16.4	16.4
Help Ibraco CMS Sdn. Bhd.	Education services	23.1	30.0
PPES Works - Larico JV	Connection of transmission line	-	51.0
PPES Works - Naim Land JV	Construction of bridges	-	55.0
PPES Works - PCSB JV	Design and build interchange via shallow underpasses	-	51.0
PPES Works - Wibawa JV	Connection of water supply and all submarine related works	-	50.0
PPES Works (Sarawak) Sdn. Bhd. ⁽ⁱ⁾	Civil engineering, building works contractor, provision of road maintenance services and landscaping works	49.0	-
UEM Construction Sdn. Bhd. - PPES Works (Sarawak) Sdn. Bhd. JV	Construction of Lawas Hospital Phase 2A	-	30.0

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

22. Investments in joint ventures (contd.)

Details of the joint ventures are as follows: (contd.)

- (i) SEDCR and PPESW ceased to be subsidiaries and became joint ventures of the Group upon the share transfer completed on 2 October 2020.
- (ii) Ownership interests in COPE-KPF Opportunities 1 Sdn. Bhd. and COPE Opportunities 2 Sdn. Bhd. are held through redeemable preference shares vide respective shareholders' agreements.

(a) Investments in joint ventures

- (i) On 4 May 2020, the Group subscribed for an additional 1,470,000 ordinary shares in HELP Ibraco CMS Sdn. Bhd. ("HICSB") for a total consideration of RM1,470,000 by way of transfer of assets of CMS Education Sdn. Bhd. to HICSB.

Subsequently, during the year, HICSB had a capital call in which the Group did not participate and consequently, the Group's interest was diluted from 30.0% to 23.1%.

- (ii) During the year, the Group subscribed for an additional 1,818,667 preference shares in COPE-KPF Opportunities 1 Sdn. Bhd. for a total consideration of RM1,818,667.
- (iii) As disclosed in Note 12 and Note 20(b), PPESW and SEDCR ceased to be subsidiaries and became joint ventures of the Group and of the Company respectively on 2 October 2020. The retained interests in these entities are recognised based on their estimated fair value.

(b) Disposal of a joint venture

On 1 October 2020, the Group disposed of its 51% equity interest in COPE Private Equity Sdn. Bhd. for a cash consideration of RM2,500,000.

The disposal had the following effect as at the end of the year:

	Up to disposal date RM'000
Net assets of disposed joint venture	10,938
Less: 49% not owned the Group	(5,360)
	<hr/>
Share of disposed joint venture	5,578
Less: Sale proceeds	(2,500)
Add: Available-for-sale reserve	159
	<hr/>
Loss on disposal (Note 8)	<u>3,237</u>

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

22. Investments in joint ventures (contd.)

(c) Material joint ventures

The following table summarises the financial information in respect of each of the Group's material joint ventures. The summarised financial information represents the amounts in the financial statements of the joint ventures and not the Group's share of those amounts.

	PPES Works (Sarawak) Sdn. Bhd. Group RM'000	SEDC Resources Sdn. Bhd. Group RM'000
At 31 December 2020		
Non-current assets	10,600	172,690
Cash and cash equivalents	10,441	47,972
Other current assets	244,303	290,419
Non-current liabilities	(1,034)	(6,436)
Current liabilities	(184,737)	(241,077)
Net assets	<u>79,573</u>	<u>263,568</u>
Year ended 31 December 2020		
Revenue	342,089	400,648
Profit for the year	1,074	48,338
Profit attributable to the owners of the Company	1,074	40,470
Profit attributable to non-controlling interests	<u>1,074</u>	<u>7,768</u>

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interests in joint ventures.

	PPES Works (Sarawak) Sdn. Bhd. Group RM'000	SEDC Resources Sdn. Bhd. Group RM'000
At 31 December 2020		
Net assets	79,573	263,568
Non-controlling interests	<u>(10,136)</u>	<u>(37,856)</u>
	69,437	225,712
Effective interest in joint ventures	49.00%	49.00%
Group's share of net assets	34,024	110,599
Company's share of net assets of subsidiaries of SEDCR through its direct interests	-	23,744
Goodwill	17,976	128,848
Group's carrying amount	<u>52,000</u>	<u>263,191</u>

Cahaya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

22. Investments in joint ventures (contd.)

(c) Material joint ventures (contd.)

Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interests in joint ventures (contd.).

	COPE Private Equity Sdn. Bhd. RM'000	COPE-KPF Opportunities 1 Sdn. Bhd. RM'000
At 31 December 2019		
Non-current assets	1,987	25,682
Cash and cash equivalents	177	466
Other current assets	20,563	401
Non-current liabilities	(874)	-
Current liabilities	(654)	(5,348)
Net assets	<u>21,199</u>	<u>21,201</u>
Year ended 31 December 2019		
Revenue	7,550	894
Profit/(loss) for the year	2,831	(7,396)
Total comprehensive income	<u>2,831</u>	<u>(7,396)</u>
At 31 December 2019		
Net assets	21,199	21,201
Effective interest in joint ventures	51%	26.67%
Group's carrying amount	<u>10,812</u>	<u>5,654</u>

The Group has no share of contingent liabilities and commitment as at the reporting date (2019: Nil).

23. Deferred tax

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 January	(33,983)	(16,913)	(37)	(37)
Acquisition of a subsidiary (Note 20(c)(ii))	-	(4,126)	-	-
Disposals of the subsidiaries	(6,045)	-	-	-
Recognised in statements of profit or loss and other comprehensive income (net)				
- continuing operations (Note 11)	(7,538)	(13,416)	-	-
- discontinued operations (Note 12)	831	472	-	-
At 31 December	<u>(46,735)</u>	<u>(33,983)</u>	<u>(37)</u>	<u>(37)</u>

Cahya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2020****23. Deferred tax (contd.)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	4,816	15,444	-	-
Deferred tax liabilities, net	(51,551)	(49,427)	(37)	(37)
	<u>(46,735)</u>	<u>(33,983)</u>	<u>(37)</u>	<u>(37)</u>

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	41,679	71,484	-	-
Deferred tax liabilities	(88,414)	(105,467)	(37)	(37)
	<u>(46,735)</u>	<u>(33,983)</u>	<u>(37)</u>	<u>(37)</u>

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Group	Property, plant and equipment RM'000	Unutilised tax losses, reinvestment and infrastructure allowances and unabsorbed capital allowances RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets:				
At 1 January 2019	590	44,409	24,434	69,433
Acquisition of a subsidiary	-	-	2	2
Recognised in statements of profit or loss and other comprehensive income				
- continuing operations	(21)	(11,943)	12,143	179
- discontinued operations	(111)	1,266	715	1,870
At 31 December 2019	458	33,732	37,294	71,484
Disposals of the subsidiaries	(446)	(1,266)	(15,052)	(16,764)
Recognised in statements of profit or loss and other comprehensive income				
- continuing operations	(12)	(11,534)	(2,069)	(13,615)
- discontinued operations	-	-	574	574
At 31 December 2020	-	20,932	20,747	41,679

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

23. Deferred tax (contd.)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (contd.)

Group	Property, plant and equipment RM'000	Property development costs RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax liabilities:				
At 1 January 2019	(80,358)	(4,728)	(1,260)	(86,346)
Acquisition of a subsidiary	(4,128)	-	-	(4,128)
Recognised in statements of profit or loss and other comprehensive income				
- continuing operations	(13,665)	52	18	(13,595)
- discontinued operations	(2,110)	-	712	(1,398)
At 31 December 2019	(100,261)	(4,676)	(530)	(105,467)
Disposals of the subsidiaries	10,719	-	-	10,719
Recognised in statements of profit or loss and other comprehensive income				
- continuing operations	6,202	(144)	19	6,077
- discontinued operations	257	-	-	257
At 31 December 2020	(83,083)	(4,820)	(511)	(88,414)

Company	Property, plant and equipment RM'000
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Deferred tax liabilities:

At 31 December 2019 and 31 December 2020	(37)
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Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2020 RM'000	2019 RM'000
Unutilised tax losses	60,977	62,460
Unabsorbed capital allowances	14,966	13,740
Unutilised investment tax allowance	55,504	55,504
Other deductible temporary differences	78	308
	131,525	132,012
Deferred tax asset @ 24%, if recognised	31,566	31,683

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

23. Deferred tax (contd.)

At the reporting date, the Group has losses and allowances as shown above that are available for offset against future taxable profits of the Group in which the losses and allowances arose, for which no deferred tax asset is recognised due to uncertainty of their recoverability and they may not be used to offset taxable profits elsewhere in the Group.

24. Inventories

	Group	
	2020	2019
	RM'000	RM'000
Cost		
Raw materials	34,023	40,523
General stores	108,836	105,189
Work-in-progress	97	101
Goods-in-transit	-	569
Finished goods	27,384	38,204
Properties held for sale	156,304	157,736
Land held for sale (Note 16(b))	421	-
	<u>327,065</u>	<u>342,322</u>

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM372,316,443 (2019: RM718,440,174).

The Group has entered into operating lease agreements on certain completed properties in inventories. Rental income recognised during the year was RM2,906,894 (2019: RM3,398,501). Notwithstanding that these properties are under lease arrangements, they are available for sale with the lease arrangements in the normal course of business.

