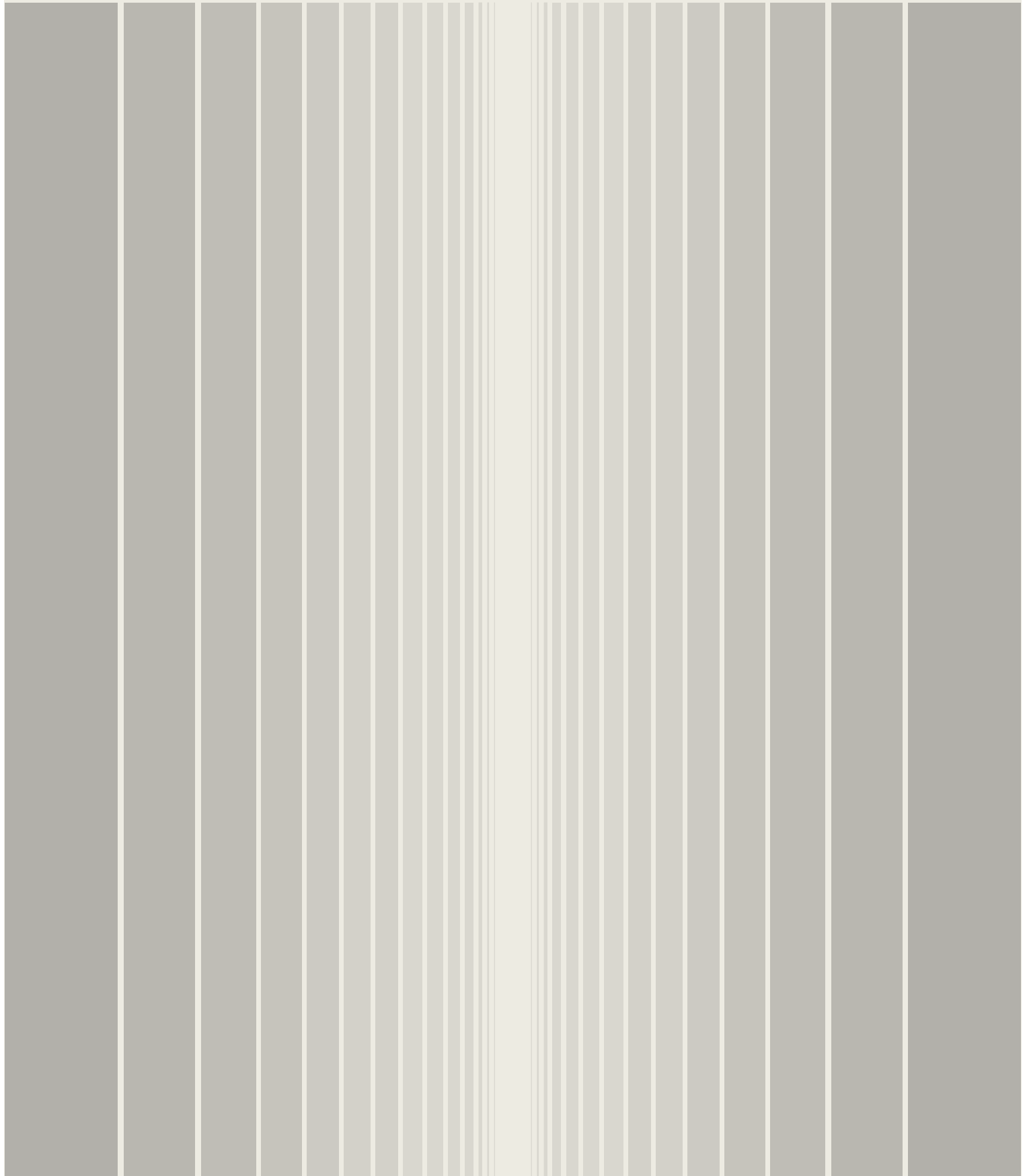




CAHYA MATA SARAWAK

AUDITED FINANCIAL
STATEMENTS 2019

Creating Future Value



Registration No: 197401003655 (21076-T)

Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors: Tan Sri Abdul Rashid bin Abdul Manaf
Group Chairman
Dato Sri Mahmud Abu Bekir Taib
Deputy Group Chairman
Dato Isaac Lugun
Group Managing Director
Datuk Seri Yam Kong Choy
Datuk Ir Kamarudin bin Zakaria
Chin Mui Khiong
Umang Nangku Jabu

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
Kenanga Investment Bank Berhad
Maybank Islamic Berhad
RHB Bank Berhad

Stock Exchange Listing: Bursa Malaysia Securities Berhad - Main Market

Stock Code: 2852

Stock Name: CMSB

Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

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Cahaya 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 2019.

Principal activities

The Company is principally an investment holding company. It also provides centralised treasury 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 19 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group	Company
	RM'000	RM'000
Profit for the year attributable to:		
- Owners of the Company	159,455	49,826
- Non-controlling interests	28,662	-
	<u>188,117</u>	<u>49,826</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 2,570,700 of its issued ordinary shares from the open market at an average price of RM3.24 per share totalling RM8,337,812 and re-sold 5,250,000 treasury shares in the open market at an average price of RM3.17 per share for RM16,656,510. The shares repurchased are being held as treasury shares in accordance with Section 127(4) of the Companies Act 2016.

As at 31 December 2019, the number of treasury shares were 1,751,100 and the outstanding ordinary shares in issue after set-off of treasury shares was therefore 1,072,624,620.

Share options

No option was granted by the Company to any parties to take up unissued shares of the Company during the financial year.

Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

Dividends

Since the end of the previous financial year, the Company paid on 24 May 2019 a first and final tax exempt (single-tier) dividend of 7.40 sen per ordinary share, totalling RM79,374,222 in respect of the financial year ended 31 December 2018.

At the forthcoming Annual General Meeting, a first and final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2019, of 3.00 sen per share on 1,072,624,620 ordinary shares, amounting to a dividend payable of RM32,178,739 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 2020.

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 Lugin	Group Managing Director (Appointed on 18 October 2019)
Datuk Seri Yam Kong Choy	
Datuk Ir Kamarudin bin Zakaria	(Appointed on 26 November 2019)
Chin Mui Khiong	
Umang Nangku Jabu	
Datu Hubert Thian Chong Hui	(Retired on 1 February 2020)
Datuk Syed Ahmad Alwee Alsree	(Resigned on 18 October 2019)

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:

Abdul Nasser bin Mohd Sanusi	(Alternate to Goh Chii Bing and resigned on 1 November 2019)
Cyrill Eigensatz	
Dato' Richard Alexander John Curtis	
Dato Robert Geneid	
Datu Dr. Haji Sulaiman bin Haji Husaini	
Datu Haji Soedirman bin Haji Aini	
Datu Haji Julaihi bin Haji Narawi	(Alternate to Datu Dr. Haji Sulaiman bin Haji Husaini)
Datu Haji Junaidi bin Haji Reduan	
Datuk Hajjah Raziah @ Rodiah binti Mahmud	(Alternate to Dato Robert Geneid)
Datuk Hasmi bin Hasnan	
Datuk Matthew Tee Kai Woon	(Alternate to Datuk Tee Hock Hin)
Datuk Tee Hock Hin	
Derek Chee Huong Xing	(Appointed on 1 March 2020)
Dr. Tan Cheng Kiat	(Alternate to We Her Ching)
Emily Hii San San	(Alternate to Wong Ping Eng)
Fariz Salleh bin Mohamad Ali	

Cahaya Mata Sarawak Berhad
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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.)

Goh Chii Yew	(Appointed on 18 November 2019)
Haji Abdul Hadi bin Datuk Haji Abdul Kadir	(Appointed on 18 January 2019)
Haji Abdul Rahman bin Noor	(Appointed on 1 July 2019)
Haji Ghazali bin Ismail	
Hajjah Rakayah binti Hamdan	
James Ambrose Dago	
Jason Lee Kheng Swee	(Appointed on 1 July 2019 and resigned on 1 March 2020)
Karim bin Reduan	(Appointed on 4 March 2019)
Karl Vink @ Khalid Abdullah	(Appointed on 20 September 2019)
Kueh Hoi Chuang	
Lim Lee Wan	
Ling Koah Wi	
Michael Chin Ching Huat	(Appointed on 20 February 2020)
Mohamad bin Abdullah	
Mohammad Farish Nizar bin Othman	
Mohamed Zaid bin Mohamed Zaini	(Appointed on 31 December 2019)
Ni QingJiu	(Appointed on 4 March 2019)
Rodziah binti Morshidi	
Syed Hizam Alsagoff	
We Her Ching	
Wendy Yong San San	
Wong Ping Eng	
Xia WenZong	(Appointed on 4 March 2019)
Annette Stella Bessant	(Resigned on 7 March 2019)
Chong Swee Sin	(Resigned on 1 March 2020)
Goh Chii Bing	(Resigned on 20 February 2020)
Haji Arba'eni @ Arba'en bin Askam	(Resigned on 1 December 2019)
Haji Othman bin Abdul Rani	(Resigned on 7 November 2019)
Henry Lim Ung Eng	(Resigned on 2 April 2019)
Joseph Ting Siew Mee @ Ting Seu Mee	(Resigned on 2 April 2019)
Tan Tian @ Tan Yeow Khoon	(Resigned on 28 February 2019)
Hajjah Siti Hajar binti Abang Mon	(Resigned on 2 January 2019)

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.

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 he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 39(c) to the financial statements.

Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	9,743	6,200	5,768	2,810
Defined contribution and social security plans	807	747	334	338
Total executive directors' remuneration (excluding benefits-in-kind)	10,550	6,947	6,102	3,148
Benefits-in-kind	115	156	31	82
Total executive directors' remuneration (including benefits-in-kind)	10,665	7,103	6,133	3,230
Non-executive:				
Fees	1,019	1,098	708	738
Other emoluments	1,763	3,576	1,436	3,280
Defined contribution and social security plans	58	125	58	125
Total non-executive directors' remuneration (excluding benefits-in-kind)	2,840	4,799	2,202	4,143
Benefits-in-kind	89	404	58	373
Total non-executive directors' remuneration (including benefits-in-kind)	2,929	5,203	2,260	4,516
Total directors' remuneration	13,594	12,306	8,393	7,746

Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

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 in the Company during the financial year were as follows:

	←	Number of ordinary shares		→
	At 1.1.2019/ date of appointment	Acquired	Disposed	At 31.12.2019
Direct interest:				
Dato Sri Mahmud Abu Bekir Taib	11,428,155	-	(10,428,155)	1,000,000
Dato Isaac Lugun	250,000	-	-	250,000
Datuk Seri Yam Kong Choy	60,000	-	-	60,000
Chin Mui Khiong	60,000	-	(60,000)	-
Umang Nangku Jabu	200,000	-	-	200,000
Indirect interest*:				
Dato Sri Mahmud Abu Bekir Taib	4,480,000	265,000	(337,900)	4,407,100

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

The other directors in office at the end of the financial year had no interest in 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 RM84,000. 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.

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.

Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

Other statutory information (contd.)

- (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.
- (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; 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.

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Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

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 13 March 2020.

Tan Sri Abdul Rashid bin Abdul Manaf

Dato Sri Mahmud Abu Bekir Taib

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Cahaya 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 Sri Mahmud Abu Bekir Taib**, being two of the directors of **Cahaya Mata Sarawak Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 16 to 155 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 2019 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 13 March 2020.

Tan Sri Abdul Rashid bin Abdul Manaf

Dato Sri Mahmud Abu Bekir Taib

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 **Cahaya Mata Sarawak Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 16 to 155 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
13 March 2020

Syed Hizam Alsagoff
Group Chief Financial Officer

Before me,

Registration No: 197401003655 (21076-T)

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Cahaya Mata Sarawak Berhad**, which comprise the statements of financial position as at 31 December 2019 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 155.

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 2019, 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
Cahaya 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 2019, the Group's goodwill stood at RM83.7 million resulting from the acquisition of three subsidiaries. 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 were 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 rate applied, evaluating the reasonableness of assumptions used by management, in particular those 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 Note 18 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.)

Revenue and cost recognition relating to construction

Revenue arising from construction contracts involves the application of the percentage of completion method. The Group's construction works may take several years to complete and the scope of work may change during the construction period. Management estimates the revenue and costs at the inception of the contracts and regularly assess the progress of construction works as well as the financial impact in changes in scopes, claims, foreseeable losses and liquidated ascertained damages. The process to measure the revenue, budgeted costs, including the determination of the appropriate timing of recognition, involves significant management judgement. As such, we determined this to be a key audit matter.

Our audit procedures included the evaluation of the percentage of completion of projects, computation of revenue recognised, estimation of costs to complete, adequacy of provisions made for foreseeable losses and liquidated ascertained damages. We have also discussed with the management and respective project teams about the progress of the projects. Specific additional procedures have been performed over the recording of contract costs. We also considered the adequacy of the disclosures on revenue recognition included in the summary of significant accounting policies in Note 2.26(b) to the financial statements, as well as in the significant accounting judgements and estimates in Note 3.2(e) to the financial statements.

MFRS 16 - Leases recognition

'MFRS 16 Leases' becomes effective for annual reporting beginning on or after 1 January 2019. The application of the new standard gives rise to right-of-use assets of RM72.4 million, finance lease receivable of RM1.2 million and a corresponding increase in lease liabilities of RM34.2 million. The Group and the Company decided to apply the modified retrospective approach for the transition accounting. The measurement of the right-of-use assets and lease liabilities is based on certain estimates and judgments in identifying and accounting for leases such as discount rates, lease terms, termination and renewal options. The impact of the new standard is significant to our audit as the balances recorded are material, and the implementation process to identify and process all relevant data related to the complete population of leases are complex.

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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.)

MFRS 16 - Leases recognition (contd.)

Our audit procedures included evaluating management's implementation process, the completeness and accuracy of the lease contracts identified and recorded in the lease accounting system and the computation of the right-of-assets and lease liabilities. Specific procedures have been performed to verify the accuracy of the lease contracts input in the lease accounting system and the completeness of the identified lease contracts. We have assessed management assumptions, specifically on the assumptions used to determine the discount rates, the implementation of a single discount rate for all leases at transition, the lease terms and the assessment of renewal options. We have assessed and recomputed the computation of the right-of-use asset and lease liability by the management for each material type lease contract. We assessed the adequacy of the disclosures of the impact of the new standard in Note 2.2 to the financial statements, as well as the significant accounting judgements and estimates in Note 3.1(b) to the financial statements.

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 information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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, 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.

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.)

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.

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.

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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.)

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

- 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.
- 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.

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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.)

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

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.