Future minimum rental receivable under the operating lease at the reporting date were as follows:

	Group	
	2020	2019
	RM'000	RM'000
Not later than 1 year	3,163	3,384
Later than 1 year and not later than 5 years	13,776	13,514
Later than 5 years	18,384	21,763
	<u>35,323</u>	<u>38,661</u>

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

25. Financial instruments

Categories of financial instruments

The table below provides an analysis of financial instruments as at the reporting date categorised as follows:

Group	Carrying amount RM'000	Amortised cost RM'000	At FVTPL RM'000
Financial assets			
31 December 2020			
Investment securities	381,125	-	381,125
Trade and other receivables	281,932	229,623	-
Derivative financial asset	96,698	-	96,698
Cash and bank balances	281,819	281,819	-
	<u>1,041,574</u>	<u>511,442</u>	<u>477,823</u>
31 December 2019			
Investment securities	250,834	-	250,834
Trade and other receivables	383,744	285,247	-
Derivative financial asset	90,058	-	90,058
Cash and bank balances	621,093	621,093	-
	<u>1,345,729</u>	<u>906,340</u>	<u>340,892</u>
Financial liabilities			
31 December 2020			
Loans and borrowings	851,266	851,266	-
Lease liabilities	36,693	36,693	-
Trade and other payables	492,344	487,738	-
	<u>1,380,303</u>	<u>1,375,697</u>	<u>-</u>
31 December 2019			
Loans and borrowings	754,861	754,861	-
Lease liabilities	48,250	48,250	-
Trade and other payables	472,106	472,106	-
	<u>1,275,217</u>	<u>1,275,217</u>	<u>-</u>

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

25. Financial instruments (contd.)

The table below provides an analysis of financial instruments as at the reporting date categorised as follows: (contd.)

Company	Carrying amount RM'000	Amortised cost RM'000	At FVTPL RM'000
Financial assets			
31 December 2020			
Investment securities	361,164	-	361,164
Trade and other receivables	275,808	275,808	-
Derivative financial asset	96,698	-	96,698
Cash and bank balances	222,442	222,442	-
	<u>956,112</u>	<u>498,250</u>	<u>457,862</u>
31 December 2019			
Investment securities	239,309	-	239,309
Trade and other receivables	381,627	381,627	-
Derivative financial asset	90,058	-	90,058
Cash and bank balances	441,430	441,430	-
	<u>1,152,424</u>	<u>823,057</u>	<u>329,367</u>
Financial liabilities			
31 December 2020			
Loans and borrowings	500,000	500,000	-
Lease liabilities	997	997	-
Trade and other payables	862,176	862,176	-
	<u>1,363,173</u>	<u>1,363,173</u>	<u>-</u>
31 December 2019			
Loans and borrowings	500,000	500,000	-
Lease liabilities	1,339	1,339	-
Trade and other payables	1,066,489	1,066,489	-
	<u>1,567,828</u>	<u>1,567,828</u>	<u>-</u>

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

26. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current				
Trade				
Trade receivables from contracts with customers	170,315	216,932	-	-
Less: Loss allowance				
- Third parties	(8,267)	(6,042)	-	-
	<u>162,048</u>	<u>210,890</u>	<u>-</u>	<u>-</u>
Non-trade				
Other receivables	9,702	23,872	907	909
Other deposits	11,457	42,830	383	383
Amounts due from joint ventures	1,506	4,204	218	-
Amount due from an associate	44	42	42	42
Amounts due from subsidiaries				
- Central cash management accounts	-	-	150,504	311,362
- Current accounts	-	-	52,032	75,864
Dividend receivable	148	213	148	213
GST receivable	557	8,978	-	-
Interest receivable	177	1,042	177	1,042
Lease receivables	1,280	1,044	-	-
Share application money	-	1,470	-	-
	<u>24,871</u>	<u>83,695</u>	<u>204,411</u>	<u>389,815</u>
Less: Loss allowance				
- Subsidiary companies	-	-	-	(38,500)
- Third parties	(675)	(578)	-	-
	<u>24,196</u>	<u>83,117</u>	<u>204,411</u>	<u>351,315</u>
Other receivables, net	<u>186,244</u>	<u>294,007</u>	<u>204,411</u>	<u>351,315</u>

Cahya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2020****26. Trade and other receivables (contd.)**

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Non-current				
Non-trade				
Amount due from a subsidiary under loans	-	-	36,697	30,312
Amounts due from associates under shareholders' loans	40,326	34,768	-	-
Amounts due from subsidiaries under				
- Central cash management accounts	-	-	71,395	-
- Current accounts	-	-	44,036	-
Advance payment	51,752	51,752	-	-
Lease receivables	3,610	3,217	-	-
	<u>95,688</u>	<u>89,737</u>	<u>152,128</u>	<u>30,312</u>
Less: Loss allowance				
- Subsidiary companies	-	-	(80,731)	-
	<u>95,688</u>	<u>89,737</u>	<u>71,397</u>	<u>30,312</u>
Total trade and other receivables (current and non-current)	<u>281,932</u>	<u>383,744</u>	<u>275,808</u>	<u>381,627</u>

(a) Trade receivables

- (i) The Group's average credit period ranges from 30 to 90 days (2019: 30 to 90 days). No interest is charged on outstanding trade receivables, except for Cement Division which charges late payments interest of 1% (2019: 1%) per month for sales of goods and are assessed on case-by-case basis.

Information about the credit exposures are disclosed in Note 43(a).

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss ("ECL"). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable.

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

26. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

- (i) There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, i.e. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off were subject to enforcement activities.

- (ii) The movements in the allowance for impairment losses in respect of trade receivables during the year are shown below:

Group	Trade receivables		Total RM'000
	Lifetime ECL RM'000	Credit impaired RM'000	
At 1 January 2019	3,213	1,821	5,034
Amount written off	-	(214)	(214)
Impairment loss	652	1,350	2,002
Reversal of impairment loss	(14)	(766)	(780)
At 31 December 2019	3,851	2,191	6,042
Amount written off	-	(176)	(176)
Disposal of the subsidiaries	(1,466)	(694)	(2,160)
Impairment loss	-	5,694	5,694
Reversal of impairment loss (Note 6)	(758)	(375)	(1,133)
At 31 December 2020	1,627	6,640	8,267

- (iii) Included in trade receivables are related party balances as shown below:

	2020 RM'000	2019 RM'000
Amounts due from associates	2,216	1,618
Amounts due from joint ventures	59,836	243

- (iv) Included in trade receivables are retention sums of RM1,006,000 (2019: RM4,550,000) relating to construction work-in-progress. Retention sums are unsecured, interest free and are expected to be collected in full.

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

26. Trade and other receivables (contd.)

(b) Non-trade receivables

(i) Amounts due from subsidiaries under central cash management accounts

All balances due to the Company are repayable on demand and earn interest at rates ranging from 3.15% to 4.52% (2019: 4.52% to 5.25%) per annum.

(ii) Amounts due from subsidiaries under current accounts

The amount due from subsidiaries of the Company is unsecured, non-interest bearing and is repayable on demand.

(iii) Amounts due from a subsidiary under loans

Amount due from a subsidiary under loans of the Company is unsecured and earns interest at 1.53% to 5.95% (2019: 3.20% to 5.95%) per annum.

(iv) Amounts due from joint ventures and an associate

These amounts are unsecured, non-interest bearing and are repayable on demand.

(v) Amounts due from associates under shareholders' loans

The amount is unsecured and earns interest at 1.53% to 5.95% (2019: 3.20% to 5.95%) per annum.

(vi) Lease receivables

The Group has entered into lease arrangements with third parties on properties which are leased from property purchasers. These leases have terms of 2 to 6 (2019: 2 to 6) years.

Future minimum rental receivables under non-cancellable finance leases as at the reporting date were as follows:

	Group	
	2020	2019
	RM'000	RM'000
Receivable within 1 year	1,425	1,126
Receivable between 1 to 5 years	1,368	3,616
Receivable more than 5 years	3,092	319
	<hr/>	<hr/>
	5,885	5,061
Less: unearned interest income	(995)	(800)
	<hr/>	<hr/>
	4,890	4,261
	<hr/>	<hr/>

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

26. Trade and other receivables (contd.)

(b) Non-trade receivables (contd.)

(vi) Lease receivables (contd.)

The lease receivables are presented as follows:

	Group	
	2020	2019
	RM'000	RM'000
Current	1,280	1,044
Non-current	3,610	3,217
	<u>4,890</u>	<u>4,261</u>

The movement of finance lease receivables during the financial year were as follows:

	Group	
	2020	2019
	RM'000	RM'000
At 1 January	4,261	-
Effect of adoption of MFRS 16	-	1,195
Additions	1,879	3,622
Accretion of interests (Note 5)	89	18
Receipt of lease:		
- principal	(1,250)	(556)
- interests	(89)	(18)
At 31 December	<u>4,890</u>	<u>4,261</u>

(vii) Advance payment

Advance payment of RM51,752,000 (RM51,752,000) represents advance payments to contractors for the construction of an integrated phosphate complex (Phase 2).

27. Other current assets

	Group	
	2020	2019
	RM'000	RM'000
Prepaid operating expenses	2,180	1,794
Contract assets from construction contracts (Note 28)	3,823	48,847
Contract assets from property development (Note 28)	13,018	10,571
	<u>19,021</u>	<u>61,212</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2020****28. Contract assets/(contract liabilities)****Contract assets**

Group	Property development		Construction contracts		Total
	2020	2019	2020	2019	
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	10,571	13,833	48,847	65,512	79,345
Disposal of subsidiaries	-	-	(94,178)	-	-
Revenue recognised during the year					
- continuing operations	48,657	106,960	112,816	216,134	323,094
- discontinued operations	-	-	211,245	248,658	248,658
Progress billings during the year	(46,210)	(110,222)	(274,097)	(483,490)	(593,712)
Cost to obtain a contract	-	-	-	2,033	2,033
At 31 December (Note 27)	13,018	10,571	3,823	48,847	59,418

Contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount will be billed within 30 days (2019: 30 days) and payment is expected within 90 to 120 days (2019: 90 to 120 days). No expected credit losses has been recognised in respect of these contracts.

Contract liabilities

Group	Property development		Construction contracts		Total
	2020	2019	2020	2019	
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	(71,267)	(91,045)	(91,045)
Disposal of subsidiaries	-	-	14,882	-	14,882
Revenue recognised during the year					
- continuing operations	-	-	22,916	36,544	36,544
- discontinued operations	-	-	79,195	150,033	150,033
Progress billings during the year	-	-	(53,864)	(74,852)	(74,852)
Payment received in advance	-	-	-	(91,798)	(91,798)
Cost to obtain a contract	-	-	-	(149)	(149)
At 31 December (Note 35)	-	-	(8,138)	(71,267)	(71,267)

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

28. Contract assets/(contract liabilities) (contd.)

Contract liabilities primarily relate to advance consideration received from customers for construction contracts for which revenue is recognised over time during the construction work. The contract liabilities are expected to be recognised as revenue over a period of 90 to 120 days (2019: 90 to 120 days).

Cost to obtain contract with customers is amortised on a systematic basis that is consistent with the transfer to the customer of the property to which the asset relates. Amortisation for the year of the Group amounting to RM2,301,275 (2019: RM5,476,440) is recognised in cost of sales.

	Group	
	2020	2019
	RM'000	RM'000
Retention sums on construction contracts included in:		
Trade receivable (Note 26(a)(iv))	1,006	4,550
Trade payables (Note 34)	(4,593)	(13,653)

Significant decrease in contract assets and liabilities is due to the disposal of subsidiaries involved in construction contracts as disclosed in Note 12.

29. Investment securities

Group	2020		2019	
	Carrying amount	Market value	Carrying amount	Market value
	RM'000	RM'000	RM'000	RM'000
Current				
Fair value through profit or loss				
Income debt securities (unquoted)	207,596	207,596	103,292	103,292
Real Estate Investment Trust (quoted in Malaysia)	-	-	3,700	3,700
Money market funds (unquoted)	153,568	153,568	132,317	132,317
Total current investment securities	361,164	361,164	239,309	239,309
Non-current				
Fair value through profit or loss				
Redeemable participatory shares (unquoted)	19,961	19,961	11,525	11,525
Total non-current investment securities	19,961	19,961	11,525	11,525
Total current and non-current investment securities	381,125	381,125	250,834	250,834

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

29. Investment securities (contd.)

Company	2020		2019	
	Carrying amount RM'000	Market value RM'000	Carrying amount RM'000	Market value RM'000
Current				
Fair value through profit or loss				
Income debt securities (unquoted)	207,596	207,596	103,292	103,292
Real Estate Investment Trust (quoted in Malaysia)	-	-	3,700	3,700
Money market funds (unquoted)	153,568	153,568	132,317	132,317
Total current investment securities	361,164	361,164	239,309	239,309

30. Derivative financial asset

	Group/Company	
	2020 RM'000	2019 RM'000
At 1 January	90,058	81,271
Fair value gain (Note 6)	6,640	8,787
At 31 December	96,698	90,058

On 23 October 2015, the Group and the Company acquired 18,444,697 warrants of SACOFA Sdn. Bhd. ("SACOFA") for a purchase consideration of RM35,413,818 representing a warrant price of RM1.92 each. The original expiry date of the warrants was 25 January 2020 but was extended to 25 January 2022. Each warrant entitles its holder to subscribe for one new SACOFA ordinary share at an exercise price of RM1.50 at any time during the exercise period.

31. Cash and bank balances

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash in hand and at banks	50,209	130,356	116	217
Short-term deposits with licensed banks	231,610	490,737	222,326	441,213
Total cash and bank balances	281,819	621,093	222,442	441,430

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

31. Cash and bank balances (contd.)

- (a) The Group's and the Company's deposits with licensed banks has a weighted average interest rate ranging from 1.70% to 2.50% (2019: 1.30% to 3.55%) and 1.98% (2019: 3.52%) per annum, respectively, and maturity period of one day to three months (2019: one day to three months) depending on the immediate cash requirements of the Group and of the Company.
- (b) Included in short-term deposits with licensed banks of the Group and of the Company in 2019 was an amount of RM33,000,000 being deposits placed with an associate.
- (c) Short-term deposits of the Group and of the Company amounting to RM1,969,790 (2019: RM1,918,246) and RM210,000 (2019: RM210,000), respectively, have been pledged as security for banking facilities granted to the Group and the Company.

For the purpose of the statements of cash flows, cash and cash equivalents comprised the following at the reporting date:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	281,819	621,093	222,442	441,430
Less: Deposits pledged to licensed banks	(1,970)	(1,918)	(210)	(210)
Less: Deposits with maturity of more than three months	(2,625)	(2,469)	-	-
Cash and cash equivalents	<u>277,224</u>	<u>616,706</u>	<u>222,232</u>	<u>441,220</u>

32. Loans and borrowings

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current				
Secured:				
Revolving credits (Note 32(b))	17,049	15,000	-	-
Unsecured:				
Revolving credits	10,000	10,000	-	-
Term loan	21,429	21,428	-	-
	<u>31,429</u>	<u>31,428</u>	<u>-</u>	<u>-</u>
	48,478	46,428	-	-
Structuring and management fee	(923)	(899)	-	-
Total current loans and borrowings	<u>47,555</u>	<u>45,529</u>	<u>-</u>	<u>-</u>

Cahya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2020****32. Loans and borrowings (contd.)**

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Non-current				
Secured:				
Term loan (Note 32(c))	288,778	173,760	-	-
Unsecured:				
Islamic medium term notes	500,000	500,000	500,000	500,000
Term loan	19,087	40,515	-	-
	519,087	540,515	500,000	500,000
Structuring and management fee	(4,154)	(4,943)	-	-
Total non-current loans and borrowings	803,711	709,332	500,000	500,000
Total loans and borrowings	851,266	754,861	500,000	500,000

The remaining maturities of the loans and borrowings are as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
On demand or within 1 year	48,478	46,428	-	-
More than 1 year and less than 5 years	764,549	620,517	500,000	500,000
More than 5 years	43,316	93,758	-	-
	856,343	760,703	500,000	500,000

(a) The interest rates of the loans and borrowings of the Group and Company are as follows:

	Group		Company	
	2020	2019	2020	2019
	%	%	%	%
Revolving credits	1.60 to 5.25	4.70 to 5.25	-	-
Term loans	3.30 to 6.30	4.93 to 6.28	-	-
Islamic medium term notes	4.80	4.80	4.80	4.80

- (b) The revolving credits of subsidiaries are secured by legal charges over landed properties of the subsidiaries (Note 16(a)).
- (c) The term loan is secured by a corporate guarantee from the Company, a fixed charge on the property, plant and equipment (Note 14(f)), a floating charge on certain cash and bank balances and other receivables of a subsidiary.
- (d) The Islamic medium term notes is payable in May 2022.
- (e) Loans and borrowings that are not denominated in the functional currency amounted to RM233,428,532 (2019: RM140,721,651).

Cahya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2020****33. Lease liabilities**

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current				
Lease liabilities	10,967	11,997	359	342
Non-current				
Lease liabilities	25,726	36,253	638	997
Total lease liabilities	36,693	48,250	997	1,339

The movement of lease liabilities during the financial year is as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
At 1 January	48,250	-	1,339	-
Effect of adoption of MFRS 16	-	34,199	-	1,708
Additions	2,585	25,455	-	-
Disposal of subsidiaries	(1,869)	-	-	-
Termination of lease contracts	(366)	-	-	-
Unwinding of interests				
- continuing operations (Note 7)	1,996	2,006	58	75
- discontinued operations (Note 12)	202	246	-	-
Payment of leases:				
- principal	(11,907)	(11,404)	(342)	(369)
- interests	(2,198)	(2,252)	(58)	(75)
At 31 December	36,693	48,250	997	1,339

The following are the amounts recognised in the statements of profit or loss:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Depreciation of right-of-use assets	14,217	14,477	792	792
- continuing operations (Note 14(a))	13,113	12,863	792	792
- discontinued operations (Note 14(a))	1,104	1,614	-	-
Interest expense on lease liabilities	2,198	2,252	58	75
- continuing operations (Note 7)	1,996	2,006	58	75
- discontinued operations (Note 12)	202	246	-	-
Gain arising from early termination of leases	(12)	-	-	-
Expenses relating to short-term leases	2,166	3,730	318	318
Expenses relating to leases of low-value assets	300	396	10	11

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

33. Lease liabilities (contd.)

The Group and the Company had total cash outflows for leases amounted to RM16,571,075 (2019: RM17,783,649) and RM727,008 (2019: RM772,976), respectively in 2020.

There were no leases with residual value guarantee or leases not yet commenced to which the Group and the Company are committed.

34. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current				
Trade				
Trade payables	86,270	304,343	-	-
Deposits payable	2,005	927	-	-
Retention sums on construction contracts (Note 28)	4,593	13,653	-	-
Amounts due to other related parties	2,878	2,718	-	-
	<u>95,746</u>	<u>321,641</u>	<u>-</u>	<u>-</u>
Non-trade				
Sundry payables	132,329	83,674	16,123	2,071
Accrued operating expenses	18,017	44,301	793	3,765
Amounts due to joint ventures under Central cash management accounts	206,550	-	206,550	-
Amounts due to subsidiaries under				
- Central cash management accounts	-	-	633,872	1,054,288
- Current accounts	-	-	1,090	2,617
Amounts due to joint ventures	49	379	-	-
Amount due to a corporate shareholder	5,012	1	-	-
Deposits payable	4,900	5,429	-	-
Interest payable	3,805	3,873	3,748	3,748
Service tax payables	4,606	-	-	-
Retention monies	18,273	11,805	-	-
	<u>393,541</u>	<u>149,462</u>	<u>862,176</u>	<u>1,066,489</u>
	<u>489,287</u>	<u>471,103</u>	<u>862,176</u>	<u>1,066,489</u>
Non-current				
Trade payables				
Deposit payable	407	1,003	-	-
Other payables				
Sundry payables	2,650	-	-	-
	<u>3,057</u>	<u>1,003</u>	<u>-</u>	<u>-</u>
Total trade and other payables (current and non-current)	<u>492,344</u>	<u>472,106</u>	<u>862,176</u>	<u>1,066,489</u>

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

34. Trade and other payables (contd.)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one month to four months (2019: one month to four months).