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 19 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. 02697/01/2021 J
Chartered Accountant

Kuching, Malaysia
Date:

Cahaya Mata Sarawak Berhad**Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2019**

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	4	1,740,528	1,712,244	133,833	208,750
Cost of sales		(1,457,310)	(1,368,283)	(32,015)	(35,766)
Gross profit		283,218	343,961	101,818	172,984
Other items of income					
Interest income	5	2,549	3,018	-	-
Other income	6	41,453	37,906	10,033	15,281
Other items of expense					
Administrative expenses		(60,303)	(54,159)	(29,697)	(25,599)
Selling expenses		(17,292)	(17,042)	-	-
Finance costs	7	(41,952)	(37,285)	(24,110)	(24,025)
Other expenses		(17,589)	(8,869)	(6,249)	(1,722)
Share of results of associates		58,396	105,340	-	-
Share of results of joint ventures		(584)	(546)	-	-
Profit before tax	8	247,896	372,324	51,795	136,919
Income tax expense	11	(59,779)	(75,078)	(1,969)	166
Profit net of tax		188,117	297,246	49,826	137,085
Other comprehensive income					
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		-	(4)	-	-
Share of other comprehensive income of associates		1,579	4,270	-	-
Share of other comprehensive income of a joint venture		(139)	(32)	-	-
Other comprehensive income for the year		1,440	4,234	-	-
Total comprehensive income for the year		189,557	301,480	49,826	137,085
Profit attributable to:					
Owners of the Company		159,455	262,135	49,826	137,085
Non-controlling interests		28,662	35,111	-	-
		188,117	297,246	49,826	137,085

Cahaya Mata Sarawak Berhad

**Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2019 (contd.)**

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total comprehensive income attributable to:					
Owners of the Company		160,767	266,341	49,826	137,085
Non-controlling interests		28,790	35,139	-	-
		<u>189,557</u>	<u>301,480</u>	<u>49,826</u>	<u>137,085</u>
		2019	2018		
Earnings per share attributable to owners of the Company (sen per share):					
Basic/Diluted	12	<u>14.87</u>	<u>24.45</u>		

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

Cahaya Mata Sarawak Berhad**Statements of Financial Position
As at 31 December 2019**

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	1,332,139	746,217	12,953	2,221
Prepaid land lease payments	14	-	42,508	-	8,435
Land held for property development	15(a)	191,853	227,629	-	-
Investment properties	16	8,651	5,156	-	-
Intangible assets	17	15,934	726	161	101
Goodwill	18	83,678	62,954	-	-
Investments in subsidiaries	19	-	-	1,249,489	1,125,351
Investments in associates	20	975,964	979,791	243,853	243,853
Investments in joint ventures	21	20,855	23,916	-	-
Deferred tax assets	22	15,444	19,034	-	-
Other receivables	25	89,737	50,182	30,312	38,644
Investment securities	28	11,525	3,958	-	-
		<u>2,745,780</u>	<u>2,162,071</u>	<u>1,536,768</u>	<u>1,418,605</u>
Current assets					
Property development costs	15(b)	154,647	192,993	-	-
Inventories	23	342,322	334,248	-	-
Trade and other receivables	25	294,007	314,038	351,315	312,875
Other current assets	26	61,212	81,985	-	-
Investment securities	28	239,309	100,201	239,309	100,201
Derivative financial asset	29	90,058	81,271	90,058	81,271
Tax recoverable		6,511	7,017	-	1,091
Cash and bank balances	30	621,093	920,539	441,430	860,707
		<u>1,809,159</u>	<u>2,032,292</u>	<u>1,122,112</u>	<u>1,356,145</u>
TOTAL ASSETS		<u>4,554,939</u>	<u>4,194,363</u>	<u>2,658,880</u>	<u>2,774,750</u>

Cahaya Mata Sarawak Berhad**Statements of Financial Position
As at 31 December 2019 (contd.)**

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
EQUITY AND LIABILITIES					
Current liabilities					
Income tax payable		7,082	18,109	315	-
Loans and borrowings	31	45,529	53,905	-	-
Lease liabilities	32	11,997	-	342	-
Trade and other payables	33	471,103	454,659	1,066,489	1,162,784
Other current liabilities	34	71,267	91,045	-	-
		<u>606,978</u>	<u>617,718</u>	<u>1,067,146</u>	<u>1,162,784</u>
Net current assets		<u>1,202,181</u>	<u>1,414,574</u>	<u>54,966</u>	<u>193,361</u>
Non-current liabilities					
Deferred tax liabilities	22	49,427	35,947	37	37
Loans and borrowings	31	709,332	562,628	500,000	500,000
Lease liabilities	32	36,253	-	997	-
Trade and other payables	33	1,003	61,859	-	-
		<u>796,015</u>	<u>660,434</u>	<u>501,034</u>	<u>500,037</u>
TOTAL LIABILITIES		<u>1,402,993</u>	<u>1,278,152</u>	<u>1,568,180</u>	<u>1,662,821</u>
Net assets		<u>3,151,946</u>	<u>2,916,211</u>	<u>1,090,700</u>	<u>1,111,929</u>
Equity attributable to owners of the Company					
Share capital	35	867,902	867,902	867,902	867,902
Treasury shares	35	(5,625)	(12,277)	(5,625)	(12,277)
Other reserves	36	14,049	13,589	168,000	168,000
Retained earnings		1,762,141	1,679,692	60,423	88,304
		<u>2,638,467</u>	<u>2,548,906</u>	<u>1,090,700</u>	<u>1,111,929</u>
Non-controlling interests		<u>513,479</u>	<u>367,305</u>	<u>-</u>	<u>-</u>
TOTAL EQUITY		<u>3,151,946</u>	<u>2,916,211</u>	<u>1,090,700</u>	<u>1,111,929</u>
TOTAL EQUITY AND LIABILITIES		<u>4,554,939</u>	<u>4,194,363</u>	<u>2,658,880</u>	<u>2,774,750</u>

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

Cahaya Mata Sarawak Berhad**Statements of Changes in Equity
For the financial year ended 31 December 2019**

Group	Note	Total equity RM'000	← Attributable to owners of the Company →				Retained earnings RM'000	Non- controlling interests RM'000
			Total RM'000	Share capital (Note 35) RM'000	Treasury shares (Note 35) RM'000	Other reserves (Note 36) RM'000		
At 1 January 2019		2,916,211	2,548,906	867,902	(12,277)	13,589	1,679,692	367,305
Profit net of tax		188,117	159,455	-	-	-	159,455	28,662
Other comprehensive income, net of tax		1,440	1,312	-	-	511	801	128
Total comprehensive income		189,557	160,767	-	-	511	160,256	28,790
Transactions with owners								
Acquisition of treasury shares	35(b)	(8,338)	(8,338)	-	(8,338)	-	-	-
Disposal of treasury shares	35(b)	16,657	16,657	-	14,990	-	1,667	-
Dividends paid to owners of the Company	44(a)	(79,374)	(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	-	(77,707)	(14,235)
Acquisition of a subsidiary	19(d)	8,074	-	-	-	-	-	8,074
Deemed acquisition of a subsidiary	19(d)	123,550	-	-	-	-	-	123,550
Disposal of a subsidiary		(39)	(39)	-	-	(39)	-	-
Share of associates' reserves		-	-	-	-	(12)	12	-
Share of a joint venture's reserve		(117)	(112)	-	-	-	(112)	(5)
At 31 December 2019		3,151,946	2,638,467	867,902	(5,625)	14,049	1,762,141	513,479

Cahaya Mata Sarawak Berhad**Statements of Changes in Equity
For the financial year ended 31 December 2019 (contd.)**

Group (contd.)	Note	← Attributable to owners of the Company →					Retained earnings	Non-controlling interests
		Total equity	Total	Share capital (Note 35)	Treasury shares (Note 35)	Other reserves (Note 36)		
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2018 (Restated)		2,679,645	2,350,269	867,902	-	9,092	1,473,275	329,376
Effect of adoption of MFRS 9		28,959	29,705	-	-	237	29,468	(746)
As restated		2,708,604	2,379,974	867,902	-	9,329	1,502,743	328,630
Profit net of tax		297,246	262,135	-	-	-	262,135	35,111
Other comprehensive income, net of tax		4,234	4,206	-	-	4,206	-	28
Total comprehensive income		301,480	266,341	-	-	4,206	262,135	35,139
Transactions with owners								
Acquisition of treasury shares	35(b)	(17,731)	(17,731)	-	(17,731)	-	-	-
Disposal of treasury shares	35(b)	6,272	6,272	-	5,454	-	818	-
Dividends paid to owners of the Company	44(a)	(85,950)	(85,950)	-	-	-	(85,950)	-
Dividends paid to non-controlling interests		(15,574)	-	-	-	-	-	(15,574)
Issuance of preference shares to a non-controlling interest		19,110	-	-	-	-	-	19,110
Total transactions with owners		(93,873)	(97,409)	-	(12,277)	-	(85,132)	3,536
Share of associates' reserves		-	-	-	-	54	(54)	-
At 31 December 2018		2,916,211	2,548,906	867,902	(12,277)	13,589	1,679,692	367,305

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

Cahaya Mata Sarawak Berhad

**Statements of Changes in Equity
For the financial year ended 31 December 2019 (contd.)**

Company	Note	Total equity	Share capital	Treasury shares	Other reserves	Retained earnings
		RM'000	(Note 35) RM'000	(Note 35) RM'000	(Note 36) RM'000	RM'000
At 1 January 2019		1,111,929	867,902	(12,277)	168,000	88,304
Profit net of tax, representing total comprehensive income		49,826	-	-	-	49,826
Transactions with owners						
Acquisition of treasury shares	35(b)	(8,338)	-	(8,338)	-	-
Disposal of treasury shares	35(b)	16,657	-	14,990	-	1,667
Dividends paid to owners of the Company	44(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
At 1 January 2018		1,040,526	867,902	-	168,000	4,624
Effect of adoption of MFRS 9		31,727	-	-	-	31,727
As restated		1,072,253	867,902	-	168,000	36,351
Profit net of tax, representing total comprehensive income		137,085	-	-	-	137,085
Transactions with owners						
Acquisition of treasury shares	35(b)	(17,731)	-	(17,731)	-	-
Disposal of treasury shares	35(b)	6,272	-	5,454	-	818
Dividends paid to owners of the Company	44(a)	(85,950)	-	-	-	(85,950)
Total transactions with owners		(97,409)	-	(12,277)	-	(85,132)
At 31 December 2018		1,111,929	867,902	(12,277)	168,000	88,304

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

Cahaya Mata Sarawak Berhad**Statements of Cash Flows
For the financial year ended 31 December 2019**

Group	Note	2019 RM'000	2018 RM'000
Operating activities			
Profit before tax		247,896	372,324
<u>Adjustments for:</u>			
Amortisation of intangible assets	8	1,540	1,477
Amortisation of prepaid land lease payments	8	-	905
Depreciation of property, plant and equipment	8	75,600	60,512
Depreciation of investment properties	8	155	118
Fair value gain in a derivative financial asset	6	(8,787)	(14,130)
Gain on deemed disposal of investment in an associate	6	(5,262)	-
Gain on disposal of investment in irredeemable convertible preference shares in an associate	6	-	(10,860)
Gain on disposal of a subsidiary	6	(7)	-
Gross dividend income	4	(10,222)	(4,872)
Impairment loss on trade and other receivables	8	2,030	389
Intangible asset written off	8	2	-
Interest expense	7	41,353	36,771
Interest income	4/5	(19,296)	(28,352)
Inventories written off	8	12	602
Net fair value changes in investment securities	8	1,303	(405)
Net gain on disposal of property, plant and equipment	8	(2,230)	(97)
Property, plant and equipment written off	8	1,091	974
Reversal of impairment loss on amount due from an associate	6	(365)	(607)
Reversal of impairment loss on trade and other receivables	6	(780)	(835)
Share of results of associates		(58,396)	(105,340)
Share of results of joint ventures		584	546
Unrealised foreign exchange gain	8	(772)	(1,045)
Total adjustments		<u>17,553</u>	<u>(64,249)</u>
Operating cash flows before changes in working capital		265,449	308,075
<u>Changes in working capital</u>			
Decrease in property development costs		38,346	22,940
Decrease in land held for development		51,592	13,764
Increase in inventories		(7,912)	(46,637)
Decrease in other current assets		20,773	20,942
Decrease/(increase) in receivables		54,913	(40,145)
Decrease in payables		(76,661)	(105,741)
(Decrease)/increase in other current liabilities		(19,778)	39,170
Total changes in working capital		<u>61,273</u>	<u>(95,707)</u>
Cash flows from operations		326,722	212,368
Interest received		18,254	25,782
Interest paid		(41,485)	(33,023)
Income taxes paid, net of refund		(57,097)	(78,204)
Net cash flows from operating activities		<u>246,394</u>	<u>126,923</u>

Cahaya Mata Sarawak Berhad**Statements of Cash Flows
For the financial year ended 31 December 2019 (contd.)**

Group (contd.)	Note	2019 RM'000	2018 RM'000
Investing activities			
Acquisition of property, plant and equipment	13(e)	(371,053)	(81,284)
Acquisition of land held for property development	15(a)	(15,816)	-
Acquisition of investment properties	16	(3,650)	-
Acquisition of additional interests in an associate	20(b)	(62,564)	(45,542)
Acquisition of prepaid land lease payments	14	-	(28,965)
Additional costs incurred on intangible assets	17	(6,224)	(2)
Additional investments in investment securities		(147,978)	(7,164)
Additional investments in joint ventures	21(a)	-	(3,294)
Dividends received from associates		4,085	6,536
Dividends received from investments	4	10,222	4,872
Distribution of profit from joint ventures		2,221	5,418
Net cash outflows from acquisition of subsidiaries	19(d)	(5,670)	-
Net cash inflow from disposal of a subsidiary		26	-
Placement of deposits with licensed banks		(2,469)	-
Proceeds from disposal of property, plant and equipment		5,634	1,638
Proceeds from disposal of investment in irredeemable convertible preference shares in an associate	20(a)	-	77,170
Net cash flows used in investing activities		<u>(593,236)</u>	<u>(70,617)</u>
Financing activities			
Acquisition of treasury shares	35(b)	(8,338)	(17,731)
Dividends paid to owners of the Company	44(a)	(79,374)	(85,950)
Dividends paid to non-controlling interests		(14,535)	(15,574)
Drawdown of borrowings		179,157	37,600
Increase in deposits pledged to licensed banks	30(c)	181	(45)
Repayment of borrowings		(37,129)	(57,431)
Repayment of lease liabilities	32	(11,404)	-
Net proceeds from disposal of treasury shares	35(b)	16,657	6,272
Proceeds from lease receivables	25(b)(vi)	556	-
Proceeds from issuance of ordinary shares to a non-controlling interest		300	-
Proceeds from issuance of redeemable preference shares to a non-controlling interest		-	19,110
Net cash flows from/(used in) financing activities		<u>46,071</u>	<u>(113,749)</u>
Net decrease in cash and cash equivalents		(300,771)	(57,443)
Cash and cash equivalents at 1 January		918,440	975,781
Effect of foreign exchange changes on cash and cash equivalents		(963)	102
Cash and cash equivalents at 31 December	30	<u>616,706</u>	<u>918,440</u>

Cahaya Mata Sarawak Berhad

Statements of Cash Flows
For the financial year ended 31 December 2019 (contd.)

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

	Loans and borrowings	Lease liabilities	Total
	RM'000	RM'000	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 borrowings	179,157	-	179,157
Repayment of borrowings	(37,129)	-	(37,129)
Unrealised foreign exchange gain	(2,439)	-	(2,439)
At 31 December 2019	754,861	48,250	803,111
At 1 January 2018	636,364	-	636,364
Drawdown of borrowings	37,600	-	37,600
Repayment of borrowings	(57,431)	-	(57,431)
At 31 December 2018	616,533	-	616,533

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

Cahaya Mata Sarawak Berhad**Statements of Cash Flows
For the financial year ended 31 December 2019 (contd.)**

Company	Note	2019 RM'000	2018 RM'000
Operating activities			
Profit before tax		51,795	136,919
<u>Adjustments for:</u>			
Amortisation of prepaid land lease payments	8	-	426
Depreciation of property, plant and equipment	8	1,311	310
Gross dividend income	4	(103,470)	(170,126)
Loss allowance on amount due from a subsidiary	8	3,580	1,247
Loss allowance on investment in a subsidiary	8	2,669	-
Interest expense	7	56,090	59,766
Interest income	4	(30,363)	(38,624)
Net fair value changes in investment securities	8	(1,175)	(405)
Fair value gain in a derivative financial asset	6	(8,787)	(14,130)
Property, plant and equipment written off	8	-	461
Total adjustments		(80,145)	(161,075)
Operating cash flows before changes in working capital		(28,350)	(24,156)
<u>Changes in working capital</u>			
Decrease/(increase) in receivables		4,250	(35,885)
Increase/(decrease) in payables		856	(1,809)
Total changes in working capital		5,106	(37,694)
Cash flows used in operations		(23,244)	(61,850)
Interest received		29,321	37,181
Interest paid		(52,342)	(56,018)
Taxes paid		(563)	(2,949)
Net cash flows used in operating activities		(46,828)	(83,636)
Investing activities			
Additional investments in investment securities		(137,933)	(3,276)
Acquisition of property, plant and equipment	13	(1,900)	(1,249)
Acquisition of intangible asset	17	(60)	-
Dividends received		103,257	170,126
Proceeds from redemption of investments in redeemable preference shares in a subsidiary	19(b)	-	66,310
Subscription of additional shares in a subsidiary	19(a)	(126,807)	(27,543)
Net cash flows (used in)/from investing activities		(163,443)	204,368

Cahaya Mata Sarawak Berhad

Statements of Cash Flows
For the financial year ended 31 December 2019 (contd.)

Company (contd.)	Note	2019 RM'000	2018 RM'000
Financing activities			
Acquisition of treasury shares	35(b)	(8,338)	(17,731)
Amount due to subsidiaries under central cash management accounts		(137,582)	(38,974)
Dividends paid to owners of the Company	44(a)	(79,374)	(85,950)
Net proceeds from disposal of treasury shares	35(b)	16,657	6,272
Repayment of lease liabilities	32	(369)	-
Net cash flows used in financing activities		<u>(209,006)</u>	<u>(136,383)</u>
Net decrease in cash and cash equivalents		(419,277)	(15,651)
Cash and cash equivalents at 1 January		<u>860,497</u>	<u>876,148</u>
Cash and cash equivalents at 31 December	30	<u>441,220</u>	<u>860,497</u>

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

	Loans and borrowings RM'000	Lease liabilities 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	<u>500,000</u>	<u>1,339</u>	<u>501,339</u>
At 1 January 2018	500,000	-	500,000
Advances received	-	-	-
Repayment made	-	-	-
At 31 December 2018	<u>500,000</u>	<u>-</u>	<u>500,000</u>

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 2019

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 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 19. There have been no significant changes in the nature of the principal activities during the financial year.