(b) Non-trade

(i) Sundry payables

Sundry payables are non-interest bearing and are repayable on demand, normally settled within an average term of six months (2019: average term of six months).

(ii) Amounts due to subsidiaries

Amounts due to subsidiaries under central cash management accounts are unsecured, repayable on demand and bears interest at rates ranging from 1.88% to 3.39% (2019: 3.35% to 3.76%) per annum. The amounts under current accounts are unsecured, repayable on demand and non-interest bearing.

(iii) Amounts due to joint ventures

Amounts due to joint ventures under central cash management accounts are unsecured, repayable on demand and bears interest at rates ranging from 1.88% to 1.91% (2019: Nil) per annum.

(iv) Amount due to a corporate shareholder

This amount is unsecured, bears interest at rate of 5.65% (2019: Nil) and repayable on demand.

35. Other current liabilities

	Group	
	2020	2019
	RM'000	RM'000
Contract liabilities from construction contracts (Note 28)	8,138	71,267

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

36. Share capital

	Group and Company			
	Number of shares		Amount	
	2020	2019	2020	2019
	'000	'000	RM'000	RM'000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 31 December	1,074,376	1,074,376	867,902	867,902
Treasury shares				
At 1 January	(1,751)	(4,431)	(5,625)	(12,277)
Acquisition of treasury shares	(9,495)	(2,570)	(14,369)	(8,338)
Disposal of treasury shares	-	5,250	-	14,990
At 31 December	(11,246)	(1,751)	(19,994)	(5,625)

(a) Ordinary shares

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance. Treasury shares have no rights to voting, dividends and participation in other distribution. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase scheme can be applied in the best interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds and the shares repurchased are being held as treasury shares in accordance with Section 127(4) of the Companies Act 2016.

During the financial year, the Company repurchased 9,494,900 (2019: 2,570,700) of its issued ordinary shares from the open market at an average price of RM1.51 (RM3.24) per share totalling RM14,369,038 (2019: RM8,337,812). In 2019, the Company re-sold 5,250,000 treasury shares in the open market at an average price of RM3.17 per share for RM16,656,510 and recorded a gain of RM1,666,966.

None of the treasury shares held were cancelled during the financial year. As at 31 December 2020, the number of treasury shares were 11,246,000 (2019: 1,751,100) and the outstanding ordinary shares in issue after set-off of treasury shares was therefore 1,063,129,720 (2019: 1,072,624,620).

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

37. Other reserves									
Group	Capital reserve RM'000	Translation reserve RM'000	Merger deficit RM'000	Statutory and regulatory reserve RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	ESOS reserve RM'000	Total RM'000
At 1 January 2020	9,609	26,652	(12,000)	6,389	1,673	5,139	(23,413)	-	14,049
Other comprehensive income:									
Share of other comprehensive income of associates	-	(1,688)	-	-	2,376	513	-	-	1,201
Share of other comprehensive income of a joint venture	-	-	-	-	(105)	-	-	-	(105)
	-	(1,688)	-	-	2,271	513	-	-	1,096
Arising from disposal of a subsidiary (Note 12)	(5,340)	-	-	-	-	-	(2,925)	-	(8,265)
Arising from disposal of investment in a joint venture	-	-	-	-	151	-	-	-	151
Grant of equity-settled share options to employees	-	-	-	-	-	-	-	1,198	1,198
Share of associates' reserves	-	-	-	(1,709)	-	-	-	-	(1,709)
At 31 December 2020	4,269	24,964	(12,000)	4,680	4,095	5,652	(26,338)	1,198	6,520

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

37. Other reserves (contd.)								
Group	Capital reserve RM'000	Translation reserve RM'000	Merger deficit RM'000	Statutory and regulatory reserve RM'000	Fair value reserve RM'000	Cash flow hedge reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	Total RM'000
At 1 January 2019	9,609	29,341	(12,000)	6,401	(868)	4,519	(23,413)	13,589
Other comprehensive income:								
Share of other comprehensive income of associates	-	(2,650)	-	-	2,673	620	-	643
Share of other comprehensive income of a joint venture	-	-	-	-	(132)	-	-	(132)
	-	(2,650)	-	-	2,541	620	-	511
Arising from disposal of a subsidiary	-	(39)	-	-	-	-	-	(39)
Share of associates' reserves	-	-	-	(12)	-	-	-	(12)
At 31 December 2019	9,609	26,652	(12,000)	6,389	1,673	5,139	(23,413)	14,049

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

37. Other reserves (contd.)

Company	Merger reserve RM'000	Employees' share option reserve RM'000	Total RM'000
At 1 January 2019 and 31 December 2019	168,000	-	168,000
Grant of equity-settled share options to employees	-	1,198	1,198
At 31 December 2020	168,000	1,198	169,198

(a) Capital reserve

Capital reserve of the Group comprises accretion from shares issued by subsidiaries, retained earnings capitalised for bonus issues by subsidiaries and share of capital reserve in an associate.

(b) Translation reserve

Translation reserve of the Group represents foreign exchange differences arising from the translation of the financial statements of a foreign subsidiary and an associate whose functional currency is different from that of the Group's presentation currency.

(c) Statutory and regulatory reserve

Statutory reserve of the Group is maintained by an associate in compliance with the requirements of the BNM Guidelines on Capital Fund, pursuant to Section 47(2)(f) of the Financial Services Act 2013 and are not distributable as dividends.

Regulatory reserve is also maintained in compliance with the requirements of the BNM in addition to the collective impairment allowance that has been assessed and recognised in accordance with Malaysian Financial Reporting Standards.

(d) Fair value reserve

The share of fair value reserve of an associate is in respect of unrealised fair value gains on financial instruments, net of tax.

(e) Cash flow hedge reserve

The cash flow hedge reserve is the Group's share of an associate's hedging reserve which comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

(f) Premium paid on acquisition of non-controlling interests

This represents the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid for the changes in the Group's and the Company's ownership interests in subsidiaries that do not result in a loss of control.

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Notes to the Financial Statements
For the financial year ended 31 December 2020

37. Other reserves (contd.)

(g) Employees' share option reserve

Employees' share option reserve represents the equity-settled share options granted to employees (Note 38). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

38. Employee benefits

Employees' share option scheme

The Company implemented an ESOS which came into effect on 13 November 2020. The ESOS is governed by the bylaws which were approved by the shareholders on 12 November 2020.

The salient features of the ESOS are as follows:

- (a) the total number of new shares which may be made available under the scheme shall not exceed seven percent (7%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;
- (b) eligible persons are confirmed employees including full-time executive directors of the Group;
- (c) the aggregate number of new shares to be offered to selected employee in accordance with the ESOS shall be determined at the discretion of the ESOS Committee. No option shall be granted for less than 100 shares;
- (d) the option price may be at a discount of not more than ten percent (10%) from the five (5) days weighted average market price of the underlying shares preceding the date of offer or at par value of the ordinary shares of the Company, whichever is higher;
- (e) the ESOS shall be in force for a period of four (4) years and extended period shall not in aggregate exceed ten (10) years from the date of the first offer;
- (f) the ESOS Committee may, at its discretion, at any time before and after an option is granted, limit the maximum number or percentage of exercisable options within the option period; and
- (g) the exercise of the options is subjected to vesting conditions being met by respective grantees. These vesting conditions may be affected by, inter-alia, performance targets being achieved before the options can be exercised. The vesting of the first tranche of the options granted will be reviewed by the ESOS Committee in April 2022. The vesting conditions, if any, shall be determined by the ESOS Committee whose decision shall be final and binding.

None of the options outstanding as at the reporting date is vested or exercisable. The exercise period for the above options will lapse on 12 November 2024.

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Notes to the Financial Statements
For the financial year ended 31 December 2020

38. Employee benefits (contd.)

Employees' share option scheme (contd.)

Movements during the year

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year:

	Number of options '000	WAEP RM
Outstanding at 1 January 2020	-	-
Granted during the year	60,608	1.14
Cancelled	(575)	1.14
Outstanding at 31 December 2020	<u>60,033</u>	<u>1.14</u>
Exercisable at 31 December 2020	<u>-</u>	<u>1.14</u>

The aggregate maximum allocation of share options to executive directors and senior management of the Group and the Company shall not exceed 50%. The actual allocation of share options to executive directors and senior management as at 31 December 2020 was 18.4% (2019: Nil).

Fair value of share options granted

The fair value of the share options granted is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing models for the year ended 31 December 2020:

Dividend yield (%)	1.14
Expected volatility (%)	47.11
Risk-free interest rate (% p.a.)	2.12
Expected life of option (years)	4.00
Exercise price (RM)	1.14
Weighted average share price (RM)	1.27

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Cahya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2020****39. Capital and other commitments**

Capital commitments as at the reporting date were as follows:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for:				
- Property, plant and equipment	142,586	251,196	-	-
- Land held for property development	-	2,223	-	-
- Intangible assets	1,553	9,536	-	-
- Investment in redeemable preference shares in joint ventures	29,682	39,868	-	-
	<u>173,821</u>	<u>302,823</u>	<u>-</u>	<u>-</u>
Approved but not contracted for:				
- Property, plant and equipment	82,260	255,288	16	29
- Intangible assets	383	-	-	-
- Investments in associates	83,826	392,605	-	-
- Investment in a joint venture	2,126	-	2,126	-
	<u>168,595</u>	<u>647,893</u>	<u>16</u>	<u>29</u>
	<u>342,416</u>	<u>950,716</u>	<u>16</u>	<u>29</u>

40. Contingencies

(a)		Group		Company	
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Share of contingent liabilities of an associate		5,059	5,145	829	843

- (b) At an Extraordinary General Meeting held on 21 March 2013, the Company obtained approval from its shareholders to provide a proportionate corporate guarantee in the amount of up to USD43 million and RM87.2 million and other financial assistance (including shareholders' support and other collateral) for the benefit of OM Materials (Sarawak) Sdn. Bhd. ("OM Sarawak").