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 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

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group and the Company have adopted all the MFRS listed below, that are effective for annual financial periods beginning on or after 1 January 2019.

- IC Interpretation 23: Uncertainty over Income Tax Treatments
- MFRS 16: Leases
- Annual Improvements to MFRSs 2015 - 2017 Cycle:
 - (i) Amendments to MFRS 3: Business Combinations
 - (ii) Amendments to MFRS 11: Joint Arrangements
 - (iii) Amendments to MFRS 112: Income Taxes
 - (iv) Amendments to MFRS 123: Borrowing Costs
- Amendments to MFRS 9: Prepayment Features with Negative Compensation
- Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
- Amendments to MFRS 119: Employee Benefits - Plan Amendment, Curtailment or Settlement

Except for the effects arising from the adoption of MFRS 16 as described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.2 Changes in accounting policies (contd.)

MFRS 16: Leases

(a) Definition of a lease

On transition to MFRS 16, the Group and the Company have elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, determining whether an arrangement contains a lease were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee

Where the Group and the Company are lessees, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's and the Company's weighted-average incremental borrowing rate as at 1 January 2019 of 5%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group and the Company used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At 1 January 2019, all leasehold land under property, plant and equipment and prepaid land lease payments that meets the definition of a lease are reclassified as right-of-use assets. For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****2. Basis of preparation and summary of significant accounting policies (contd.)****2.2 Changes in accounting policies (contd.)****(b) As a lessee (contd.)**

The Group and the Company have applied commercial judgement to determine the lease term for those leases with renewal options and this in turn will impact on the amount of right-to-use assets and lease liabilities recognised. The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for low value assets and short-term leases. The lease payments for these leases are expensed on a straight-line basis over the lease term.

(c) As a lessor

The Group leases some of its properties which were classified as operating lease. The accounting policies for the Group as a lessor remained the same as in MFRS 117. Hence, no adjustment is required for the transition to MFRS 16.

The following table provides the impact of changes to the statements of financial position of the Group and of the Company resulting from the adoption of MFRS 16 as at 1 January 2019:

Group	At 31 December 2018 RM'000	Effect of adoption of MFRS 16 RM'000	At 1 January 2019 RM'000
Non-current assets			
Property, plant and equipment - cost	1,617,057	72,376	1,689,433
Prepaid land lease payments	42,508	(42,508)	-
Trade and other receivables			
- lease receivables	-	962	962
	1,659,565	30,830	1,690,395
Current asset			
Trade and other receivables			
- lease receivables	-	233	233
	1,659,565	31,063	1,690,628
Current liabilities			
Loans and borrowings	53,905	(577)	53,328
Lease liabilities	-	6,962	6,962
Trade and other payables	454,659	(732)	453,927
	508,564	5,653	514,217
Non-current liabilities			
Loans and borrowings	562,628	(684)	561,944
Lease liabilities	-	27,237	27,237
Trade and other payables	61,859	(1,143)	60,716
	624,487	25,410	649,897
	1,133,051	31,063	1,164,114

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****2. Basis of preparation and summary of significant accounting policies (contd.)****2.2 Changes in accounting policies (contd.)**

The following table provides the impact of changes to the statements of financial position of the Group and of the Company resulting from the adoption of MFRS 16 as at 1 January 2019: (contd.)

Company	At 31 December 2018 RM'000	Effect of adoption of MFRS 16 RM'000	At 1 January 2019 RM'000
Non-current assets			
Property, plant and equipment - cost	7,080	10,143	17,223
Prepaid land lease payments	8,435	(8,435)	-
	<u>15,515</u>	<u>1,708</u>	<u>17,223</u>
Current liabilities			
Lease liabilities	-	370	370
Non-current liabilities			
Lease liabilities	-	1,338	1,338
	<u>-</u>	<u>1,708</u>	<u>1,708</u>

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
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
Revised Conceptual Framework for Financial Reporting	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.3 Standards issued but not yet effective (contd.)

(a) Amendments to MFRS 101 and MFRS 108: Definition of Material

The amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 align the definition of ‘material’ across the standards and clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated.

(b) Revised Conceptual Framework for Financial Reporting

On 30 April 2018, MASB issued a revised Conceptual Framework for Financial Reporting. The purpose of the Conceptual Framework is, amongst others, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The main changes in the Conceptual Framework are as follows:

- Reintroduces the concept of stewardship and the information needed to assess management’s stewardship;
- Reintroduces the concept of prudence;
- Defines the concept of measurement uncertainty;
- Reinstates an explicit reference to the need to “faithfully represent the substance of the phenomena that it purports to represent”; and
- Made changes to the definitions of an asset and a liability.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.3 Standards issued but not yet effective (contd.)

(c) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Group and the Company do not expect the clarifications of the above would result in any material changes when determining whether a liability is current or non-current.

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

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

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.5 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.

The Company controls an investee if and only if the Company has all the following:

- (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.

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.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.5 Basis of consolidation (contd.)

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

Business combinations

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.

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.

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.

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 this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.6 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.

2.7 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.7 Investments in associates and joint ventures (contd.)

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.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.8 Foreign currency (contd.)

(b) Foreign currency transactions (contd.)

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.

(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 have 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

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.9 Property, plant and equipment (contd.)

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.

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 Prepaid land lease payments

In the previous financial year, prepaid land lease payments were initially measured at cost. Following initial recognition, prepaid land lease payments were measured at cost less accumulated amortisation and accumulated impairment losses. The prepaid land lease payments were amortised over their lease terms.

2.11 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.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

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

(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.

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.

2.12 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.13 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.8.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(b) Other 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.13 Intangible assets (contd.)

(b) Other intangible assets (contd.)

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.

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.

2.14 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")).

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.14 Impairment of non-financial assets (contd.)

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that were previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.15 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.16 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.

2.17 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.

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 2019**

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

2.18 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

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.18 Financial instruments (contd.)

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

Financial assets (contd.)

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

All financial assets not measured at amortised costs as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group and the Company may irrevocably designate a financial asset 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.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gain or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss are 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.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.18 Financial instruments (contd.)

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

Financial liabilities (contd.)

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

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.

(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 awards 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.18 Financial instruments (contd.)

(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.

2.19 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.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.19 Impairment of financial assets (contd.)

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.

2.20 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 calculation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.21 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.

2.22 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.

2.23 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.24 Leases

Current financial year

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.24 Leases (contd.)

Current financial year (contd.)

(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. 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:

Buildings	1 to 17 years
Leasehold land	1 to 94 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.

(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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.24 Leases (contd.)

Current financial year (contd.)

(a) As a lessee (contd.)

(ii) Lease liabilities (contd.)

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.

(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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.24 Leases (contd.)

Previous financial year

(a) As a lessee

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group and the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.25 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.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.26 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.

(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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.26 Revenue (contd.)

(b) Construction contracts (contd.)

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 180 days are consistent with the market practice.

(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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.26 Revenue (contd.)

(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.

(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 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; and
- (iii) rental income is recognised on a straight line basis over the tenure of the lease.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.27 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.

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 profit will allow the deferred tax assets to be utilised.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.27 Taxes (contd.)

(b) Deferred tax (contd.)

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.

2.28 Employee benefits

(a) Short term benefits

Wages, salaries, 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.

(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 defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.28 Employee benefits (contd.)

(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.

2.29 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 43, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 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.

(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.

Cahya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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

2.30 Equity instruments (contd.)

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

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in retained earnings.

2.31 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.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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's and the Company's 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 if there is a significant event or change in circumstances that is within its 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 is disclosed in Note 13.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(b) Impairment of property, plant and equipment

Property, plant and equipment of its subsidiary carrying on a hotel business are tested for impairment when there is an indication that they may be impaired. The recoverable amounts of the property, plant and equipment are estimated using profit method of valuation.

The anticipated gross profit, after deducting the hotel operating cost, including tenant's share from the total revenue, is capitalised at an appropriate rate of return to arrive at the recoverable amounts.

No impairment is recorded as its recoverable amounts are higher than the carrying amounts of the property, plant and equipment. In respect of the profit method of valuation assumptions for this subsidiary with property, plant and equipment of RM47 million (2018: RM49 million), the following changes in the assumption, with all other inputs remaining constant, would result in impairment:

Occupancy rate - decreased by 4%; and
Rate of return - increased by 2%

(c) Impairment of investment in a subsidiary

The Group assesses whether there is any indication that investment in a subsidiary may be impaired at each reporting date. In assessing whether there is any indication that its interest in a subsidiary may be impaired, the Company considers the external and internal sources of information. The Company estimated the recoverable amount of the interest in a subsidiary is based on estimated future cash flows and discounting them at an appropriate rate. In respect of the value-in-use assumption, the sensitivity of key assumptions is similar to those disclosed in Note 3.2(b).

(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 in order 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 18.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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 either 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 27.

(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 27.

(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.

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 25 and Note 27.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****3. Significant accounting judgements and estimates (contd.)****3.2 Key sources of estimation uncertainty (contd.)****(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.

(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.

4. Revenue

Revenue comprised the following:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers	1,709,375	1,681,038	-	-
Revenue from other sources:				
- Interest income	16,747	25,334	30,363	38,624
- Dividends from investments	10,222	4,872	10,222	4,872
- Dividends from associates	-	-	2,398	1,936
- Dividends from subsidiaries	-	-	90,850	163,318
- Rental income	4,184	896	-	-
- Supervision fee	-	104	-	-
	31,153	31,206	133,833	208,750
Total revenue	1,740,528	1,712,244	133,833	208,750

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements****For the financial year ended 31 December 2019****4. Revenue (contd.)**

(a) Disaggregation of revenue from contracts with customers:

Group	Cement	Construction materials and trading	Construction and road maintenance	Property development and related services	Strategic investments and others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019						
- Sale of goods	574,498	324,136	-	-	-	898,634
- Construction and road maintenance	-	-	307,414	607	-	308,021
- Rendering of services	-	172,081	188,163	14,934	11,869	387,047
- Sale of land	-	-	-	9,014	-	9,014
- Sale of completed properties	-	-	-	62,114	-	62,114
- Sale of properties under construction	-	-	-	44,545	-	44,545
	574,498	496,217	495,577	131,214	11,869	1,709,375
Timing of revenue recognition:						
- At a point in time	574,498	384,089	187,978	72,236	-	1,218,801
- Over time	-	112,128	307,599	58,978	11,869	490,574
	574,498	496,217	495,577	131,214	11,869	1,709,375
2018						
- Sale of goods	534,465	346,897	-	-	-	881,362
- Construction and road maintenance	-	-	351,142	23,506	-	374,648
- Rendering of services	-	110,851	196,625	16,973	11,613	336,062
- Sale of completed properties	-	-	-	33,831	-	33,831
- Sale of properties under construction	-	-	-	55,135	-	55,135
	534,465	457,748	547,767	129,445	11,613	1,681,038
Timing of revenue recognition:						
- At a point in time	534,465	356,574	196,054	35,224	-	1,122,317
- Over time	-	101,174	351,713	94,221	11,613	558,721
	534,465	457,748	547,767	129,445	11,613	1,681,038

Information regarding receivables and contract balances are disclosed in Note 25 and 27, respectively.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

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 (contd.)	Cement RM'000	Construction materials and 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 contracts	-	-	523,073	-	-	523,073
Rendering of services	-	5,063	-	7,301	-	12,364
Sale of properties under construction	-	-	-	4,961	-	4,961
	-	5,063	523,073	12,262	-	540,398
Over one year						
Construction contracts	-	-	745,859	6,700	-	752,559
Rendering of services	-	-	-	5,945	-	5,945
Sale of land	-	-	-	300	-	300
	-	-	745,859	12,945	-	758,804
	-	5,063	1,268,932	25,207	-	1,299,202

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****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	Construction materials and 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
2018						
Within one year						
Construction contracts	-	-	512,377	610	-	512,987
Rendering of services	-	8,564	-	-	-	8,564
Sale of properties under construction	-	-	-	10,163	-	10,163
Sale of land	-	-	-	12,250	-	12,250
	-	8,564	512,377	23,023	-	543,964
Over one year						
Construction contracts	-	-	697,726	6,700	-	704,426
Sale of properties under construction	-	-	-	182	-	182
	-	-	697,726	6,882	-	704,608
	-	8,564	1,210,103	29,905	-	1,248,572

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

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

4. Revenue (contd.)

(c) Significant terms of sale are as follows:

Sale of goods - Credit period of 30 to 180 (2018: 30 to 180) days from invoicing date.

Construction and road maintenance - Credit period of 30 to 90 (2018: 30 to 90) days from invoicing date. Subject to defect liability period of at least 1 year from handover.

Rendering of services - Credit period of 30 to 180 (2018: 30 to 180) days from invoicing date.

Sale of completed properties - Credit period of 30 to 90 (2018: 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 (2018: 30 to 90) days from invoicing date. Subject to defect liability period of at least 12 months from vacant possession date.

Sale of land - Credit period of 30 to 90 (2018: 30 to 90) days from invoicing date.

5. Interest income

	Group	
	2019	2018
	RM'000	RM'000
Interest income for financial assets:		
- Trade receivables	191	167
- Advance to a shareholder of a subsidiary	12	91
- Amount due from an associate under shareholder's loan	1,101	2,570
- Short term deposits	434	190
- Money held in trust	793	-
- Lease receivables (Note 25(b)(vi))	18	-
	<u>2,549</u>	<u>3,018</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****6. Other income**

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fee income	-	200	-	-
Gain on deemed disposal of an associate (Note 19(d))	5,262	-	-	-
Gain on disposal of a subsidiary	7	-	-	-
Gain on disposal of irredeemable convertible preference shares in an associate (Note 20(a))	-	10,860	-	-
Gain on disposal of property, plant and equipment	2,293	303	-	-
Licence fee	903	1,224	-	-
Miscellaneous income	1,421	1,603	71	144
Net fair value changes in investment securities held as fair value through profit or loss	1,175	405	1,175	405
Fair value gain in derivative financial asset (Note 29)	8,787	14,130	8,787	14,130
Net foreign exchange gain:				
- Realised	193	2,195	-	602
- Unrealised	772	1,045	-	-
Other fees and school items	136	118	-	-
Rental income	3,952	3,410	-	-
Reversal of impairment loss on:				
- Amount due from an associate	365	607	-	-
- Trade and other receivables (Note 25(a))	780	835	-	-
Reversal of provision of remedial works on soil erosion (Note 33(f))	14,830	-	-	-
Supervision fees	577	971	-	-
	41,453	37,906	10,033	15,281

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****7. Finance costs**

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest expense for financial liabilities:				
- Amounts due to subsidiaries under central cash management account	-	-	32,015	35,766
- Islamic medium term notes	24,000	24,000	24,000	24,000
- Bank borrowings and bank overdraft	8,178	6,454	-	-
- Unwinding of discount	436	-	-	-
- Land premium	10,367	6,317	-	-
- Lease liabilities (Note 32)	2,252	-	75	-
	45,233	36,771	56,090	59,766
Interest capitalised in property, plant and equipment (Note 13(g))	(3,880)	-	-	-
	41,353	36,771	56,090	59,766
Other finance costs:				
- Trade facility charges	553	478	-	-
- Facility fee and commitment fee	46	36	35	25
	599	514	35	25
	41,952	37,285	56,125	59,791
Recognised in profit or loss as:				
- Cost of sales	-	-	32,015	35,766
- Finance costs	41,952	37,285	24,110	24,025
	41,952	37,285	56,125	59,791

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****8. Profit before tax**

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets (Note 17)	1,540	1,477	-	-
Amortisation of prepaid land lease payments (Note 14)	-	905	-	426
Auditors' remuneration:	1,165	1,204	227	257
- Statutory audit	1,006	941	175	170
- Other services	159	263	52	87
Depreciation of property, plant and equipment (Note 13)	75,600	60,512	1,311	310
Depreciation of investment properties (Note 16)	155	118	-	-
Gain on disposal of a subsidiary	(7)	-	-	-
Impairment loss on:				
- Amount due from a subsidiary	-	-	3,580	1,247
- Investment in a subsidiary	-	-	2,669	-
- Trade and other receivables	2,030	389	-	-
Intangible assets written off	2	-	-	-
Inventories written off	12	602	-	-
Minimum operating lease payments on:	-	18,649	-	807
- Land and buildings	-	6,441	-	807
- Plant and equipment	-	9,934	-	-
- Wharf	-	2,274	-	-
Net foreign exchange gain:				
- Realised	(4)	(1,582)	-	-
- Unrealised	(772)	(1,045)	-	-
Net fair value changes in investment securities	1,303	(405)	(1,175)	(405)
Net gain on disposal of property, plant and equipment	(2,230)	(97)	-	-
Property, plant and equipment written off	1,091	974	-	461

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****9. Employee benefits expense**

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	136,756	135,853	9,609	9,010
Contributions to a defined contribution plan	15,702	15,690	1,005	1,033
Contributions to social security plans	1,523	1,440	39	21
Retirement benefits	3,003	1,812	3,003	1,812
Termination benefits	4,471	292	-	-
	<u>161,455</u>	<u>155,087</u>	<u>13,656</u>	<u>11,876</u>

10. Directors' remuneration

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
Executive:				
Salaries and other emoluments	5,768	2,810	5,768	2,810
Defined contribution and social security plans	334	338	334	338
Total short-term employee benefits	<u>6,102</u>	<u>3,148</u>	<u>6,102</u>	<u>3,148</u>
Benefits-in-kind	31	82	31	82
	<u>6,133</u>	<u>3,230</u>	<u>6,133</u>	<u>3,230</u>
Non-executive:				
Fees	829	900	708	738
Other emoluments	1,586	3,458	1,436	3,280
Defined contribution and social security plans	58	125	58	125
	<u>2,473</u>	<u>4,483</u>	<u>2,202</u>	<u>4,143</u>
Benefits-in-kind	89	404	58	373
	<u>2,562</u>	<u>4,887</u>	<u>2,260</u>	<u>4,516</u>
Total remuneration of the directors of the Company	<u>8,695</u>	<u>8,117</u>	<u>8,393</u>	<u>7,746</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****10. Directors' remuneration (contd.)**

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other directors:				
Executive:				
Salaries and other emoluments	3,975	3,390	-	-
Defined contribution and social security plans	473	409	-	-
Total short-term employee benefits	4,448	3,799	-	-
Benefits-in-kind	84	74	-	-
	<u>4,532</u>	<u>3,873</u>	-	-
Non-executive:				
Fees	190	198	-	-
Other emoluments	177	118	-	-
	<u>367</u>	<u>316</u>	-	-
Total remuneration of other directors	<u>4,899</u>	<u>4,189</u>	-	-
Total directors' remuneration	<u>13,594</u>	<u>12,306</u>	<u>8,393</u>	<u>7,746</u>

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

Group	Other		Total
	Fees	emoluments	
	RM'000	RM'000	RM'000
2019			
Executive directors:			
Dato Isaac Lugun	-	357	357
Datuk Syed Ahmad Alwee Alsree	-	5,776	5,776
	-	<u>6,133</u>	<u>6,133</u>
Non-executive directors:			
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 Yam Kong Choy	123	102	225
Datuk Ir Kamarudin Zakaria	8	2	10
Chin Mui Khiong	100	66	166
Umang Nangku Jabu	100	46	146
	<u>829</u>	<u>1,733</u>	<u>2,562</u>
	<u>829</u>	<u>7,866</u>	<u>8,695</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****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
2018			
Executive director:			
Datuk Syed Ahmad Alwee Alsree	-	3,230	3,230
Non-executive directors:			
Tan Sri Abdul Rashid bin Abdul Manaf	38	156	194
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	50	1,703	1,753
Dato Sri Mahmud Abu Bekir Taib	186	631	817
Datu Hubert Thian Chong Hui	166	184	350
Datuk Seri Yam Kong Choy	124	90	214
Dato' Richard Alexander John Curtis	136	1,140	1,276
Chin Mui Khiong	100	50	150
Umang Nangku Jabu	100	33	133
	900	3,987	4,887
	900	7,217	8,117
2019			
Executive directors:			
Dato Isaac Lugun	-	357	357
Datuk Syed Ahmad Alwee Alsree	-	5,776	5,776
	-	6,133	6,133
Non-executive directors:			
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 Yam Kong Choy	100	74	174
Datuk Ir Kamarudin 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

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****10. Directors' remuneration (contd.)**

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

Company (contd.)	Fees RM'000	Other emoluments RM'000	Total RM'000
2018			
Executive director:			
Datuk Syed Ahmad Alwee Alsree	-	3,230	3,230
Non-executive directors:			
Tan Sri Abdul Rashid bin Abdul Manaf	38	156	194
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	50	1,703	1,753
Dato Sri Mahmud Abu Bekir Taib	150	597	747
Datu Hubert Thian Chong Hui	100	85	185
Datuk Seri Yam Kong Choy	100	60	160
Chin Mui Khiong	100	50	150
Umang Nangku Jabu	100	33	133
Dato' Richard Alexander John Curtis	100	1,094	1,194
	738	3,778	4,516
	738	7,008	7,746

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

11. Income tax expense

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	47,435	75,809	1,535	1,790
- (Over)/under provision in respect of previous years	(600)	(3,033)	434	(1,956)
	46,835	72,776	1,969	(166)
Deferred income tax (Note 22):				
- Origination and reversal of temporary differences	14,307	2,556	-	-
- Over provision in respect of previous years	(1,363)	(254)	-	-
	12,944	2,302	-	-
Income tax expense recognised in profit or loss	59,779	75,078	1,969	(166)

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****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:

	Group	
	2019	2018
	RM'000	RM'000
Accounting profit before tax	247,896	372,324
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	59,495	89,358
Adjustments:		
Share of results of associates	(14,015)	(25,282)
Share of results of joint ventures	140	131
Effect of reduction in income tax rate	-	(1,264)
Non-deductible expenses	23,363	21,530
Income not subject to tax	(9,098)	(7,733)
Utilisation of previously unrecognised tax losses	(510)	(1,403)
Deferred tax assets not recognised	2,367	3,028
Over provision of income tax in respect of previous years	(600)	(3,033)
Over provision of deferred tax in respect of previous years	(1,363)	(254)
Income tax expense recognised in profit or loss	59,779	75,078
	Company	
	2019	2018
	RM'000	RM'000
Accounting profit before tax	51,795	136,919
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	12,431	32,861
Adjustments:		
Group tax relief transferred from a subsidiary	-	(532)
Non-deductible expenses	16,288	13,612
Income not subject to tax	(27,184)	(44,151)
Under/(over) provision of income tax in respect of previous years	434	(1,956)
Income tax expense recognised in profit or loss	1,969	(166)

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

In the previous financial year, the Malaysian corporate tax rate was reduced to a range of 20% to 24% from the tax rate of 24%. The reduction in income tax rate is based on the percentage of increase in chargeable income as compared to immediate preceding year of assessment.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

11. Income tax expense (contd.)

Tax savings during the financial year arising from:

	Group	
	2019	2018
	RM'000	RM'000
Utilisation of current year tax losses	1,928	143
Utilisation of tax losses brought forward	-	1,051
	<u>1,928</u>	<u>1,194</u>

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

	Group	
	2019	2018
	RM'000	RM'000
Unutilised tax losses	70,519	62,700
Unabsorbed capital allowances	22,730	17,902
Reinvestment allowances	134,051	167,369
	<u>227,300</u>	<u>247,971</u>

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	
	2019	2018
	RM'000	RM'000
Unutilised tax losses to be carried forward until:		
- Year of assessment 2025	57,986	62,700
- Year of assessment 2026	12,533	-
	<u>70,519</u>	<u>62,700</u>

	Group	
	2019	2018
	RM'000	RM'000
Reinvestment allowances to be carried forward until:		
- Year of assessment 2025	134,051	167,369

Cahya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2019

12. 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.

	Group	
	2019	2018
Profit net of tax attributable to owners of the Company (RM'000)	<u>159,455</u>	<u>262,135</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,072,595</u>	<u>1,071,987</u>
Basic earnings per share (sen)	<u>14.87</u>	<u>24.45</u>

There are no dilutive potential ordinary shares. As such, the diluted earnings per share of the Group is equivalent to basic earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

13. 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 2018	80,793	399,826	954,540	133,995	1,569,154
Additions	-	7,107	65,803	8,374	81,284
Disposals	-	-	(21,611)	(2,128)	(23,739)
Reclassification	-	3,493	(5,381)	1,888	-
Written off	-	(1,090)	(5,700)	(2,852)	(9,642)
At 31 December 2018 and 1 January 2019	80,793	409,336	987,651	139,277	1,617,057
Effect of adoption of MFRS 16 (Note 2.2)	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 19(d))	25,000	81,246	90,530	99	196,875
Disposals	-	-	(4,125)	(3,038)	(7,163)
Lease contracts written off	-	-	(1,482)	-	(1,482)
Reclassification	-	16,992	(17,376)	384	-
Written off	-	-	(1,466)	(2,153)	(3,619)
At 31 December 2019	173,350	563,276	1,389,548	144,636	2,270,810

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****13. 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
Accumulated depreciation:					
At 1 January 2018	13,533	143,680	592,628	91,353	841,194
Depreciation charge for the year (Note 8)	1,356	11,400	36,256	11,500	60,512
Disposals	-	-	(20,540)	(1,658)	(22,198)
Written off	-	(1,089)	(5,196)	(2,383)	(8,668)
At 31 December 2018 and 1 January 2019	14,889	153,991	603,148	98,812	870,840
Depreciation charge for the year (Note 8)	5,421	15,395	44,371	10,413	75,600
Disposals	-	-	(1,509)	(2,250)	(3,759)
Depreciation on lease contracts written off	-	-	(1,482)	-	(1,482)
Reclassification	-	(31)	31	-	-
Written off	-	-	(471)	(2,057)	(2,528)
At 31 December 2019	20,310	169,355	644,088	104,918	938,671
Net carrying amount:					
At 31 December 2018	65,904	255,345	384,503	40,465	746,217
At 31 December 2019	153,040	393,921	745,460	39,718	1,332,139

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

13. 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 2018	-	-	3,580	2,938	6,518
Additions	-	-	1,161	88	1,249
Disposals	-	-	-	(8)	(8)
Written off	-	-	(679)	-	(679)
At 31 December 2018 and 1 January 2019	-	-	4,062	3,018	7,080
Effect of adoption of MFRS 16 (Note 2.2)	8,435	1,708	-	-	10,143
Additions	-	-	1,863	37	1,900
At 31 December 2019	8,435	1,708	5,925	3,055	19,123
Accumulated depreciation:					
At 1 January 2018	-	-	2,037	2,738	4,775
Depreciation charge for the year (Note 8)	-	-	244	66	310
Disposals	-	-	-	(8)	(8)
Written off	-	-	(218)	-	(218)
At 31 December 2018 and 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	426	366	2,506	2,872	6,170
Net carrying amount:					
At 31 December 2018	-	-	1,999	222	2,221
At 31 December 2019	8,009	1,342	3,419	183	12,953

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

13. 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	65,488	-	901	735	67,124
Effect of adoption of MFRS 16 (Note 2.2)	50,625	20,269	1,482	-	72,376
Additions	41,932	5,045	16,654	-	63,631
Lease contracts written off	-	-	(1,482)	-	(1,482)
Depreciation charge for the year	(5,421)	(3,166)	(5,791)	(99)	(14,477)
Depreciation on lease contracts written off	-	-	1,482	-	1,482
At 31 December 2019	152,624	22,148	13,246	636	188,654

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****13. Property, plant and equipment (contd.)****(a) Right-of-use assets (contd.)**

Company	Land RM'000	Building RM'000	Total RM'000
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16 (Note 2.2)	8,435	1,708	10,143
Depreciation charge for the year	(426)	(366)	(792)
At 31 December 2019	8,009	1,342	9,351

The Group and the Company have lease contracts for various items of land, buildings, plant and machinery, and equipment and others used in its 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 on the statements of financial position:

Group	Land	Buildings	Plant and machinery	Equipment and others
No. of right-of-use asset leased	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	-	-

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

Company	Land	Buildings
No. of right-of-use asset leased	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

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****13. Property, plant and equipment (contd.)****(b) Assets under construction**

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

	Group	
	2019	2018
	RM'000	RM'000
Land	25,000	-
Buildings	105,623	5,205
Plant and machinery	366,468	42,723
	<u>497,091</u>	<u>47,928</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 RM587,596,017 (2018: RM475,740,256) and RM2,636,234 (2018: RM2,624,734) for the Group and the Company, respectively.

(d) Land

Included in the carrying amount of land are:

	Group	
	2019	2018
	RM'000	RM'000
Freehold land	416	416
Leasehold land	152,624	65,488
	<u>153,040</u>	<u>65,904</u>

(e) Reconciliation to the statement of cash flows

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Additions for the financial year	396,766	81,284	1,900	1,249
Less: Interest expense capitalised in assets under construction (Note 13(g))	(3,880)	-	-	-
Less: Leasing arrangements	(21,833)	-	-	-
Total cash payments during the financial year	<u>371,053</u>	<u>81,284</u>	<u>1,900</u>	<u>1,249</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****13. Property, plant and equipment (contd.)****(f) Asset charged**

Property, plant and equipment with a carrying amount of RM453,732,672 (2018: Nil) are subject to a first charge to secure the bank loan of a subsidiary as disclosed in Note 31.

(g) Capitalised borrowing costs

Interest expense capitalised in construction in progress during the current financial year amounted to RM3,880,258 (2018: Nil). The capitalisation rate to determine the amount of borrowing costs to be capitalised was 5.65% (2018: Nil).

14. Prepaid land lease payments

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cost:				
At 1 January	52,979	24,014	11,925	11,925
Additions	-	28,965	-	-
Effect of adoption of MFRS 16 (Note 2.2)	(52,979)	-	(11,925)	-
At 31 December	<u>-</u>	<u>52,979</u>	<u>-</u>	<u>11,925</u>
Accumulated amortisation:				
At 1 January	10,471	9,566	3,490	3,064
Amortisation for the year (Note 8)	-	905	-	426
Effect of adoption of MFRS 16 (Note 2.2)	(10,471)	-	(3,490)	-
At 31 December	<u>-</u>	<u>10,471</u>	<u>-</u>	<u>3,490</u>
Net carrying amount	<u>-</u>	<u>42,508</u>	<u>-</u>	<u>8,435</u>
Amount to be amortised:				
- Not later than one year	-	2,379	-	426
- Later than one year but not later than five years	-	9,515	-	1,704
- Later than five years	-	30,614	-	6,305

The Group and the Company have prepaid land leases in Malaysia. The prepaid land leases have remaining tenures ranging from 6 to 38 years in respect of the Group and 20 to 38 years in respect of the Company.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****15. 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 2018	210,361	31,032	241,393
Adjustments	(2,462)	(10,923)	(13,385)
Transferred to property development costs	(379)	-	(379)
At 31 December 2018 and 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	158,892	32,961	191,853

Certain long term leasehold land of the Group with a carrying amount of RM18,327,899 (2018: RM18,327,899) are pledged to secure revolving credit facilities granted to the subject subsidiary (Note 31(b)).

The Group surrendered two parcels of land to the relevant authority during the financial year.

During the previous financial year, an adjustment was made to leasehold land on finalisation of land size while an adjustment made to development expenditure was due to the changes made by the relevant authority in the calculation of interest for land premium payable.

The Group has entered into temporary lease arrangements on certain pieces of leasehold land. Rental income recognised during the year is RM216,000 (2018: RM216,000).

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

	Group	
	2019 RM'000	2018 RM'000
Within one year	225	216

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****15. 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 2018	89,244	865,001	954,245
Costs incurred during the year	-	63,142	63,142
Reversal of completed projects	(361)	(5,391)	(5,752)
Transferred from land held for property development	379	-	379
Unsold units transferred to inventories	(759)	(40,397)	(41,156)
At 31 December 2018 and 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	88,981	890,134	979,115
Cumulative costs recognised in profit or loss:			
At 1 January 2018	(12,298)	(726,014)	(738,312)
Recognised during the year	(1,310)	(43,995)	(45,305)
Reversal of completed projects	361	5,391	5,752
At 31 December 2018 and 1 January 2019	(13,247)	(764,618)	(777,865)
Recognised during the year	(1,324)	(45,279)	(46,603)
At 31 December 2019	(14,571)	(809,897)	(824,468)
Property development costs:			
At 31 December 2018	75,256	117,737	192,993
At 31 December 2019	74,410	80,237	154,647

The Group has entered into operating lease agreements on certain pieces of leasehold land. Rental income recognised during the year was RM129,945 (2018: RM124,177).