Following the shareholders' approval on 21 March 2013, OM Sarawak entered into the Facilities Agreement ("FA") dated 28 March 2013 with a consortium of banks ("Lenders") for credit facilities of USD215 million and RM436 million to part finance the construction and operation of its ferro silicon alloy smelters ("Project"). As required under the FA, both the Company and its wholly owned subsidiary, Samalaju Industries Sdn. Bhd. ("SISB") entered into the Project Support Agreement ("PSA") dated even date which provides for a proportionate corporate guarantee (guaranteeing all of OM Sarawak's payment obligations under the FA until 18 months after completion of the Project, including without limitation, the principal amount, the interest accrued thereon and related hedging payments, the completion of the Project, and all of SISB's obligations under the finance documents, which consist primarily of providing the shareholders' support described below); shareholders' support (which may be in the form of shareholders' advances or subscription to fully paid up ordinary shares in OM Sarawak); and other collateral from the shareholders of OM Sarawak, proportionate to their respective shareholdings, as security for the FA.

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

40. Contingencies (contd.)

- (b) On 31 October 2017, OM Sarawak formalised a restructuring and rescheduling exercise (“R&R Exercise”) with the Lenders whereby OM Sarawak was granted, inter alia, a 3-year moratorium on the principal repayments by the Lenders. Accordingly, the FA and PSA were amended to reflect the consequential changes arising from the R&R Exercise but the essential terms and the principle of the Company’s obligations remain the same as those in the original FA and PSA (as stated above). In essence, under the amended and restated FA and PSA, the Company is still providing a proportionate corporate guarantee guaranteeing all of OM Sarawak’s payment obligations under the amended and restated FA until 18 months after completion of the Project or the end of the moratorium period, whichever is the later.

In July 2020, as financial relief due to the Covid-19 outbreak and at the request of OM Sarawak, the Lenders agreed to a temporary reduction of the margin rates of interest until 31 December 2020. As a condition of the reduction of interest rates, the PSA was amended to extend the Company’s obligation as Sponsors under the guarantee until the Termination Date which is currently, 30th September 2024.

- (c) The Company has, on the basis of its 60% (2019: 60%) ownership interest in MPASSB extended an unsecured proportionate corporate guarantee to Syarikat Sesco Berhad (“SSB”) to guarantee the payment by MPASSB of its obligations under the power purchase agreement entered into with SSB on 3 February 2017.

The Company has also, on the basis of its 25% ownership interest in OM Sarawak, extended an unsecured proportionate corporate guarantee to SSB to guarantee the payment by OM Sarawak of its obligations under the Second Amended and Restated Power Purchase Agreement entered into between the said parties on 13 June 2016.

On 31 July 2019, OM Sarawak entered into a power purchase agreement with Syarikat Sesco Berhad (“SESCO”) to increase its power offtake from the current 350MW to 430MW to meet its increased production requirements. Accordingly, and consistent with the terms of the current terms of the power purchase agreement, the Company has provided a proportionate sponsor guarantee to SESCO in relation to its 25% equity stake in OM Sarawak.

Following the outbreak of the Covid-19 pandemic, on 15th December 2020, OM Sarawak entered into an Amendment Agreement with SESCO to amend the power purchase agreement for a better payment term, a reduction in unconsumed power, an offsetting arrangement, a permanent cut of 80 MW without penalty in addition to flexible take or pay subject to a minimum of 70% take-out rate. Correspondingly, the Company agreed to the amendments and to continue to provide its obligations under the sponsor guarantee to SESCO in relation to its 25% equity stake in OM Sarawak.

- (d) The Company had provided and irrevocably and unconditionally guarantee to a consortium of banks all MPASSB obligations and liabilities in a Facility Agreement dated 18 January 2019 entered into for a credit facility of USD80.00 million and RM64.80 million provided that the aggregate does not exceed the facility limit of RM400.00 million granted to MPASSB to part finance the construction and development cost of its project. MPASSB is a 60% owned subsidiary of the Company.

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

40. Contingencies (contd.)

- (e) Legal actions were filed by two former employees in the Industrial Court of Malaysia against the Company alleging wrongful dismissal and claiming reinstatements to their former position and/or other relief that the Court deems fit and proper. Decisions were rendered by the Industrial Court and the actions were duly settled.

As at the reporting date, no values were placed on the unsecured corporate guarantees provided by the Company as the directors regard the value of the credit enhancement provided by the corporate guarantees to be minimal and the likelihood of event of default to be low.

41. Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the below transactions are shown in Note 26 and 34.

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(a) Subsidiaries				
Dividend income from subsidiaries	-	-	(110,080)	(90,850)
Interest income	-	-	(10,017)	(13,616)
Interest expenses	-	-	14,473	32,015
Group services fee expense	-	-	4,724	6,926
Share based payment	-	-	1,198	-
(b) Associates				
Dividend income from associates	-	-	(20,204)	(2,398)
Interest income	(2,526)	(2,646)	(785)	(2,105)
Sale of goods	(7,430)	(162)	-	-
Rental income	(5,841)	(8,603)	-	-
Secondment service fee income	(1,903)	(1,842)	-	-
Construction service income	(778)	-	-	-
Group services fee income	-	(12)	-	-
Purchase of goods	-	4,524	-	-
Payment of services	267	204	-	-
Advisory service fee	70	-	70	-

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Notes to the Financial Statements
For the financial year ended 31 December 2020

41. Significant related party transactions (contd.)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(c) Joint ventures				
Sale of goods	(808)	-	-	-
Group services fee income	(1,326)	(40)	-	-
Secondment services fee income	(550)	-	-	-
Supervision fee/project management fee	(1,107)	(527)	-	-
Rental income	(1,087)	(241)	-	-
License fee income	(15)	-	-	-
Construction service income	(28,700)	-	-	-
Construction service charges	379	2,823	-	-
Interest expense	8,770	-	8,770	-
Rental expense	45	-	-	-
Purchase of goods	2,718	-	-	-
Payment of services	81	-	-	-
(d) Related parties				
Sale of land to:				
- Datuk Syed Ahmad bin Alwee Alsree ⁽ⁱ⁾	-	(2,352)	-	-
Construction service income from:				
- Sarawak Economic Development Corporation ⁽ⁱⁱ⁾	-	(3,150)	-	-
Interest income from:				
- Bina Puri Sdn. Bhd. ⁽ⁱⁱⁱ⁾	(272)	-	-	-
Payment of land rental to:				
- a director and her family members ^(iv)	114	155	-	-
Payment of sales royalty to:				
- ASSAR Quarry Products Sdn. Bhd. ^(v)	203	375	-	-
- Lembaga Amanah Kebajikan Masjid Bahagian Samarahan ^(v)	203	375	-	-
- Sarawak Economic Development Corporation ⁽ⁱⁱ⁾	549	738	-	-
Payment of services to:				
- Kristal Harta Sdn. Bhd. ^(vi)	-	140	-	-
- R. T. Cargo Sdn. Bhd. ^(vii)	2,402	2,061	-	-
- Richard Curtis & Co. Sdn. Bhd. ^(viii)	21	251	-	-
- Satria Realty Sdn. Bhd. ^(ix)	2,289	2,273	510	525
- DKZ Management & Services ^(x)	175	-	-	-
Payment of construction service charges to:				
- Bina Puri Sdn. Bhd. ⁽ⁱⁱⁱ⁾	44,883	145,355	-	-
- China Communications Construction Company (M) Sdn. Bhd. ^(xi)	32,863	7,121	-	-

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Notes to the Financial Statements
For the financial year ended 31 December 2020

41. Significant related party transactions (contd.)

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(e) Key management personnel				
Directors (Note 10)	920	1,019	788	708
- Fees				
- Other emoluments	7,886	11,506	2,864	7,204
- Defined contribution and social security plans	815	865	225	392
- Share-based payment	50	-	-	-
Total short-term employee benefits	9,671	13,390	3,877	8,304
Benefits-in-kind	165	204	98	89
	9,836	13,594	3,975	8,393
Other key management personnel				
- Short-term employee benefits	3,096	3,361	1,217	1,972
- Defined contribution and social security plans	346	400	146	238
- Share-based payment	64	-	24	-
Total short-term employee benefits	3,506	3,761	1,387	2,210
Benefits-in-kind	165	131	63	77
	3,671	3,892	1,450	2,287
Total key management personnel	13,507	17,486	5,425	10,680

Other key management personnel comprise persons, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

During the financial year, 4,257,500 and 1,215,000 share options were granted to the Group's and the Company's key management personnel under the company's ESOS at an exercise price of RM1.14 each.

At the reporting date, the total number of outstanding share options granted by the holding company to the abovementioned key management personnel under the ESOS amounting to 4,257,500 (2009: Nil).

- (i) The Group sold a piece of land to Datuk Syed Ahmad bin Alwee Alsree, while he was a director of the Company in 2019.
- (ii) Sarawak Economic Development Corporation, is a corporate shareholder of the Company, certain subsidiaries and joint ventures.
- (iii) The Group earned interest income from and paid construction service charges to Bina Puri Sdn. Bhd., a corporate shareholder of a former subsidiary which became a joint venture as detailed in Note 12.
- (iv) Land rental was paid to Umang Nangku Jabu and her family members by a former subsidiary, SEDC Premix (Betong) Sdn. Bhd. (formerly known as Betong Premix Sdn. Bhd.), in which she is a director and shareholder.