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****15. Land held for property development and property development costs (contd.)****(b) Property development costs (contd.)**

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

	Group	
	2019	2018
	RM'000	RM'000
Within one year	75	50
One to five years	41	48
More than five years	-	5

16. Investment properties

Group	Leasehold land	Buildings	Total
	RM'000	RM'000	RM'000
Cost:			
At 1 January 2018 and 31 December 2018	3,177	2,918	6,095
Additions	3,650	-	3,650
At 31 December 2019	<u>6,827</u>	<u>2,918</u>	<u>9,745</u>
Accumulated depreciation:			
At 1 January 2018	269	552	821
Depreciation charge for the year (Note 8)	39	79	118
At 31 December 2018 and 1 January 2019	308	631	939
Depreciation charge for the year (Note 8)	76	79	155
At 31 December 2019	<u>384</u>	<u>710</u>	<u>1,094</u>
Net carrying amount:			
At 31 December 2018	<u>2,869</u>	<u>2,287</u>	<u>5,156</u>
At 31 December 2019	<u>6,443</u>	<u>2,208</u>	<u>8,651</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****16. Investment properties (contd.)**

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

	Group	
	2019	2018
	RM'000	RM'000
Rental income	(761)	(568)
Direct operating expenses:		
- income generating investment properties	158	170
- non-income generating investment properties	75	37

The estimated fair value of the investment properties of RM19,400,000 (RM19,500,000) is based on directors' valuation based on transacted dealings of comparable properties in nearby locations. 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.

17. Intangible assets

Group	Computer software	Rights	Others	Total
	RM'000	RM'000	RM'000	RM'000
Cost:				
At 1 January 2018	10,650	-	1,027	11,677
Additions	2	-	-	2
At 31 December 2018 and 1 January 2019	10,652	-	1,027	11,679
Additions	6,164	-	60	6,224
Arising from acquisition of a subsidiary (Note 19(d))	-	10,526	-	10,526
Written off	(200)	-	-	(200)
At 31 December 2019	16,616	10,526	1,087	28,229
Accumulated amortisation:				
At 1 January 2018	8,722	-	754	9,476
Amortisation charge for the year (Note 8)	1,471	-	6	1,477
At 31 December 2018 and 1 January 2019	10,193	-	760	10,953
Amortisation charge for the year (Note 8)	426	1,108	6	1,540
Written off	(198)	-	-	(198)
At 31 December 2019	10,421	1,108	766	12,295
Net carrying amount:				
At 31 December 2018	459	-	267	726
At 31 December 2019	6,195	9,418	321	15,934

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

17. Intangible assets (contd.)

Company	Others RM'000
Cost:	
At 1 January and 31 December 2018	101
Additions	60
At 31 December 2019	<u>161</u>
Accumulated amortisation:	
At 31 December 2018 and 31 December 2019	<u>-</u>
Net carrying amount:	
At 31 December 2018	<u>101</u>
At 31 December 2019	<u>161</u>

Included in the intangible assets of the Group are software under development amounted to RM6,164,488 (2018: Nil). The intangible assets are not depreciated as the assets were not ready for use as at the reporting date.

18. Goodwill

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	62,954	62,954
Arising from acquisition of a subsidiary (Note 19(d))	20,724	-
At 31 December	<u>83,678</u>	<u>62,954</u>

Goodwill arising from business combinations has been allocated to the cash-generating unit ("CGU") for impairment testing.

The carrying amounts of goodwill allocated to the Group's CGU are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Manufacturing of cement and clinker	61,709	61,709
Manufacturing and selling of premix and quarries	21,969	1,245
	<u>83,678</u>	<u>62,954</u>

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

18. Goodwill (contd.)

Key assumptions used in value-in-use calculations:

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 assumptions used for value-in-use calculations are:

	Gross Margin		Discount Rates	
	2019	2018	2019	2018
Betong Premix Sdn. Bhd.	11%	11%	6%	6%
Borneo Granite Sdn. Bhd.	24%	-	10%	-
CMS Cement Industries Sdn. Bhd.	16%	17%	13%	12%
CMS Land Sdn. Bhd.	40%	34%	5%	5%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(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 and increased for expected efficiency improvements.

(b) Discount rates

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

The Group believes that any reasonable possible change in the above key assumptions applied is unlikely to materially cause the recoverable amounts to be lower than their carrying amounts.

19. Investments in subsidiaries

	Company	
	2019	2018
	RM'000	RM'000
Unquoted shares, at cost	1,264,345	1,137,538
Redeemable preference shares, at cost	43,690	43,690
Less: Accumulated impairment losses	(58,546)	(55,877)
	<u>1,249,489</u>	<u>1,125,351</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****19. Investments in subsidiaries (contd.)**

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2019 %	2018 %
Direct subsidiaries of the Company				
Cahaya 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	Education services	100.0	100.0
CMS Infra Trading Sdn. Bhd.	Malaysia	General trading and telecommunication related works, products and services	51.0	51.0
CMS I-Systems Sdn. Bhd.	Malaysia	Provision of software support related services	100.0	100.0
CMS Premix Sdn. Bhd. ⁽ⁱ⁾	Malaysia	Production and sale of premix and road construction	40.0	40.0
CMS Premix (Miri) Sdn. Bhd. ⁽ⁱ⁾	Malaysia	Production and sale of premix and road construction	20.0	20.0
CMS Property Development Sdn. Bhd.	Malaysia	Property holding, property development and project management	100.0	100.0
CMS Resources Sdn. Bhd.	Malaysia	Investment and property holding	51.0	51.0
CMS Wires Sdn. Bhd.	Malaysia	Manufacture and sale of wire mesh and related products	69.1	69.1

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****19. Investments in subsidiaries (contd.)**

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

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2019 %	2018 %
Direct subsidiaries of the Company (contd.)				
CMS Works Sdn. Bhd.	Malaysia	Investment holding, construction and provision of technical, machinery and motor vehicle rental services	100.0	100.0
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
Subsidiaries of CMS Cement Sdn. Bhd.				
CMS Cement Industries Sdn. Bhd.	Malaysia	Manufacture and trading of cement and clinker	100.0	100.0
CMS Concrete Products Sdn. Bhd.	Malaysia	Manufacture and trading of concrete products and Industrial Building Systems (IBS) products	100.0	100.0
Subsidiary of CMS I-Systems Sdn. Bhd.				
CMS I-Systems (India) Pte. Ltd. ^{(ii) (v)}	India	Dormant	-	99.9
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

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****19. Investments in subsidiaries (contd.)**

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

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2019 %	2018 %
Subsidiaries of CMS Resources Sdn. Bhd.				
Betong Premix Sdn. Bhd.	Malaysia	Manufacture and sale of premix	80.0	80.0
Borneo Granite Sdn. Bhd.	Malaysia	Quarry operations	56.0	-
CMS Penkuari Sdn. Bhd. ⁽ⁱⁱⁱ⁾	Malaysia	Quarry operations	60.0	60.0
CMS Premix Sdn. Bhd.	Malaysia	Production and sale of premix and road construction	60.0	60.0
CMS Premix (Miri) Sdn. Bhd.	Malaysia	Production and sale of premix and road construction	60.0	60.0
CMS Quarries Sdn. Bhd.	Malaysia	Quarry operations, trading and sale of aggregates	100.0	100.0
PPES Concrete Product Sdn. Bhd.	Malaysia	Manufacture and sale of concrete products	100.0	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.	Malaysia	Civil engineering, building works contractor, provision of road maintenance services and landscaping works	51.0	51.0

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****19. Investments in subsidiaries (contd.)**

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

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2019 %	2018 %
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	-
Samalaju Properties Sdn. Bhd.	Malaysia	Provision and management of temporary accommodation, property and township development	51.0	51.0
Subsidiaries of PPES Works (Sarawak) Sdn. Bhd.				
PPESW BPSB JV Sdn. Bhd.	Malaysia	Developing and upgrading the Pan Borneo Highway from Sg. Awik Bridge to Bintangor Junction	70.0	70.0
PPES Works CCCC JV Sdn. Bhd.	Malaysia	Construction and completion of Bintulu - Jepak Bridge crossing Kuala Kemena, Bintulu	70.0	-
Subsidiaries of Samalaju Properties Sdn. Bhd.				
Samalaju Hotel Management Sdn. Bhd.	Malaysia	Hotel owner and operator	100.0	100.0
Samalaju Management Services Sdn. Bhd. ^(iv)	Malaysia	Dormant	-	100.0

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

19. Investments in subsidiaries (contd.)

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

- (i) Another 60% is held by CMS Resources Sdn. Bhd.
- (ii) Audited by firms other than Ernst & Young PLT.
- (iii) Another 40% is held by CMS Premix Sdn. Bhd.
- (iv) Struck off on 3 September 2019.
- (v) Disposed of during the year.

(a) Increase in paid-up share capital of a subsidiary

During the financial year, the Company subscribed for an additional 126,806,971 (2018: 27,542,400) ordinary shares in Samalaju Industries Sdn. Bhd. ("SISB") for a total cash consideration of RM126,806,971 (2018: RM27,542,400).

(b) Redemption of preference shares

In the previous financial year, the Company redeemed 66,310,000 redeemable preference shares in SISB for a total cash consideration of RM66,310,000.

(c) Subscription of shares in a subsidiary

On 4 March 2019, 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 RM7. Upon the subscription, PPESW CCCC JV became a subsidiary of the Group.

Subsequently on 14 June 2019, the Group subscribed for an additional 699,993 ordinary shares for cash consideration of RM699,993.

(d) 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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****19. Investments in subsidiaries (contd.)****(d) Acquisition of subsidiaries (contd.)**

The fair value of the identifiable assets and liabilities of the newly acquired subsidiaries as at the date of acquisition were:

	Fair value recognised on acquisition		
	MPASSB RM'000	BGSB RM'000	Total RM'000
Property, plant and equipment (Note 13)	187,753	9,122	196,875
Intangible asset (Note 17)	-	10,526	10,526
Deposit and advance payment	51,753	-	51,753
Inventories	-	174	174
Trade and other receivables	52,345	1,769	54,114
Tax recoverable	-	342	342
Money market deposit	48	-	48
Deposit with licensed banks	20,245	-	20,245
Cash and bank balances	29,294	4,842	34,136
Advance from shareholders	(1,000)	-	(1,000)
Trade and other payables	(25,078)	(4,299)	(29,377)
Income tax payable	(25)	-	(25)
Deferred tax liabilities (Note 22)	-	(4,126)	(4,126)
	<hr/>	<hr/>	<hr/>
Total identifiable net assets at fair value	315,335	18,350	333,685
Non-controlling interests	(123,550)	(8,074)	(131,624)
Interest previously held under associate	(127,543)	-	(127,543)
Goodwill arising on acquisition (Note 18)	-	20,724	20,724
	<hr/>	<hr/>	<hr/>
Purchase consideration transferred	64,242	31,000	95,242
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Cash flow on acquisition		
	MPASSB RM'000	BGSB RM'000	Total RM'000
Net cash acquired with the subsidiary	49,587	4,842	54,429
Cash paid	(29,099)	(31,000)	(60,099)
	<hr/>	<hr/>	<hr/>
Net cash outflow on acquisition	20,488	(26,158)	(5,670)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

From the date of acquisition, the acquired subsidiaries contributed RM6,578,000 of revenue and RM2,396,000 to loss before tax of the Group. If the combination had taken place at the beginning of the year, revenue and profit before tax of the Group would have been RM1,740,615,000 and RM247,940,000 respectively.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****19. Investments in subsidiaries (contd.)****(e) 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.

	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	669,693
Current assets	304,044	389,390	188,002
Total assets	312,981	560,561	857,695
Current liabilities	98,513	239,262	323,327
Non-current liabilities	970	7,915	172,171
Total liabilities	99,483	247,177	495,498
Net assets	213,498	313,384	362,197
Equity attributable to owners of the Company	104,348	128,593	206,816
Non-controlling interests	109,150	184,791	155,381
Summarised Statements of Profit or Loss and Other Comprehensive Income			
Year ended 31 December 2019			
Revenue	262,979	462,708	35,411
Profit/(loss) for the year	4,288	65,535	(15,870)
Profit/(loss) attributable to owners of the Company	933	37,058	(8,329)
Profit/(loss) attributable to non- controlling interests	3,355	28,477	(7,541)
Dividends paid to non-controlling interests	4,900	11,585	-

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

19. Investments in subsidiaries (contd.)

(e) 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	33,837
Net cash from/(used in) investing activities	402	(60,408)	(249,262)
Net cash (used in)/from financing activities	(10,582)	(20,175)	269,894
Net (decrease)/increase in cash and cash equivalents	(857)	11,450	54,469
Cash and cash equivalents at beginning of the year	9,093	21,890	2,154
Cash and cash equivalents at end of the year	<u>8,236</u>	<u>33,340</u>	<u>56,623</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****19. Investments in subsidiaries (contd.)****(e) 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 Land Sdn. Bhd. RM'000	CMS Resources Sdn. Bhd. Group RM'000
Summarised Statements of Financial Position			
At 31 December 2018			
Non-current assets	5,292	20,520	106,416
Current assets	351,883	151,585	388,128
Total assets	<u>357,175</u>	<u>172,105</u>	<u>494,544</u>
Current liabilities	138,076	33,116	234,849
Non-current liabilities	188	1,595	685
Total liabilities	<u>138,264</u>	<u>34,711</u>	<u>235,534</u>
Net assets	<u>218,911</u>	<u>137,394</u>	<u>259,010</u>
Equity attributable to owners of the Company	108,516	65,516	107,634
Non-controlling interests	<u>110,395</u>	<u>71,878</u>	<u>151,376</u>
Summarised Statements of Profit or Loss and Other Comprehensive Income			
Year ended 31 December 2018			
Revenue	313,961	32,319	404,675
Profit for the year	17,630	17,715	44,271
Profit attributable to owners of the Company	7,714	9,034	25,701
Profit attributable to non-controlling interests	9,916	8,681	18,570
Dividends paid to non-controlling interests	1,421	-	5,057

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****19. Investments in subsidiaries (contd.)****(e) 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 Land Sdn. Bhd. RM'000	CMS Resources Sdn. Bhd. Group RM'000
Summarised Statements of Cash Flows			
Net cash (used in)/from operating activities	(2,137)	6	55,762
Net cash used in investing activities	(1,911)	-	(38,470)
Net cash used in financing activities	(2,900)	-	(29,831)
Net (decrease)/increase in cash and cash equivalents	(6,948)	6	(12,539)
Cash and cash equivalents at beginning of the year	16,041	55	34,429
Cash and cash equivalents at end of the year	9,093	61	21,890

20. Investments in associates

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Quoted shares in Malaysia, at cost	339,233	339,233	57,063	57,063
Less: Accumulated impairment losses	(67,000)	(67,000)	-	-
Less: Dilution loss arising from deemed disposal of an associate	(5,000)	(5,000)	-	-
	267,233	267,233	57,063	57,063
Unquoted shares, at cost	415,763	480,741	186,790	186,790
Irredeemable convertible preference shares	43,690	43,690	-	-
	726,686	791,664	243,853	243,853
Share of post-acquisition reserves	249,278	188,127	-	-
	975,964	979,791	243,853	243,853
Fair value of investments in associates for which there is published price quotation	159,544	155,532	90,535	63,520

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****20. Investments in associates (contd.)**

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

Name of associates	Principal activities	Proportion of ownership interest	
		2019 %	2018 %
Held by the Company:			
Kenanga Investment Bank Berhad ⁽ⁱ⁾	Investment holding stockbroking and financial services business	4.3	4.2
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 ⁽ⁱ⁾	Investment holding, stockbroking and financial services business	21.9	21.2
Malaysian Phosphate Additives (Sarawak) Sdn. Bhd. ^(iv)	Manufacturing and trading of inorganic feed phosphates	-	40.0
OM Materials (Samalaju) Sdn. Bhd. ⁽ⁱⁱ⁾	Processing, smelting and trading of ferro alloy products	25.0	25.0
OM Materials (Sarawak) Sdn. Bhd. ⁽ⁱⁱⁱ⁾	Processing, smelting and trading of ferro alloy products	25.0	25.0

⁽ⁱ⁾ During the financial year, the associate repurchased ordinary shares of its issued share capital from the open market. Accordingly, the Group's proportionate interests in the associate have increased.

⁽ⁱⁱ⁾ Has yet to commence business operations.

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

^(iv) This associate became a 60% owned subsidiary of the Group subsequent to additional share subscription. (Note 19(d)).

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****20. Investments in associates (contd.)****(a) Irredeemable Convertible Preference Shares (“ICPS”) in an associate**

On 7 April 2017, the Group subscribed for 110 million ICPS in OM Materials (Sarawak) Sdn. Bhd. (“OM Sarawak”), through its wholly-owned subsidiary, Samalaju Industries Sdn. Bhd. (“SISB”) for a total cash consideration of RM110 million. Each ICPS is convertible into one new OM Sarawak share.