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Notes to the Financial Statements

For the financial year ended 31 December 2020

41. Significant related party transactions (contd.)

- (v) A former subsidiary, Borneo Granite Sdn. Bhd., paid sales royalty to ASSAR Quarry Products Sdn. Bhd. and Lembaga Amanah Kebajikan Masjid Bahagian Samarahan, which are the corporate shareholders of that former subsidiary.
- (vi) Kristal Harta Sdn. Bhd., a company owned by Datuk Hanifah Hajar Taib, a major shareholder and person connected to Dato Sri Haji Mahmud Abu Bekir Taib.
- (vii) Umang Nangku Jabu is a director of the Company and R.T. Cargo Sdn. Bhd..
- (viii) The Group paid advisory fees to Richard Curtis & Co. Sdn. Bhd., a company controlled by Dato' Richard Alexander John Curtis, a director of certain subsidiaries.
- (ix) Dato Sri Haji Mahmud Abu Bekir Taib is a director of the Company and Majaharta Sdn. Bhd. which controls Satria Realty Sdn. Bhd..
- (x) Datuk Ir. Kamarudin bin Zakaria, a director of the Company, is also a sole proprietor of DKZ Management & Services.
- (xi) China Communications Construction Company (M) Sdn. Bhd. ("CCCC") is a corporate shareholder of a former subsidiary of the Group.

Other than as disclosed above, there were no material contracts entered into since the end of the financial year by the Company or its subsidiaries which involved the interests of substantial shareholders.

All outstanding balances are unsecured and repayable in accordance with agreed terms.

42. Fair value measurements

(a) Determination of fair value and the fair value hierarchy

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities and broker quotes on Bloomberg and Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived.

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Notes to the Financial Statements
For the financial year ended 31 December 2020

42. Fair value measurements (contd.)

(a) Determination of fair value and the fair value hierarchy (contd.)

The Group and the Company generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.

MFRS 13 Fair Value Measurement requires each class of assets and liabilities measured at fair value in the statements of financial position after initial recognition to be categorised according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of those financial instruments and non-financial assets:

- Level 1 - Quoted market prices: quoted prices (unadjusted) in active market for identical instruments;
- Level 2 - Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and
- Level 3 - Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

(b) Financial instruments measured at fair value

The following tables provide an analysis of financial instruments and non-financial assets carried at fair values at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Group				
31 December 2020				
Financial assets				
Investment securities (Note 29):				
- Income debt securities	-	207,596	-	207,596
- Redeemable preference shares	-	-	19,961	19,961
- Money market funds	153,568	-	-	153,568
Derivative financial asset (Note 30)	-	-	96,698	96,698
	<u>153,568</u>	<u>207,596</u>	<u>116,659</u>	<u>477,823</u>

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2020**

42. Fair value measurements (contd.)

(b) Financial instruments measured at fair value (contd.)

The following tables provide an analysis of financial instruments and non-financial assets carried at fair values at the reporting date analysed by the various levels within the fair value hierarchy: (contd.)

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Group (contd.)				
31 December 2019				
Financial assets				
Investment securities (Note 29):				
- Income debt securities	-	103,292	-	103,292
- Real Estate Investment Trust	3,700	-	-	3,700
- Redeemable preference shares	-	-	11,525	11,525
- Money market funds	132,317	-	-	132,317
Derivative financial asset (Note 30)	-	-	90,058	90,058
	<u>136,017</u>	<u>103,292</u>	<u>101,583</u>	<u>340,892</u>
Company				
31 December 2020				
Financial assets				
Investment securities (Note 29):				
- Income debt securities	-	207,596	-	207,596
- Money market funds	153,568	-	-	153,568
Derivative financial asset (Note 30)	-	-	96,698	96,698
	<u>153,568</u>	<u>207,596</u>	<u>96,698</u>	<u>457,862</u>
31 December 2019				
Financial assets				
Investment securities (Note 29):				
- Income debt securities	-	103,292	-	103,292
- Real Estate Investment Trust	3,700	-	-	3,700
- Money market funds	132,317	-	-	132,317
Derivative financial asset (Note 30)	-	-	90,058	90,058
	<u>136,017</u>	<u>103,292</u>	<u>90,058</u>	<u>329,367</u>

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Notes to the Financial Statements
For the financial year ended 31 December 2020

42. Fair value measurements (contd.)

(b) Financial instruments measured at fair value (contd.)

The fair value of Level 1 financial instruments above is based on available quoted market prices.

The fair value of Level 2 financial instruments is based on confirmation by a licensed fund manager regulated by the Securities Commission of Malaysia.

The fair value of the derivative financial asset is based on the Binomial Option Pricing Model which observable inputs include stock price, exercise price, volatility, risk free rate and dividend yield.

The fair value of the redeemable preference shares is based on the estimated fair value less cost to sell these shares.

The Group and the Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between the Levels of the fair value hierarchy during the financial year.

(c) Financial instruments not measured at fair value

The following tables provide an analysis of financial instruments not carried at fair values at the reporting date analysed by the various levels within the fair value hierarchy:

	Carrying amount	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
31 December 2020					
Financial liabilities					
Interest-bearing loans and borrowings:					
- Islamic medium term notes	500,000	-	-	527,925	527,925
- Term loans	329,294	-	-	385,564	385,564
	<u>829,294</u>	<u>-</u>	<u>-</u>	<u>913,489</u>	<u>913,489</u>

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2020

42. Fair value measurements (contd.)

(c) Financial instruments not measured at fair value (contd.)

The following tables provide an analysis of financial instruments not carried at fair values at the reporting date analysed by the various levels within the fair value hierarchy: (contd.)

	Carrying amount	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Group (contd.)					
31 December 2019					
Financial liabilities					
Interest-bearing loans and borrowings:					
- Islamic medium term notes	500,000	-	-	525,600	525,600
- Term loans	235,703	-	-	295,592	295,592
	<u>735,703</u>	<u>-</u>	<u>-</u>	<u>821,192</u>	<u>821,192</u>
Company					
31 December 2020					
Financial liabilities					
Interest-bearing loans and borrowing:					
- Islamic medium term	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>527,925</u>	<u>527,925</u>
31 December 2019					
Financial liabilities					
Interest-bearing loans and borrowing:					
- Islamic medium term	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>525,600</u>	<u>525,600</u>

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

42. Fair value measurements (contd.)

(c) Financial instruments not measured at fair value (contd.)

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

Loans and borrowings

The fair values of fixed rate loans and borrowings with remaining maturity of less than one year and variable rate loans and borrowings are estimated to approximate their carrying amounts. For fixed rate loans and borrowings with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans and borrowings of similar credit risks and maturity. The fair values of impaired loans and borrowings are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Trade and other receivables	26
Lease liabilities	33
Trade and other payables	34

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or they are already discounted at appropriate discount rates.

For lease receivables and liabilities with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using a rate based on the current market rate of borrowing of the respective entity at the reporting date.

43. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's overall risk management strategy seeks to minimise potential adverse effects on the financial performance of the Group. The key financial risks include credit risk, liquidity risk and market risk.

Financial risk management policies are reviewed and approved by the Board of Directors and executed by the management of the respective operating units. The Group Risk Committee provides independent oversight on the effectiveness of the risk management process.

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43. Financial risk management objectives and policies (contd.)

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. At the reporting date, the Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries and an associate.

(i) Trade receivables and contract assets

- **Risk management objectives, policies and process for managing the risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over the approved limits.

At each reporting date, the Group and the Company assess whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

- **Exposure to credit risk, credit quality and collateral**

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

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Notes to the Financial Statements
For the financial year ended 31 December 2020

43. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

(i) Trade receivables and contract assets (contd.)

• **Exposure to credit risk, credit quality and collateral (contd.)**

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks. At the end of the reporting period, financial guarantees received by the Group amounted to RM28,528,768 (2019: RM28,501,412) in respect of RM19,119,515 (2019: RM21,201,057) trade receivables. The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

Information regarding financial assets that are either past due or impaired and ageing analysis is disclosed below. Management believes that no additional credit risk beyond that provided for is inherent in the Group's trade and other receivables.

• **Concentration of credit risk**

The Group determines concentrations of credit risk by monitoring the business segments of its trade receivables on an ongoing basis. The Group does not have significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics. The Group defines counter parties as having similar characteristics if they are related entities. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The credit risk concentration profile of the Group's trade receivables at the reporting date were as follows:

	Group	
	2020	2019
	RM'000	RM'000
Cement	54,676	49,314
Construction materials and trading	23,283	84,815
Construction and road maintenance	68,599	56,468
Property development	22,296	25,416
Others	1,461	919
Total	170,315	216,932

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Notes to the Financial Statements
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43. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

(i) Trade receivables and contract assets (contd.)

- **Recognition and measurement of impairment loss**

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 days. The Group's debt recovery process is as follows:

- (i) Above 90 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales management team; and
- (ii) Above 180 days past due, the Group will commence a legal proceeding against the customer.

The Group uses an allowance matrix to measure ECLs of trade receivables for all except for government agencies. Consistent with the debt recovery process, balances which are past 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due. Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

For some trade receivables the Group has obtained security in the form of bank guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

For construction contracts, as there are only a few customers, the Group assesses the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

In respect of trade receivables arising from the sale of development properties, the Group mitigates its credit risk by withholding the transfer of registered ownership of the development properties until full settlement by the purchaser of the self-financed portion of the purchase consideration or upon undertaking of end-financing by the purchaser's end-financier.

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Notes to the Financial Statements
For the financial year ended 31 December 2020

43. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

(i) Trade receivables and contract assets (contd.)