The ICPS will mature ten years from the date of issuance and will bear a cumulative fixed dividend rate of 6.5% per annum on the issue price compounded annually.

During the previous financial year, the Group disposed of 66,309,700 ICPS to OM Materials (S) Pte Ltd, the other shareholder of OM Sarawak, for a total cash consideration of RM77,169,635 which gave rise to a gain of RM10,859,935 (Note 6).

(b) Additional investments in an associate

(i) During the financial year, the Group acquired additional 62,564,171 ordinary shares in OM Sarawak for a total cash consideration of RM62,564,171.

(ii) In the previous financial year, the Group subscribed for an additional 45,542,400 ordinary shares in Malaysian Phosphate Additives (Sarawak) Sdn. Bhd. through its wholly-owned subsidiary, SISB, for a total cash consideration of RM45,542,400 thereby increasing the total equity in this associate from 40% to 49.94%.

(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	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	<u>916,719</u>	<u>369,861</u>	<u>832,265</u>	<u>758,631</u>
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	<u>2,018</u>	<u>2,067</u>	<u>-</u>	<u>-</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****20. 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 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
	<u>916,719</u>	<u>337,377</u>	<u>657,504</u>	<u>759,129</u>
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	<u>246,998</u>	<u>72,454</u>	<u>254,750</u>	<u>379,565</u>
Group's share of results for the year ended 31 December 2019				
Group's share of profit or loss	<u>6,926</u>	<u>9,662</u>	<u>(787)</u>	<u>42,427</u>
Group's share of other comprehensive income	<u>3,358</u>	<u>-</u>	<u>(1,772)</u>	<u>(7)</u>
Group's share of total comprehensive income	<u>10,284</u>	<u>9,662</u>	<u>(2,559)</u>	<u>42,420</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****20. 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 2018				
Non-current assets	531,962	141,059	1,820,293	561,850
Current assets	6,028,786	368,265	1,039,295	367,968
Current liabilities	(5,675,522)	(185,142)	(560,402)	(166,871)
Non-current liabilities	-	(5,004)	(1,706,941)	(88,724)
Net assets	<u>885,226</u>	<u>319,178</u>	<u>592,245</u>	<u>674,223</u>
Revenue	669,368	412,479	2,378,881	232,639
Profit for the year	11,911	23,031	254,226	79,018
Other comprehensive income	2,920	-	15,069	-
Total comprehensive income	14,831	23,031	269,295	79,018
Dividends received by the Group during the year	<u>5,503</u>	<u>1,031</u>	<u>-</u>	<u>-</u>

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 2018				
Net assets	885,226	319,178	592,245	674,223
Total ICPS issued by an associate	-	-	(174,761)	-
Non-controlling interests	-	(19,777)	-	66
	<u>885,226</u>	<u>299,401</u>	<u>417,484</u>	<u>674,289</u>
Effective interests in associates	26.25%	20.00%	25.00%	50.00%
Group's share of net assets	232,372	59,880	104,371	337,145
Goodwill	6,359	4,979	46,684	-
ICPS subscribed by the Group	-	-	43,690	-
Group's carrying amount	<u>238,731</u>	<u>64,859</u>	<u>194,745</u>	<u>337,145</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****20. 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.)

2018 (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				
Group's share of profit or loss	3,023	3,523	63,557	39,671
Group's share of other comprehensive income	661	-	3,448	81
Group's share of total comprehensive income	3,684	3,523	67,005	39,752

21. Investments in joint ventures

	Group	
	2019	2018
	RM'000	RM'000
Unquoted shares, at cost	9,118	9,118
Redeemable preference shares, at cost	2	2
Share of post-acquisition reserves	11,735	14,796
	<u>20,855</u>	<u>23,916</u>

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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****21. Investments in joint ventures (contd.)**

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Proportion of ownership interest	
		2019 %	2018 %
COPE Private Equity Sdn. Bhd. ⁽ⁱ⁾	Management of private equity investments	51.0	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	30.0	30.0
PPES Works - Larico JV ⁽ⁱ⁾	Connection of transmission line	51.0	51.0
PPES Works - Naim Land JV ⁽ⁱ⁾	Construction of bridges	55.0	55.0
PPES Works - PCSB JV ⁽ⁱ⁾	Design and build interchange via shallow underpasses	51.0	51.0
PPES Works - Wibawa JV	Connection of water supply and all submarine related works	50.0	50.0
PPES Works (Sarawak) Sdn. Bhd. - PN Construction Sdn. Bhd.	Construction of Aquatic Centre	49.0	49.0
UEM Construction Sdn. Bhd. - PPES Works (Sarawak) Sdn. Bhd. JV	Construction of Lawas Hospital Phase 2A	30.0	30.0

⁽ⁱ⁾ Although the Group has ownership of more than half of the voting power, the joint venture agreement established joint control over the subject entity. No single venturer is in a position to control the relevant activities unilaterally.

⁽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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****21. Investments in joint ventures (contd.)****(a) Additional investments in joint ventures**

On 27 February 2018, the Company subscribed to 30,000 ordinary shares, representing 30% of equity interest in HELP Ibraco CMS Sdn. Bhd. for a total cash consideration of RM30,000.

In the previous financial year, the Group invested an additional sum of RM3,264,000 in PPES Works-Larico JV, for working capital requirements.

(b) 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.

	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 2018		
Non-current assets	1,209	34,399
Cash and cash equivalents	220	272
Other current assets	10,108	2,629
Current liabilities	(396)	(7,479)
Net assets	<u>21,241</u>	<u>29,821</u>
Year ended 31 December 2018		
Revenue	6,929	143
Profit/(loss) for the year	5,285	(9,169)
Total comprehensive income	<u>5,285</u>	<u>(9,169)</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****21. Investments in joint ventures (contd.)****(b) Material joint ventures (contd.)**

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

	COPE Private Equity Sdn. Bhd. RM'000	COPE-KPF Opportunities 1 Sdn. Bhd. RM'000
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>
At 31 December 2018		
Net assets	21,241	29,821
Effective interest in joint ventures	51%	26.67%
Group's carrying amount	<u>10,833</u>	<u>7,953</u>

22. Deferred tax

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At 1 January	(16,913)	(15,459)	(37)	(37)
Effect of adoption of MFRS 9		848		-
As restated		<u>(14,611)</u>		<u>(37)</u>
Acquisition of a subsidiary (Note 19(d))	(4,126)	-	-	-
Recognised in statements of profit or loss and other comprehensive income (net) (Note 11)	(12,944)	(2,302)	-	-
At 31 December	<u>(33,983)</u>	<u>(16,913)</u>	<u>(37)</u>	<u>(37)</u>

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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	15,444	19,034	-	-
Deferred tax liabilities, net	(49,427)	(35,947)	(37)	(37)
	<u>(33,983)</u>	<u>(16,913)</u>	<u>(37)</u>	<u>(37)</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****22. Deferred tax (contd.)**

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	71,484	69,433	-	-
Deferred tax liabilities	(105,467)	(86,346)	(37)	(37)
	<u>(33,983)</u>	<u>(16,913)</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	Unutilised tax losses, reinvestment and infrastructure allowances and unabsorbed capital allowances	Other temporary differences	Total
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets:				
At 1 January 2018	21	49,951	17,064	67,036
Effect of adoption of MFRS 9	-	-	848	848
Recognised in statements of profit or loss and other comprehensive income	569	(5,542)	6,522	1,549
At 31 December 2018	<u>590</u>	<u>44,409</u>	<u>24,434</u>	<u>69,433</u>
Acquisition of a subsidiary	-	-	2	2
Recognised in statements of profit or loss and other comprehensive income	(132)	(10,677)	12,858	2,049
At 31 December 2019	<u>458</u>	<u>33,732</u>	<u>37,294</u>	<u>71,484</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****22. 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	Property development costs	Other temporary differences	Total
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities:				
At 1 January 2018	(77,099)	(3,415)	(1,981)	(82,495)
Recognised in statements of profit or loss and other comprehensive income	(2,857)	(1,313)	319	(3,851)
At 31 December 2018	(79,956)	(4,728)	(1,662)	(86,346)
Acquisition of a subsidiary	(4,128)	-	-	(4,128)
Recognised in statements of profit or loss and other comprehensive income	(15,775)	52	730	(14,993)
At 31 December 2019	(99,859)	(4,676)	(932)	(105,467)

Company	Property, plant and equipment
	RM'000
Deferred tax liabilities:	
At 31 December 2018 and 31 December 2019	(37)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2019	2018
	RM'000	RM'000
Unutilised tax losses	64,142	62,700
Unabsorbed capital allowances	22,601	17,902
Other deductible temporary differences	2,675	1,079
	<u>89,418</u>	<u>81,681</u>
Deferred tax asset @ 24%, if recognised	<u>21,460</u>	<u>19,603</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****22. 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.

Unutilised tax losses up until Year of Assessment 2018 will be disregarded in the Year of Assessment 2026 and unutilised tax losses from Year of Assessment 2019 will be disregarded in the Year of Assessment 2027.

23. Inventories

	Group	
	2019	2018
	RM'000	RM'000
Cost		
Raw materials	40,523	51,020
General stores	105,189	95,859
Work-in-progress	101	95
Goods-in-transit	569	310
Finished goods	38,204	20,127
Completed development units	157,736	166,837
	342,322	334,248

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM307,150,783 (2018: RM429,468,590).

The Group has entered into operating lease agreements on certain properties in inventories. Rental income recognised during the year is RM3,398,501 (2018: RM3,290,545). 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 as at 31 December were as follows:

	Group	
	2019	2018
	RM'000	RM'000
Not later than 1 year	3,384	3,387
Later than 1 year and not later than 5 years	13,514	13,514
Later than 5 years	21,763	25,142
	38,661	42,043

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****24. Financial instruments****Categories of financial instruments**

The table below provides an analysis of financial instruments as at 31 December 2019 categorised as follows:

Group	Carrying amount RM'000	Financial assets	
		Amortised cost RM'000	At FVTPL RM'000
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	-
	1,345,729	906,340	340,892
	1,345,729	906,340	340,892
2018			
Investment securities	104,159	-	104,159
Trade and other receivables	364,220	345,603	-
Derivative financial asset	81,271	-	81,271
Cash and bank balances	920,539	920,539	-
	1,470,189	1,266,142	185,430
	1,470,189	1,266,142	185,430
Group	Carrying amount RM'000	Financial liabilities	
		Amortised cost RM'000	At FVTPL RM'000
2019			
Loans and borrowings	754,861	754,861	-
Lease liabilities	48,250	48,250	-
Trade and other payables	472,106	472,106	-
	1,275,217	1,275,217	-
	1,275,217	1,275,217	-
2018			
Loans and borrowings	616,533	616,533	-
Trade and other payables	516,518	516,518	-
	1,133,051	1,133,051	-
	1,133,051	1,133,051	-

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****24. Financial instruments (contd.)**

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows: (contd.)

Company	Carrying amount RM'000	Financial assets	
		Amortised cost RM'000	At FVTPL RM'000
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	-
	1,152,424	823,057	329,367
	1,152,424	823,057	329,367
2018			
Investment securities	100,201	-	100,201
Trade and other receivables	351,519	351,519	-
Derivative financial asset	81,271	-	81,271
Cash and bank balances	860,707	860,707	-
	1,393,698	1,212,226	181,472
	1,393,698	1,212,226	181,472
Company	Carrying amount RM'000	Financial liabilities	
		Amortised cost RM'000	At FVTPL RM'000
2019			
Loans and borrowings	500,000	500,000	-
Lease liabilities	1,339	1,339	-
Trade and other payables	1,066,489	1,066,489	-
	1,567,828	1,567,828	-
	1,567,828	1,567,828	-
2018			
Loans and borrowings	500,000	500,000	-
Trade and other payables	1,162,784	1,162,784	-
	1,662,784	1,662,784	-
	1,662,784	1,662,784	-

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****25. Trade and other receivables**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Trade				
Trade receivables from contracts with customers	216,932	193,962	-	-
Less: Loss allowance - Third parties	(6,042)	(5,034)	-	-
	<u>210,890</u>	<u>188,928</u>	<u>-</u>	<u>-</u>
Non-trade				
Other receivables	23,872	11,026	909	847
Other deposits	42,830	37,452	383	428
Amounts due from joint ventures	4,204	5,731	-	-
Amount due from an associate	42	51,236	42	39
Amounts due from subsidiaries				
- Central cash management accounts	-	-	311,362	274,679
- Current accounts	-	-	75,864	70,204
Dividend receivable	213	155	213	155
GST receivable	8,978	18,617	-	-
Interest receivable	1,042	1,443	1,042	1,443
Lease receivables	1,044	-	-	-
Share application money	1,470	-	-	-
	<u>83,695</u>	<u>125,660</u>	<u>389,815</u>	<u>347,795</u>
Less: Loss allowance				
- Subsidiary companies	-	-	(38,500)	(34,920)
- Third parties	(578)	(550)	-	-
Other receivables, net	<u>83,117</u>	<u>125,110</u>	<u>351,315</u>	<u>312,875</u>
	<u>294,007</u>	<u>314,038</u>	<u>351,315</u>	<u>312,875</u>
	=====	=====	=====	=====

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****25. Trade and other receivables (contd.)**

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Non-trade				
Amount due from an associate	-	6,750	-	-
Amount due from a subsidiary under loans	-	-	30,312	38,644
Amounts due from associates under shareholders' loans	34,768	43,797	-	-
Deposit and advance payment	51,752	-	-	-
Lease receivables	3,217	-	-	-
	<u>89,737</u>	<u>50,547</u>	<u>30,312</u>	<u>38,644</u>
Less: Loss allowance				
- An associate	-	(365)	-	-
	<u>89,737</u>	<u>50,182</u>	<u>30,312</u>	<u>38,644</u>
Total trade and other receivables (current and non-current)	<u>383,744</u>	<u>364,220</u>	<u>381,627</u>	<u>351,519</u>

(a) Trade receivables

- (i) The Group's average credit period ranges from 30 to 180 days (2018: 30 to 180 days). No interest is charged on outstanding trade receivables, except for Cement Division which charges late payments interest of 1% (2018: 1%) per month for sales of goods and are assessed on case-by-case basis.

Information about the credit exposures are disclosed in Note 41(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.

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

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****25. Trade and other receivables (contd.)****(a) Trade receivables (contd.)**

- (i) 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
	Lifetime ECL	Credit impaired	
	RM'000	RM'000	RM'000
At 1 January 2018 under MFRS 139			2,327
Effect of adoption of MFRS 9			3,534
At 1 January 2018 under MFRS 9	3,534	2,327	5,861
Amount written off	-	(379)	(379)
Impairment loss (Note 8)	257	125	382
Reversal of impairment loss (Note 6)	(656)	(174)	(830)
At 31 December 2018	3,135	1,899	5,034
Amount written off	-	(214)	(214)
Impairment loss (Note 8)	843	1,159	2,002
Reversal of impairment loss (Note 6)	(200)	(580)	(780)
At 31 December 2019	3,778	2,264	6,042

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

	2019	2018
	RM'000	RM'000
Amounts due from associates	1,618	934
Amounts due from joint ventures	243	775

- (iv) Included in trade receivables are retention sums of RM4,550,000 (2018: RM4,348,000) relating to construction work-in-progress. Retention sums are unsecured, interest free and are expected to be collected.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

25. 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 4.52% to 5.25% (2018: 4.98% 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 3.20% to 5.95% (2018: 5.73% to 6.78%) 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 3.20% to 6.78% (2018: 5.73% to 6.78%) 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 (2018: Nil) years.

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

	Group	
	2019	2018
	RM'000	RM'000
Receivable within 1 year	1,126	-
Receivable between 1 to 5 years	3,616	-
Receivable more than 5 years	319	-
	5,061	-
Less: unearned interest income	(800)	-
	4,261	-

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****25. Trade and other receivables (contd.)****(b) Non-trade receivables (contd.)****(vi) Lease receivables (contd.)**

The lease receivables are presented as follows:

	Group	
	2019	2018
	RM'000	RM'000
Current	1,044	-
Non-current	3,217	-
	4,261	-
	4,261	-

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

	Group
	RM'000
At 1 January 2019	-
Effect of adoption of MFRS 16 (Note 2.2)	1,195
Additions	3,622
Accretion of interest (Note 5)	18
Receipt of lease:	
- principal	(556)
- interest	(18)
	4,261
At 31 December 2019	4,261

(vii) Deposit and advance payment

The deposit and advance payments of RM51,752,000 represents advance payments to contractors for the construction of a phosphate manufacturing facility undertaken by a subsidiary which is currently in progress.

26. Other current assets

	Group	
	2019	2018
	RM'000	RM'000
Prepaid operating expenses	1,794	2,640
Contract assets from construction contracts (Note 27)	48,847	65,512
Contract assets from property development (Note 27)	10,571	13,833
	61,212	81,985
	61,212	81,985

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****27. Contract assets/(contract liabilities)****Contract assets**

Group	Property development		Construction contracts		Total	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	13,833	8,597	65,512	91,131	79,345	99,728
Revenue recognised during the year	106,960	34,508	465,336	357,964	572,296	392,472
Progress billings during the year	(110,222)	(29,272)	(484,034)	(383,583)	(594,256)	(412,855)
Cost to obtain a contract	-	-	2,033	-	2,033	-
At 31 December (Note 26)	<u>10,571</u>	<u>13,833</u>	<u>48,847</u>	<u>65,512</u>	<u>59,418</u>	<u>79,345</u>

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 (2018: 30 days) and payment is expected within 90 to 120 days (2018: 90 to 120 days).

Contract liabilities

Group	Property development		Construction contracts		Total	
	2019	2018	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	-	(11,282)	(91,045)	(40,593)	(91,045)	(51,875)
Revenue recognised during the year	-	54,458	190,851	220,506	190,851	274,964
Progress billings during the year	-	(43,176)	(79,126)	(145,950)	(79,126)	(189,126)
Payment received in advance	-	-	(91,798)	(123,698)	(91,798)	(123,698)
Cost to obtain a contract	-	-	(149)	(1,310)	(149)	(1,310)
At 31 December (Note 34)	<u>-</u>	<u>-</u>	<u>(71,267)</u>	<u>(91,045)</u>	<u>(71,267)</u>	<u>(91,045)</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****27. 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 (2018: 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 RM5,476,440 (2018: RM3,216,813) is recognised in cost of sales.

	Group	
	2019	2018
	RM'000	RM'000
Retention sums on construction contracts included in:		
Trade receivable (Note 25(a)(iv))	4,550	4,348
Trade payables (Note 33)	(13,653)	(10,683)

28. Investment securities

Group	2019		2018	
	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)	103,292	103,292	96,101	96,101
Real Estate Investment Trust (quoted in Malaysia)	3,700	3,700	4,100	4,100
Money market funds (unquoted)	132,317	132,317	-	-
Total current investment securities	<u>239,309</u>	<u>239,309</u>	<u>100,201</u>	<u>100,201</u>
Non-current				
Fair value through profit or loss				
Redeemable participatory shares (unquoted)	11,525	11,525	3,958	3,958
Total non-current investment securities	<u>11,525</u>	<u>11,525</u>	<u>3,958</u>	<u>3,958</u>
Total current and non-current investment securities	<u>250,834</u>	<u>250,834</u>	<u>104,159</u>	<u>104,159</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****28. Investment securities (contd.)**

Company	2019		2018	
	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)	103,292	103,292	96,101	96,101
Real Estate Investment Trust (quoted in Malaysia)	3,700	3,700	4,100	4,100
Money market funds (unquoted)	132,317	132,317	-	-
Total current investment securities	<u>239,309</u>	<u>239,309</u>	<u>100,201</u>	<u>100,201</u>

29. Derivative financial asset

	Group/Company	
	2019 RM'000	2018 RM'000
At 1 January	81,271	35,414
Effect of adoption of MFRS 9		<u>31,727</u>
As restated		67,141
Fair value gain (Note 6)	<u>8,787</u>	<u>14,130</u>
At 31 December	<u><u>90,058</u></u>	<u><u>81,271</u></u>

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 2019 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.

30. Cash and bank balances

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash in hand and at banks	130,356	58,227	217	232
Short-term deposits with licensed banks	490,737	761,772	441,213	759,935
Money market funds	-	100,540	-	100,540
Total cash and bank balances	<u>621,093</u>	<u>920,539</u>	<u>441,430</u>	<u>860,707</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****30. Cash and bank balances (contd.)**

- (a) Short-term deposits are made for varying periods of between one day and three months (2018: one day and three months) depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The weighted average effective interest rates as at the reporting date for the Group and for the Company were 1.30% to 3.55% (2018: 3.77%) and 3.52% (2018: 3.77%), respectively.
- (b) As at 31 December 2019, included in short-term deposits with licensed banks of the Group and of the Company is an amount of RM33,000,000 (2018: RM151,000,000) being deposits placed with an associate.
- (c) Short-term deposits of the Group and of the Company amounting to RM1,918,246 (2018: RM2,099,483) and RM210,000 (2018: 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	621,093	920,539	441,430	860,707
Less: Deposits pledged to licensed banks	(1,918)	(2,099)	(210)	(210)
Less: Deposits with maturity of more than three months	(2,469)	-	-	-
Cash and cash equivalents	<u>616,706</u>	<u>918,440</u>	<u>441,220</u>	<u>860,497</u>

31. Loans and borrowings

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current Secured:				
Obligation under finance lease	-	577	-	-
Revolving credits (Note 31(b))	15,000	17,000	-	-
	<u>15,000</u>	<u>17,577</u>	<u>-</u>	<u>-</u>
Unsecured:				
Revolving credits	10,000	10,000	-	-
Bankers' acceptances	-	4,900	-	-
Term loan	21,428	21,428	-	-
	<u>31,428</u>	<u>36,328</u>	<u>-</u>	<u>-</u>
	46,428	53,905	-	-
Structuring and management fee	(899)	-	-	-
Total current loans and borrowings	<u>45,529</u>	<u>53,905</u>	<u>-</u>	<u>-</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****31. Loans and borrowings (contd.)**

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Non-current				
Secured:				
Obligation under finance lease (Note 37(d))	-	684	-	-
Term loan (Note 31(c))	173,760	-	-	-
	<u>173,760</u>	<u>684</u>	<u>-</u>	<u>-</u>
Unsecured:				
Islamic medium term notes	500,000	500,000	500,000	500,000
Term loan	40,515	61,944	-	-
	<u>540,515</u>	<u>561,944</u>	<u>500,000</u>	<u>500,000</u>
Structuring and management fee	(4,943)	-	-	-
Total non-current loans and borrowings	<u>709,332</u>	<u>562,628</u>	<u>500,000</u>	<u>500,000</u>
Total loans and borrowings	<u>754,861</u>	<u>616,533</u>	<u>500,000</u>	<u>500,000</u>

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
On demand or within 1 year	46,428	53,905	-	-
More than 1 year and less than 5 years	620,517	562,628	500,000	500,000
More than 5 years	93,758	-	-	-
	<u>760,703</u>	<u>616,533</u>	<u>500,000</u>	<u>500,000</u>

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

	Group		Company	
	2019	2018	2019	2018
	%	%	%	%
Bankers' acceptances	-	3.60 to 3.89	-	-
Finance lease	-	2.44 to 3.60	-	-
Revolving credits	4.70 to 5.25	4.53 to 5.80	-	-
Term loans	4.93 to 6.28	4.58 to 4.84	-	-
Lease liabilities	2.44 to 8.00	-	5.00	-
Islamic medium term notes	<u>4.80</u>	<u>4.80</u>	<u>4.80</u>	<u>4.80</u>

(b) The revolving credits of a subsidiary are secured by legal charges over landed properties of the subsidiary (Note 15(a)).

(c) The term loan is secured by a corporate guarantee from the Company, a fixed charge on the property, plant and equipment (Note 13(f)), a floating charge on cash and bank balances and other receivables.

(d) The Islamic medium term notes is payable in May 2022.

(e) Loans and borrowings that are not denominated in the functional currency are amounted to RM140,721,651 (2018: Nil).

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****32. Lease liabilities**

	Group 2019	Company 2019
	RM'000	RM'000
Current		
Lease liabilities	11,997	342
Non-current		
Lease liabilities	36,253	997
Total lease liabilities	<u>48,250</u>	<u>1,339</u>

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

	Group	Company
	RM'000	RM'000
At 1 January 2019	-	-
Effect of adoption of MFRS 16 (Note 2.2)	34,199	1,708
Additions	25,455	-
Accretion of interest charged (Note 7)	2,252	75
Payment of:		
- principal	(11,404)	(369)
- interest	(2,252)	(75)
At 31 December 2019	<u>48,250</u>	<u>1,339</u>

The expenses relating to payments not included in the measurement of the lease liabilities are as follows:

	Group	Company
	RM'000	RM'000
Depreciation of right-of-use assets	14,477	792
Interest expense on lease liabilities	2,252	75
Expenses relating to short-term leases	3,730	318
Expenses relating to leases of low-value assets	<u>396</u>	<u>11</u>

The Group and the Company had total cash outflows for leases amounted to RM17,783,649 and RM772,976, respectively in 2019.

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

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****32. Lease liabilities (contd.)**

The operating lease commitments as at 31 December 2018 is reconciled to arrive at the lease liabilities as at 1 January 2019 as follows:

	Group RM'000	Company RM'000
Operating lease commitments disclosed as at 31 December 2018	55,046	1,022
Add: Finance lease commitments disclosed as at 31 December 2018	1,354	-
Less: Short-term leases and low-value leases recognised as expense	(813)	(311)
	<u>55,587</u>	<u>711</u>
Weighted average incremental borrowing rate as at 1 January 2019	2.44% - 8%	5%
Discounted using the lessee's incremental borrowing rate at the date of initial application	30,368	682
Add: Extension options reasonably certain to be exercised	3,831	1,026
Lease liabilities recognised as at 1 January 2019	<u><u>34,199</u></u>	<u><u>1,708</u></u>

33. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current				
Trade				
Trade payables	304,343	343,347	-	-
Deposits payable	927	973	-	-
Retention sums on construction contracts (Note 27)	13,653	10,683	-	-
Amounts due to joint ventures	2,718	4,943	-	-
	<u>321,641</u>	<u>359,946</u>	-	-
Non-trade				
Sundry payables	83,674	33,854	2,071	1,104
Accrued operating expenses	44,301	40,863	3,765	1,398
Amount due to subsidiaries under				
- Central cash management accounts	-	-	1,054,288	1,155,187
- Current accounts	-	-	2,617	1,347
Amounts due to joint ventures	379	564	-	-
Amount due to a corporate shareholder	1	-	-	-
Deposits payable	5,429	5,053	-	-
Interest payable	3,873	3,946	3,748	3,748
Land premium payable	-	10,195	-	-
Retention monies	11,805	238	-	-
	<u>149,462</u>	<u>94,713</u>	<u>1,066,489</u>	<u>1,162,784</u>
	<u><u>471,103</u></u>	<u><u>454,659</u></u>	<u><u>1,066,489</u></u>	<u><u>1,162,784</u></u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****33. Trade and other payables (contd.)**

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Non-current				
Trade payables				
Deposit payable	1,003	763	-	-
Other payables				
Land premium payable	-	61,096	-	-
	1,003	61,859	-	-
Total trade and other payables (current and non-current)	472,106	516,518	1,066,489	1,162,784

(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 (2018: one month to four months).

(b) Sundry payables

Sundry payables are non-interest bearing and are repayable on demand, normally settled on an average term of six months (2018: average term of six months).

(c) 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 3.35% to 3.76% (2018: 3.50% to 3.74%) per annum. The amounts under current accounts are unsecured, repayable on demand and non-interest bearing.

(d) Amounts due to joint ventures and a corporate shareholder

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

(e) Land premium payable

During the year, the Group surrendered two pieces of land amounting to RM64,521,828 to the relevant authority and the land premium payable of RM69,416,053 was waived by the authority.

(f) Provision for remedial action

Included in 2018 accrued operating expenses was a provision of RM23,673,514 which was initially recognised in the financial year 2017 in respect of a landslide that occurred at the quarry site of one of the subsidiaries. During the financial year, the amount was fully reversed as settlement has been reached.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****34. Other current liabilities**

	Group	
	2019	2018
	RM'000	RM'000
Contract liabilities from construction contracts (Note 27)	71,267	91,045

35. Share capital

	Group and Company			
	Number of		Amount	
	ordinary shares		2019	
	2019	2018	2019	2018
	'000	'000	RM'000	RM'000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 31 December 2018 and 31 December 2019	1,074,376	1,074,376	867,902	867,902
Treasury Shares				
At 1 January	(4,431)	-	(12,277)	-
Acquisition of treasury shares	(2,570)	(6,671)	(8,338)	(17,731)
Disposal of treasury shares	5,250	2,240	14,990	5,454
At 31 December	(1,751)	(4,431)	(5,625)	(12,277)

(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 2,570,700 of its issued ordinary shares from the open market at an average price of RM3.24 per share totalling RM8,337,812 and re-sold 5,250,000 treasury shares in the open market at an average price of RM3.17 per share for RM16,656,510.

None of the treasury shares held were cancelled during the financial year. As at 31 December 2019, the number of treasury shares were 1,751,100 and the outstanding ordinary shares in issue after set-off of treasury shares was therefore 1,072,624,620.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****36. 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	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
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
At 1 January 2018	9,609	26,197	(12,000)	6,347	(1,517)	3,869	(23,413)	9,092
Effect of adoption of MFRS 9	-	-	-	-	237	-	-	237
As restated	9,609	26,197	(12,000)	6,347	(1,280)	3,869	(23,413)	9,329
Other comprehensive income:								
Share of other comprehensive income of associates	-	-	-	-	412	650	-	1,062
Share of other comprehensive income of a joint venture	-	3,144	-	-	-	-	-	3,144
	-	3,144	-	-	412	650	-	4,206
Share of an associate's reserves	-	-	-	54	-	-	-	54
At 31 December 2018	9,609	29,341	(12,000)	6,401	(868)	4,519	(23,413)	13,589

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

36. Other reserves (contd.)

Company
RM'000

Merger reserve:

At 31 December 2018 and 31 December 2019

168,000

(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 currencies are different from that of the Group's functional 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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****37. Commitments****Capital commitments**

Capital commitments as at the reporting date were as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for:				
- Property, plant and equipment	251,196	39,476	-	-
- Land held for property development	2,223	-	-	-
- Intangible assets	9,536	-	-	-
- Investment in redeemable preference shares in joint ventures	39,868	49,911	-	-
	<u>302,823</u>	<u>89,387</u>	<u>-</u>	<u>-</u>
Approved but not contracted for:				
- Property, plant and equipment	255,288	312,274	29	2,394
- Intangible assets	-	4,310	-	-
- Investments in associates	392,605	271,314	-	-
	<u>647,893</u>	<u>587,898</u>	<u>29</u>	<u>2,394</u>
	<u>950,716</u>	<u>677,285</u>	<u>29</u>	<u>2,394</u>

38. Contingencies

- (a) 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

38. Contingencies (contd.)

- (a) 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. On 31 July 2019, OM Sarawak entered into a power purchase agreement with Syarikat Sesco Berhad (“SSB”) 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, Cahya Mata Sarawak Berhad has provided a proportionate sponsor guarantee to SESCO in relation to its 25% equity stake in OM Sarawak.
- (b) The Company has, on the basis of its 60% (2018: 49.94%) 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 2017.

- (c) 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.
- (d) Legal actions have been filed by two former employees in the Industrial Court of Malaysia against a subsidiary alleging wrongful dismissal and claiming reinstatement to their former position and/or other relief that the Court deems fit and proper.

As the Industrial Court has yet to make any decision/award on the above matters, it is not possible to determine the potential liability (if any) at this juncture.

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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****39. Significant related party transactions**

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

(a) Sale and purchase of goods and services

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Subsidiaries				
Interest income	-	-	(13,616)	(13,289)
Interest expenses	-	-	32,015	35,766
Group services fee expense	-	-	6,926	5,554
Associates				
Dividend income from associates	-	-	(2,398)	(1,936)
Interest income	(2,646)	(7,267)	(2,105)	(4,697)
Sale of goods	(162)	(1,156)	-	-
Rental income	(8,603)	(5,791)	-	-
Management fee income	-	(1,104)	-	-
Secondment services fee income	(1,842)	(692)	-	-
Group services fee income	(12)	(12)	-	-
Purchase of goods	4,524	23,399	-	-
Payment of services	204	424	-	-
Joint ventures				
Sale of goods	-	(80)	-	-
Group services fee income	(40)	(141)	-	-
Rental income	(241)	(579)	-	-
Supervision fee/project management fee	(527)	(1,275)	-	-
Contract costs/contractor charges	2,823	9,133	-	-

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****39. Significant related party transactions (contd.)**

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions between the Group and related parties took place at terms agreed between the parties during the financial year: (contd.)