• **Recognition and measurement of impairment loss (contd.)**

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2020 which are grouped together as they are of similar risk nature.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
31 December 2020			
Current (not past due)	70,711	-	70,711
1 to 30 days past due	26,057	(129)	25,928
31 to 60 days past due	18,915	(144)	18,771
61 to 90 days past due	15,926	(181)	15,745
More than 90 days past due	26,572	-	26,572
	<u>158,181</u>	<u>(454)</u>	<u>157,629</u>
Credit impaired			
More than 90 days past due	5,442	(1,173)	4,269
Individually impaired	6,692	(6,640)	52
	<u>12,134</u>	<u>(7,813)</u>	<u>4,321</u>
	<u>170,315</u>	<u>(8,267)</u>	<u>162,048</u>
31 December 2019			
Current (not past due)	69,548	-	69,548
1 to 30 days past due	44,458	(129)	44,329
31 to 60 days past due	32,756	(91)	32,665
61 to 90 days past due	8,737	(55)	8,682
More than 90 days past due	12,893	-	12,893
	<u>168,392</u>	<u>(275)</u>	<u>168,117</u>
Credit impaired			
More than 90 days past due	27,960	(3,576)	24,384
Individually impaired	20,580	(2,191)	18,389
	<u>48,540</u>	<u>(5,767)</u>	<u>42,773</u>
	<u>216,932</u>	<u>(6,042)</u>	<u>210,890</u>

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Notes to the Financial Statements
For the financial year ended 31 December 2020

43. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

(i) Trade receivables and contract assets (contd.)

- **Recognition and measurement of impairment loss (contd.)**

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are customers that have been transacting with the Group for over five years, and these customers are considered unlikely to have default in payments.

The movements in the allowance for impairment is disclosed in Note 26(a).

(ii) Financial guarantees

- **Risk management objectives, policies and process for managing the risk**

The Company provides unsecured financial guarantees to banks and a third party for banking and other facilities granted to associates. The Company monitors on an ongoing basis the results of the associates and repayments made by the associates.

- **Exposure to credit risk, credit quality and collateral**

The maximum exposure to credit risk relates to unsecured corporate guarantees given to banks for banking facilities granted to an associate as disclosed in Note 40(a).

As at the end of the reporting period, there was no indication that there would be an event of default on repayment in relation to the associate.

(iii) Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. At the reporting date, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

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Notes to the Financial Statements

For the financial year ended 31 December 2020

43. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

(iv) Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and equipment rented. These deposits will be received at the end of each lease terms.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position. As at the end of the reporting period, the Group and the Company did not recognised any loss allowance.

(v) Investments in investment securities

At the end of the reporting date, the Group's investment securities portfolio mainly invested in government bonds and AAA rated bonds. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

There is no history of default on these bonds and there is no indication that these bonds may default. The Group is of the view that the loss allowance is not material and hence, it is not provided for.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company adopt a prudent approach to manage their liquidity risk. The Group and the Company always maintain sufficient cash and cash equivalents, and have available funding through a diverse source of committed and uncommitted credit facilities from various banks. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment obligations.

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Notes to the Financial Statements
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43. Financial risk management objectives and policies (contd.)

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities (contd.)

		Cash Flows			
		On demand or within 1 year	1 to 5 years	Over 5 years	Total
	Carrying amount RM'000	RM'000	RM'000	RM'000	RM'000
Group					
At 31 December 2020					
Financial liabilities:					
Trade and other payables	492,344	489,287	3,057	-	492,344
Loans and borrowings	851,266	81,113	810,808	48,690	940,611
Lease liabilities	36,693	12,642	18,495	13,539	44,676
Financial guarantees ⁽ⁱ⁾	-	324,914	-	-	324,914
	<u>1,380,303</u>	<u>907,956</u>	<u>832,360</u>	<u>62,229</u>	<u>1,802,545</u>
At 31 December 2019					
Financial liabilities:					
Trade and other payables	472,106	471,103	1,003	-	472,106
Loans and borrowings	754,861	72,879	637,113	74,672	784,664
Lease liabilities	48,250	13,560	27,877	15,910	57,347
Financial guarantees ⁽ⁱ⁾	-	328,999	-	-	328,999
	<u>1,275,217</u>	<u>886,541</u>	<u>665,993</u>	<u>90,582</u>	<u>1,643,116</u>
Company					
At 31 December 2020					
Financial liabilities:					
Trade and other payables	862,176	862,176	-	-	862,176
Loans and borrowings	500,000	24,000	503,925	-	527,925
Lease liabilities	997	400	666	-	1,066
Financial guarantees ⁽ⁱ⁾	-	724,914	-	-	724,914
	<u>1,363,173</u>	<u>1,611,490</u>	<u>504,591</u>	<u>-</u>	<u>2,116,081</u>
At 31 December 2019					
Financial liabilities:					
Trade and other payables	1,066,489	1,066,489	-	-	1,066,489
Loans and borrowings	500,000	24,000	501,600	-	525,600
Lease liabilities	1,339	400	1,065	-	1,465
Financial guarantees ⁽ⁱ⁾	-	728,999	-	-	728,999
	<u>1,567,828</u>	<u>1,819,888</u>	<u>502,665</u>	<u>-</u>	<u>2,322,553</u>

⁽ⁱ⁾ Based on the maximum amount that can be called under the financial guarantee contracts as disclosed in Note 40.

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Notes to the Financial Statements
For the financial year ended 31 December 2020

43. Financial risk management objectives and policies (contd.)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from purchases and imports that are denominated in a currency other than the functional currencies of the Group.

The Group also has exposure to foreign exchange risk as a result of providing unsecured advances to associates.

- **Risk management objectives, policies and process for managing the risk**

It is the Group's policy to hedge this risk where the exposures are certain and cost-efficient. The Group and the Company do not apply hedge accounting and do not issue derivative financial instruments for trading purposes.

- **Exposure to foreign currency risk**

The currencies giving rise to this risk are primarily United States Dollar (USD). Exposure to foreign currency risk is monitored on an ongoing basis to ensure that the exposure is at an acceptable level. At 31 December 2020 and 31 December 2019, the Group and the Company have not entered into any forward foreign currency contracts.

- **Currency risk sensitivity analysis**

A reasonable possible 10% (2019:10%) strengthening of the USD at the end of the reporting period would have decreased the Group's profit for the year by RM16,462,935 (2019: decreased by RM6,731,223), being net of purchases and imports transaction amount and advances to associate, with all other variables held constant at the reporting date.

A 10% weakening of the above foreign currency against the underlying functional currency at the reporting date would have had the equal but opposite effect on the above currency to the amount shown above, on the basis that all other variables remain constant.

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Notes to the Financial Statements
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43. Financial risk management objectives and policies (contd.)

(c) Market risk (contd.)

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

• **Risk management objectives, policies and process for managing the risk**

Interest rate exposure arising from the Group's and the Company's borrowings is managed through the use of fixed and floating rate debts. The Group will consider entering into derivative financial instruments where necessary to achieve an appropriate mix of fixed and floating rate exposure.

• **Exposure to interest rate risk**

As the Group and the Company have no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits and money market funds. The Group's borrowings at floating rates are contractually re-priced at intervals of less than 6 months (2019: 6 months). The interest rate profile of the Group's and the Company's interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	223,986	442,870	222,326	441,213
Financial liabilities	(536,693)	(548,250)	(500,997)	(501,339)
Floating rate instruments				
Financial assets	36,697	34,768	221,901	341,674
Financial liabilities	(351,266)	(254,861)	(840,422)	(1,054,288)

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Notes to the Financial Statements
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43. Financial risk management objectives and policies (contd.)

(c) Market risk (contd.)

(ii) Interest rate risk (contd.)

• **Interest risk sensitivity analysis**

At the reporting date, it is estimated that a hundred basis points increase in interest rate, with all other variables held constant, would decrease the Group's profit net of tax by approximately RM3,144,928 (2019: RM2,222,624), arising mainly as a result of higher interest expense on net floating borrowing position. A decrease in interest rate would have had the equal but opposite effect on the aforesaid amount, on the basis that all other variables remain constant.

44. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that they maintain healthy capital ratios to support their businesses and maximise shareholder value. No changes were made in the objectives, policies and processes during the years ended 31 December 2020 and 2019.

The Group and the Company review their capital structure and make adjustments to reflect economic conditions, business strategies and future commitments on a continuous basis.

The Group and the Company monitor capital using a gearing ratio. The gearing ratio is calculated as total borrowings (excluding transaction costs) divided by total equity of the Group and of the Company.

The Group and the Company have complied with all externally imposed capital requirements in respect of their external borrowings for the financial years ended 31 December 2020 and 2019.

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Loans and borrowings (Note 32)	856,343	760,703	500,000	500,000
Lease liabilities (Note 33)	36,693	48,250	997	1,339
Total borrowings	893,036	808,953	500,997	501,339
Total equity	3,019,524	3,151,946	1,096,616	1,090,700
Gearing ratio (times)	0.30	0.26	0.46	0.46

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Notes to the Financial Statements
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45. Segment information

Segmental information is prepared on the basis of the “management approach”, which requires presentation of the segments on the basis of internal reports about the components of the entity.

The Group is organised into businesses based on their activities, and has six reportable operating segments as follows:

- (i) Cement - manufacturing of cement, clinker and concrete products;
- (ii) Construction materials and trading – quarry operations, production and sale of premix, wires and general trading;
- (iii) Construction and road maintenance - road construction and maintenance;
- (iv) Property development and related services - property holding, development, project management, lodges accommodation, hotel operations;
- (v) Phosphate – manufacturing of food, feed and fertiliser phosphate products;
- (vi) Strategic investments - education and various investments through the associates and joint ventures; and
- (vii) Others - head office, management services, investment holding and dormant companies.

For each of the divisions, the Group Chief Operating Officer reviews the internal management reports on a monthly basis and conducts performance dialogues with the divisions on a regular basis. The Group assesses the performance of the operating segments based on measure of revenue and profit before tax.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities, income and expenses.

Segment analysis by geographical locations has not been presented as the Group’s operations are predominantly conducted in Malaysia.

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45. Segment information (contd.)