(a) Sale and purchase of goods and services (contd.)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other related parties				
Sale of land to:				
- Datuk Syed Ahmad bin Alwee Alsree	(2,352)	-	-	-
Construction service income from:				
- Sarawak Economic Development Corporation ⁽ⁱ⁾	(3,150)	(10,344)	-	-
Interest income from:				
- Bina Puri Sdn. Bhd. ⁽ⁱⁱ⁾	-	(91)	-	-
Payment of land rental to:				
- a director and her family members ^(v)	155	129	-	-
Payment of sales royalty to:				
- ASSAR Quarry Products Sdn. Bhd. ⁽ⁱⁱⁱ⁾	375	-	-	-
- Lembaga Amanah Kebajikan Masjid Bahagian Samarahan ⁽ⁱⁱⁱ⁾	375	-	-	-
- Sarawak Economic Development Corporation ⁽ⁱ⁾	738	297	-	-
Payment of services to:				
- Kristal Harta Sdn. Bhd. ^(vi)	140	114	-	-
- R. T. Cargo Sdn. Bhd. ^(vii)	2,061	2,392	-	-
- Richard Curtis & Co. Sdn. Bhd. ^(ix)	251	-	-	-
- Satria Realty Sdn. Bhd. ^(viii)	2,273	2,389	525	529
- Tintingmas Sdn. Bhd. ^(iv)	-	26	-	-
Payment of subcontractor works to:				
- Bina Puri Sdn. Bhd. ⁽ⁱⁱ⁾	145,355	86,776	-	-
- China Communications Construction Company (M) Sdn. Bhd. ^(x)	7,121	-	-	-

Cahaya Mata Sarawak Berhad

Notes to the Financial Statements
For the financial year ended 31 December 2019

39. Significant related party transactions (contd.)

(a) Sale and purchase of goods and services (contd.)

- (i) The Group rendered construction services and paid sales royalty to Sarawak Economic Development Corporation (“SEDC”), which is one of the corporate shareholders of the Group and Company.
- (ii) The Group earned interest income from an advance to a corporate shareholder, Bina Puri Sdn. Bhd..
- (iii) The Group paid sales royalty to ASSAR Quarry Products Sdn. Bhd. and Lembaga Amanah Kebajikan Masjid Bahagian Samarahan, which are the corporate shareholders of a subsidiary.
- (iv) Umang Nangku Jabu, a director of the Company, is also a shareholder of Tintingmas Sdn. Bhd. of which the Group rendered services to and engaged for road maintenance services.
- (v) Land rental is paid to Umang Nangku Jabu and her family by a subsidiary of the Group.
- (vi) The Group transacted with Kristal Harta Sdn. Bhd., a company related to Datuk Syed Ahmad Alwee Alsree, a director of the Company up until his resignation, for the provision of advertising services.
- (vii) Umang Nangku Jabu is a director of the Company and is a common director of R.T. Cargo Sdn. Bhd. which rendered services to the Group.
- (viii) The Group transacted with Satria Realty Sdn. Bhd., a company controlled by Majaharta Sdn. Bhd. (a major shareholder of the Company) which in turn is controlled by Datuk Hanifah Hajar Taib and Jamilah Hamidah Taib who are major shareholders of the Company and persons connected to Dato Sri Haji Mahmud Abu Bekir Taib and Datuk Syed Ahmad Alwee Alsree, for the provision of office rental and office upkeep to the Group.
- (ix) The Group has transacted with Richard Curtis & Co. Sdn. Bhd., a company controlled by Dato’ Richard Alexander John Curtis, a director of certain subsidiaries.
- (x) China Communications Construction Company (M) Sdn. Bhd. (“CCCC”) is a corporate shareholder of a subsidiary of the Group.

Information regarding outstanding balance arising from related party transactions as at 31 December 2019 are disclosed in Note 25 and Note 33.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****39. Significant related party transactions (contd.)****(b) Compensation of key management personnel**

The remuneration of directors of the Group and of the Company and other key management personnel during the year was as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Key management personnel				
Directors (Note 10)				
- Fees	1,019	1,098	708	738
- Other emoluments	11,506	9,776	7,204	6,090
- Defined contribution and social security plans	865	872	392	463
Total short-term employee benefits	13,390	11,746	8,304	7,291
Benefits-in-kind	204	560	89	455
	13,594	12,306	8,393	7,746
Other key management personnel				
- Short-term employee benefits	3,361	3,042	1,972	2,090
- Defined contribution and social security plans	400	368	238	251
Total short-term employee benefits	3,761	3,410	2,210	2,341
Benefits-in-kind	131	178	77	125
	3,892	3,588	2,287	2,466
Total key management personnel	17,486	15,894	10,680	10,212

Other key management personnel comprise persons, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

40. 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.

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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****40. Fair value measurements (contd.)****(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:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2019				
Financial assets				
Investment securities (Note 28):				
- 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 29)	-	-	90,058	90,058
	<u>136,017</u>	<u>103,292</u>	<u>101,583</u>	<u>340,892</u>
31 December 2018				
Financial assets				
Investment securities (Note 28):				
- Income debt securities	-	96,101	-	96,101
- Real Estate Investment Trust	4,100	-	-	4,100
- Redeemable preference shares	-	-	3,958	3,958
Derivative financial asset (Note 29)	-	-	81,271	81,271
	<u>4,100</u>	<u>96,101</u>	<u>85,229</u>	<u>185,430</u>
Company				
31 December 2019				
Financial assets				
Investment securities (Note 28):				
- 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 29)	-	-	90,058	90,058
	<u>136,017</u>	<u>103,292</u>	<u>90,058</u>	<u>329,367</u>
31 December 2018				
Financial assets				
Investment securities (Note 28):				
- Income debt securities	-	96,101	-	96,101
- Real Estate Investment Trust	4,100	-	-	4,100
Derivative financial asset (Note 29)	-	-	81,271	81,271
	<u>4,100</u>	<u>96,101</u>	<u>81,271</u>	<u>181,472</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****40. 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 2019					
Financial liabilities					
Interest-bearing loans and borrowings:					
- Islamic medium term notes	500,000	-	-	462,707	462,707
- Term loans	235,703	-	-	235,703	235,703
	<u>735,703</u>	<u>-</u>	<u>-</u>	<u>698,410</u>	<u>698,410</u>
31 December 2018					
Financial liabilities					
Interest-bearing loans and borrowings:					
- Islamic medium term notes	500,000	-	-	440,245	440,245
- Term loans	83,372	-	-	83,372	83,372
	<u>583,372</u>	<u>-</u>	<u>-</u>	<u>523,617</u>	<u>523,617</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****40. 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
Company					
31 December 2019					
Financial liabilities					
Interest-bearing loans and borrowing:					
- Islamic medium term notes	500,000	-	-	462,707	462,707
31 December 2018					
Financial liabilities					
Interest-bearing loans and borrowing:					
- Islamic medium term notes	500,000	-	-	440,245	440,245

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	25
Lease liabilities	32
Trade and other payables	33

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

41. 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.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

41. 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**

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.

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 RM28,501,412 (2018: RM30,493,578) in respect of RM26,919,920 (2018: RM27,944,001) 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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****41. Financial risk management objectives and policies (contd.)****(a) Credit risk (contd.)****(i) Trade receivables and contract assets (contd.)**

- **Concentration of credit risk (contd.)**

The credit risk concentration profile of the Group's trade receivables at the reporting date were as follows:

	Group	
	2019	2018
	RM'000	RM'000
Cement	49,314	41,685
Construction materials and trading	84,815	75,616
Construction and road maintenance	56,468	42,439
Property development	25,416	33,374
Others	919	848
Total	216,932	193,962

- **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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****41. 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.)**

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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019 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 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>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****41. 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.)**

Group (contd.)	Gross carrying amount RM'000	Loss allowance RM'000	Net balance RM'000
31 December 2018			
Current (not past due)	117,330	-	117,330
1 to 30 days past due	24,796	(108)	24,688
31 to 60 days past due	18,352	(150)	18,202
61 to 90 days past due	11,045	(130)	10,915
More than 90 days past due	14,321	-	14,321
	<u>185,844</u>	<u>(388)</u>	<u>185,456</u>
Credit impaired			
More than 90 days past due	6,297	(2,825)	3,472
Individually impaired	1,821	(1,821)	-
	<u>8,118</u>	<u>(4,646)</u>	<u>3,472</u>
	<u>193,962</u>	<u>(5,034)</u>	<u>188,928</u>

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 25(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 38.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

41. Financial risk management objectives and policies (contd.)

(a) Credit risk (contd.)

(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.

(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 are 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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****41. Financial risk management objectives and policies (contd.)****(b) Liquidity risk (contd.)****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.

	Carrying amount RM'000	Cash Flows			Total RM'000
		On demand or within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	
Group					
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>
At 31 December 2018					
Financial liabilities:					
Trade and other payables	516,518	454,659	47,955	13,904	516,518
Loans and borrowings	616,533	81,564	559,929	-	641,493
Financial guarantees ⁽ⁱ⁾	-	331,310	-	-	331,310
	<u>1,133,051</u>	<u>867,533</u>	<u>607,884</u>	<u>13,904</u>	<u>1,489,321</u>
Company					
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>
At 31 December 2018					
Financial liabilities:					
Trade and other payables	1,162,784	1,162,784	-	-	1,162,784
Loans and borrowings	500,000	24,000	492,975	-	516,975
Financial guarantees ⁽ⁱ⁾	-	331,310	-	-	331,310
	<u>1,662,784</u>	<u>1,518,094</u>	<u>492,975</u>	<u>-</u>	<u>2,011,069</u>

⁽ⁱ⁾ Based on the maximum amount that can be called under the financial guarantee contracts as disclosed in Note 38.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

41. 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 2019 and 31 December 2018, the Group and the Company have not entered into any forward foreign currency contracts.

• **Currency risk sensitivity analysis**

A reasonable possible 10% (2018:10%) strengthening of the USD at the end of the reporting period would have decreased the Group's profit for the year by RM6,731,223 (2018: increased by RM4,411,917), 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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****41. 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 (2018: 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	442,870	761,772	441,213	759,935
Financial liabilities	(548,250)	(501,261)	(501,339)	(500,000)
Floating rate instruments				
Financial assets	34,768	43,797	341,674	313,323
Financial liabilities	(254,861)	(115,272)	(1,054,288)	(1,155,187)

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****41. 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 RM2,222,624 (2018: RM633,626), 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.

42. 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 2019 and 2018.

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 loans and borrowings divided by equity attributable to owners of the Company.

The Group and the Company are in compliance with all externally imposed capital requirements in respect of their external borrowings for the financial years ended 31 December 2019 and 2018.

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Loans and borrowings (Note 31)	760,703	616,533	500,000	500,000
Lease liabilities (Note 32)	48,250	-	1,339	-
	<u>808,953</u>	<u>616,533</u>	<u>501,339</u>	<u>500,000</u>
Equity attributable to the owners of the Company	<u>2,638,467</u>	<u>2,548,906</u>	<u>1,090,700</u>	<u>1,111,929</u>
Gearing ratio (times)	<u>0.31</u>	<u>0.24</u>	<u>0.46</u>	<u>0.45</u>

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2019**

43. 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 - civil engineering, 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 Operation 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.

Transfer prices between business segments are on an arm’s length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfer between business segments. These transfers are eliminated on consolidation.

Segment analysis by geographical locations has not been presented as the Group’s operations are predominantly conducted in Malaysia.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements****For the financial year ended 31 December 2019****43. Segment information (contd.)**

	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 RM'000	Notes	Per consolidated financial statements RM'000
31 December 2019										
Revenue:										
External customers	574,498	496,217	495,577	135,398	-	9,967	28,871	-		1,740,528
Inter-segment sales	27,123	100,769	6,869	1,863	-	-	39,705	(176,329)	A	-
Total revenue	601,621	596,986	502,446	137,261	-	9,967	68,576	(176,329)		1,740,528
Results:										
Interest income	6,630	7,426	13,607	3,631	-	1,927	1,340	(32,012)		2,549
Depreciation and amortisation	43,814	12,374	14,035	3,613	194	147	3,516	(398)		77,295
Other non-cash expenses	1,578	1,064	87	30	-	359	3	-	B	3,121
Segment profit/(loss) before tax:										
Company and subsidiaries	73,113	92,571	42,264	20,061	(2,484)	(3,326)	3,028	(35,143)	C	190,084
Associates	-	-	-	-	-	58,396	-	-		58,396
Joint ventures	-	-	3	-	-	(587)	-	-		(584)
	73,113	92,571	42,267	20,061	(2,484)	54,483	3,028	(35,143)		247,896
Assets:										
Investments in associates	-	-	-	-	-	217,652	520,800	237,512		975,964
Investments in joint ventures	-	-	3,469	-	-	17,386	-	-		20,855
Additions to non-current assets	87,677	34,858	4,444	17,038	266,185	-	12,254	-	D	422,456
Segment assets	1,042,197	627,727	643,233	704,540	591,918	66,027	1,504,767	(625,470)	E	4,554,939
Segment liabilities	116,942	257,578	135,579	188,834	117,736	45,253	1,175,766	(634,695)	F	1,402,993

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements****For the financial year ended 31 December 2019****43. Segment information (contd.)**

	Cement RM'000	Construction materials and trading RM'000	Construction and road maintenance RM'000	Property development and related services RM'000	Strategic investments RM'000	Others RM'000	Adjustments and elimination RM'000	Notes	Per consolidated financial statements RM'000
31 December 2018									
Revenue:									
External customers	534,465	457,748	547,871	130,341	9,632	32,187	-		1,712,244
Inter-segment sales	23,387	101,526	6,341	1,876	-	38,902	(172,032)	A	-
Total revenue	557,852	559,274	554,212	132,217	9,632	71,089	(172,032)		1,712,244
Results:									
Interest income	8,326	8,217	14,630	2,750	2,309	2,707	(35,921)		3,018
Depreciation and amortisation	34,445	8,172	13,846	3,282	287	2,837	(61)		62,808
Other non-cash expenses	503	318	6	2	39	495	-	B	1,363
Segment profit/(loss) before tax:									
Company and subsidiaries	90,141	71,293	90,382	33,591	(2,059)	11,724	(27,542)	C	267,530
Associates	-	-	-	-	105,340	-	-		105,340
Joint ventures	-	-	(1,427)	-	881	-	-		(546)
	90,141	71,293	88,955	33,591	104,162	11,724	(27,542)		372,324
Assets:									
Investments in associates	-	-	-	-	210,739	582,908	186,144		979,791
Investments in joint ventures	-	-	4,041	-	19,875	-	-		23,916
Additions to non-current assets	53,272	39,258	14,539	905	26	2,251	-	D	110,251
Segment assets	1,000,125	556,270	693,265	792,366	63,304	1,748,892	(659,859)	E	4,194,363
Segment liabilities	73,200	245,509	170,699	352,840	41,040	1,257,499	(862,635)	F	1,278,152

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****43. 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	2019 RM'000	2018 RM'000
Loss allowance on trade and other receivables	8	2,030	389
Property, plant and equipment written off	8	1,091	974
		3,121	1,363

2019 RM'000	2018 RM'000
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C	Unallocated corporate expenses	(35,143)	(27,542)
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D Additions to non-current assets consist of:

	2019 RM'000	2018 RM'000
Property, plant and equipment	396,766	81,284
Prepaid land lease payments	-	28,965
Land held for property development	15,816	-
Intangible assets	6,224	2
Investment properties	3,650	-
	422,456	110,251

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the Group's statement of financial position:

	2019 RM'000	2018 RM'000
Investments in associates	975,964	979,791
Investments in joint ventures	20,855	23,916
Deferred tax assets	15,444	19,034
Inter-segment assets	(1,637,733)	(1,682,600)
	(625,470)	(659,859)

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2019****43. Segment information (contd.)**

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (contd.)

F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the Group's statement of financial position:

	2019	2018
	RM'000	RM'000
Deferred tax liabilities	49,427	35,947
Income tax payable	7,082	18,109
Loans and borrowings	754,861	616,533
Lease liabilities	48,250	-
Inter-segment liabilities	(1,494,315)	(1,533,224)
	<u>(634,695)</u>	<u>(862,635)</u>

44. Dividends**(a) Recognised during the financial year:**

	Sen	Total
	per share	amount
		RM'000
2019		
First and final tax exempt 2018 ordinary (single-tier)	7.40	<u>79,374</u>
2018		
First and final tax exempt 2017 ordinary (single-tier)	8.00	<u>85,950</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 2020.

	Sen	Total
	per share	amount
		RM'000
First and final tax exempt 2019 ordinary (single-tier)	3.00	<u>32,179</u>

45. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue by the Board in accordance with a resolution of the directors on 13 March 2020.

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CAHYA MATA SARAWAK

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