	Continuing Operations										
	Cement RM'000	Construction materials and trading RM'000	Construction and road maintenance RM'000	Property development and related services RM'000	Phosphate RM'000	Strategic investments RM'000	Others RM'000	Adjustments and elimination Notes RM'000	Total RM'000	Discontinued operations RM'000	Total Operations RM'000
31 December 2020											
Revenue:											
External customers	454,665	82,197	129,894	69,162	-	-	26,870	-	762,788	361,903	1,124,691
Inter-segment sales	21,364	8,904	-	1,751	-	-	30,926	(62,945) A	-	-	-
Total revenue	476,029	91,101	129,894	70,913	-	-	57,796	(62,945)	762,788	361,903	1,124,691
Results:											
Interest income	4,939	860	5,597	2,137	1	1,382	1,743	(14,473)	2,186	276	2,462
Depreciation and amortisation	46,601	503	11,107	2,675	356	-	3,395	(177)	64,460	10,826	75,286
Other non-cash expenses	11,160	473	22	1,727	-	14	67,851	- B	81,247	643	81,890
Segment profit/(loss) before tax:											
Company and subsidiaries	48,443	3,829	19,140	(5,334)	(54,176)	(5,600)	(11,527)	(37,566)	(42,791)	216,164	173,373
Associates	-	-	-	-	-	48,278	-	-	48,278	-	48,278
Joint ventures	-	6,884	(4,300)	-	-	(365)	(1,500)	-	719	3,072	3,791
	48,443	10,713	14,840	(5,334)	(54,176)	42,313	(13,027)	(37,556)	6,206	219,236	225,442
Assets:											
Investments in associates	-	-	-	-	-	233,201	496,328	266,446	995,975	-	995,975
Investments in joint ventures	-	-	52,000	-	-	6,465	66,414	196,777	321,656	-	321,656
Additions to non-current assets	14,663	202	1,433	2,562	252,093	-	3,560	(472) C	274,041	5,075	279,116
Segment assets	1,031,684	69,914	400,386	672,040	730,457	74,634	1,536,103	(54,852) D	4,460,366	-	4,460,366
Segment liabilities	106,313	12,188	31,350	213,048	138,883	44,127	986,067	(91,134) E	1,440,842	-	1,440,842

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Notes to the Financial Statements
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45. Segment information (contd.)

	Continuing Operations							
	Construction materials and cement	Construction and road maintenance	Property development and related services	Phosphate	Strategic investments	Others	Adjustments and elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2019								
Revenue:								
External customers	575,026	119,462	135,688	-	9,967	33,417	-	1,117,863
Inter-segment sales	26,595	14,814	101	-	-	35,159	(77,040)	-
Total revenue	601,621	134,276	135,789	-	9,967	68,576	(77,040)	1,117,863
Results:								
Interest income	6,630	7,413	3,631	-	1,927	1,340	(32,012)	2,429
Depreciation and amortisation	43,814	669	3,613	194	147	3,516	(398)	64,364
Other non-cash expenses	1,556	-	(720)	-	359	17	-	1,299
Segment profit/(loss) before tax:								
Company and subsidiaries	73,113	8,975	20,061	(2,484)	(3,326)	3,028	(35,143)	101,412
Associates	-	-	-	-	58,396	-	-	58,396
Joint ventures	-	-	-	-	(587)	-	-	(587)
	73,113	8,975	20,061	(2,484)	54,483	3,028	(35,143)	159,221
Assets:								
Investments in associates	-	-	-	-	217,652	520,800	237,512	975,964
Investments in joint ventures	-	-	-	-	17,386	-	-	20,855
Additions to non-current assets	87,677	439	17,038	266,185	-	12,254	-	387,275
Segment assets	1,042,197	627,727	704,540	591,918	66,027	1,504,767	(625,470)	4,554,939
Segment liabilities	116,942	257,578	188,834	117,736	45,253	1,175,766	(634,695)	1,402,993

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Notes to the Financial Statements
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45. Segment information (contd.)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2020 RM'000	2019 RM'000
Bad debts written off	8	19	-
Impairment loss on property development costs	8	1,225	-
Impairment loss on property, plant and equipment	8	63,012	-
Impairment loss on trade and other receivables	8	5,819	1,015
Intangible assets written off	8	7,810	2
Inventories written off	8	3,097	12
Investment properties written off	8	1	-
Property development costs written off	8	5,560	-
Property, plant and equipment written off	8	3,007	1,042
Unrealised forex exchange gain	8	(8,303)	(772)
		<u>81,247</u>	<u>1,299</u>

C Additions to non-current assets consist of:

	2020 RM'000	2019 RM'000
Property, plant and equipment	269,919	365,235
Land held for property development	2,385	15,816
Intangible assets	1,737	6,224
	<u>274,041</u>	<u>387,275</u>

D The following items are added to/(deducted from) segment assets to arrive at total assets reported in the Group's statement of financial position:

	2020 RM'000	2019 RM'000
Investments in associates	995,975	975,964
Investments in joint ventures	321,656	20,855
Deferred tax assets	4,816	15,444
Inter-segment assets	(1,377,299)	(1,637,733)
	<u>(54,852)</u>	<u>(625,470)</u>

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Notes to the Financial Statements
For the financial year ended 31 December 2020

45. Segment information (contd.)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (contd.)

E The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the Group's statement of financial position:

	2020	2019
	RM'000	RM'000
Deferred tax liabilities	51,551	49,427
Income tax payable	850	7,082
Loans and borrowings	851,266	754,861
Lease liabilities	36,693	48,250
Inter-segment liabilities	(1,031,494)	(1,494,315)
	<u>(91,134)</u>	<u>(634,695)</u>

46. Dividends

(a) Recognised during the financial year:

	Sen per share	Total amount RM'000
2020		
First and final tax exempt 2019 ordinary (single-tier)	3.00	<u>32,179</u>
2019		
First and final tax exempt 2018 ordinary (single-tier)	7.40	<u>79,374</u>

(b) Proposed but not recognised as a liability:

The following dividend will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2021.

	Sen per share
First and final tax exempt 2020 ordinary (single-tier)	<u>2.00</u>

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Notes to the Financial Statements
For the financial year ended 31 December 2020

47. Significant events

(a) Disposals of subsidiaries

As disclosed in Note 12, on 28 August 2020, the Company and CMS Works Sdn. Bhd. (“CMSW”), a wholly owned subsidiary of the Company, entered into share sale agreements with Sarawak Economic Development Corporation for the disposals of:

- (i) 13,220 ordinary shares in SEDCR, a 51% owned subsidiary of the Company, representing 2% equity interest in SEDCR, for a cash consideration of RM9,900,000; and
- (ii) 200,000 ordinary shares in PPESW, a 51% owned subsidiary of CMSW, representing 2% equity interest in PPESW, for a cash consideration of RM7,600,000.

(b) Impact of Coronavirus (“COVID-19”) pandemic

COVID-19 pandemic has affected many businesses and the Malaysian economy as a whole. On 16 March 2020, the Malaysian Government issued the Movement Control Order (“MCO”) from 18 March to 12 May 2020 as a preventive measure against the spread of COVID-19 which requires the closure of all government and private premises except for those involved in the provision of essential services. The MCO was subsequently followed by Conditional MCO, Extended MCO and then, Recovery MCO.

As the situation is fluid and still evolving and given the widespread nature of the outbreak and the unpredictability of future development of Covid-19, it is not practicable to provide a quantitative estimate of the potential financial impact of Covid-19 on the Group’s and the Company’s financial statements for the financial year ending 31 December 2021 reliably at this juncture.

(c) Software implementation cost written off

The Group entered into a contract for the procurement and implementation of an Enterprise Resource Planning (“ERP”) system with a vendor on 24 July 2019 for an amount of USD3.0 million (approximately RM12.4 million).

Up to the reporting date, the Group has incurred RM7,244,541 in the implementation of the ERP system. However, the Group views that the vendor was in breach of the contract by failing to provide all the services and/or fulfill its obligations in relation to providing an ERP solution and system implementation. Consequently, a decision was made to stop proceeding with the implementation. As a result, the Group has written off the cost incurred for the implementation together with all direct expenses amounting to RM7,810,442 during the financial year ended 31 December 2020.

Subsequently, on 27 January 2021, the Group received a letter of demand from the vendor for USD1,073,325 (approximately RM4.3 million) to be payable for various alleged work performed. These claims have not been provided for in the financial statements as Management views that these claims were not issued in accordance with the contract. Management, in consultation with their solicitors, is of the opinion that such demands are frivolous and the Group intends to contest such claims vigorously.

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**Notes to the Financial Statements
For the financial year ended 31 December 2020**

48. Subsequent events

(a) Disposal of shares in an associate

From 18 February 2021 to 22 February 2021, the Company and CMS Capital Sdn. Bhd., a 95.2% owned subsidiary of the Company, disposed of a total of 30,070,000 shares and 16,530,000 shares respectively in an associate, namely Kenanga Investment Bank Berhad (“KIBB”) for a total consideration of RM55,540,049 and RM30,528,877, respectively via off market transactions for placement of shares to institutional investors.

Consequently, the Group’s interest in KIBB was reduced from 25.9% to 18.9% at the date of the last disposal.

(b) Additional investment in an associate

On 4 March 2021, SISB, a wholly-owned subsidiary subscribed for an additional 9,228,428 ordinary shares in its associate, OM Sarawak for a total cash consideration of RM9,228,428.

There was no change to the proportionate ownership interest in OM Sarawak from this subscription.

(c) Repurchase and disposal of treasury shares

Subsequent to the year end, the Company repurchased 1,461,000 of its issued ordinary shares from the open market at an average price of RM2.31 per share totalling RM3,370,706 from 16 February 2021 to 8 March 2021. The Company re-sold 12,707,000 treasury shares in the open market at an average price of RM2.23 per share for RM28,368,886 from 30 March 2021 to 8 April 2021. As at the date of this financial statements, the Company does not hold any treasury shares.

49. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2020 were authorised for issue by the Board in accordance with a resolution of the directors on 15 April 2021.

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