



CAHYA MATA SARAWAK

SAMALAJU

Driving the
Next Wave of Growth

Audited Financial
Statements 2018

Company No: 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
Datuk Syed Ahmad Alwee Alsree
Group Executive Director
Datu Hubert Thian Chong Hui
Datuk Seri Yam Kong Choy
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.com.my

Registrar: Boardroom Share Registrars Sdn. Bhd.
(formerly known as Symphony Share Registrars Sdn. Bhd.)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia
Tel: 03-78490777 Fax: 03-78418151

Auditors: Ernst & Young

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

Company No: 21076-T

Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

Index	Page
Directors' Report	1 - 7
Statement by Directors and Statutory Declaration	8
Independent Auditors' Report	9 - 14
Statements of Profit or Loss and Other Comprehensive Income	15 - 16
Statements of Financial Position	17 - 18
Statements of Changes in Equity	19 - 21
Statements of Cash Flows	22 - 26
Notes to the Financial Statements	27 - 154

Company No: 21076-T

Cahya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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 more particularly 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	262,135	137,085
- Non-controlling interests	35,111	-
	<u>297,246</u>	<u>137,085</u>

Reserves and provisions

There were no material transfers to or from reserves and 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 6,670,400 of its issued ordinary shares from the open market at an average price of RM2.66 per share totalling RM17,730,906 and re-sold 2,240,000 treasury shares in the open market at an average price of RM2.80 per share for RM6,271,760. The shares repurchased are being held as treasury shares in accordance with Section 127(4) of the Companies Act 2016.

As at 31 December 2018, the number of treasury shares were 4,430,400 and the outstanding ordinary shares in issue after set-off of treasury shares was therefore 1,069,945,320.

Share options

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

Company No: 21076-T

Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

Dividends

Since the end of the previous financial year, the Company paid on 25 May 2018 a first and final tax exempt (single-tier) dividend of 8.00 sen per ordinary share, totalling RM85,950,058 in respect of the financial year ended 31 December 2017.

At the forthcoming Annual General Meeting, a first and final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2018, of 7.40 sen per share on 1,069,945,320 ordinary shares, amounting to a dividend payable of RM79,175,954 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 2019.

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 (Appointed on 1 October 2018)
Dato Sri Mahmud Abu Bekir Taib	Deputy Group Chairman
Datuk Syed Ahmad Alwee Alsree	Group Executive Director
Datu Hubert Thian Chong Hui	
Datuk Seri Yam Kong Choy	
Chin Mui Khiong	
Umang Nangku Jabu	
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	(Stepped down on 9 May 2018)
Dato' Richard Alexander John Curtis	(Stepped down on 31 December 2018)

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)
Chong Swee Sin	
Cyrill Eigensatz	
Dato Isaac Lugun	
Dato' Richard Alexander John Curtis	
Dato Robert Geneid	
Datu Junaidi bin 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	
Dr. Tan Cheng Kiat	(Alternate to We Her Ching)

Company No: 21076-T

Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

Directors (contd.)

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

Emily Hii San San	(Alternate to Wong Ping Eng)
Fariz Salleh bin Mohamad Ali	
Goh Chii Bing	
Haji Abdul Hadi bin Datuk Haji Abdul Kadir	(Appointed on 18 January 2019)
Haji Arba'eni @ Arba'en bin Askam	
Haji Othman bin Abdul Rani	
Hajjah Rakayah binti Hamdan	
James Ambrose Dago	
Kueh Hoi Chuang	
Ling Koah Wi	
Rodziah binti Morshidi	
Syed Hizam Alsagoff	
We Her Ching	
Wendy Yong San San	
Wong Ping Eng	
Annette Stella Bessant	(Resigned on 7 March 2019)
Datu Haji Soedirman bin Haji Aini	(Resigned on 2 January 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(a) 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	6,200	6,703	2,810	3,739
Defined contribution and social security plans	747	791	338	450
Total executive directors' remuneration (excluding benefits-in-kind)	6,947	7,494	3,148	4,189
Estimated money value of benefits-in-kind	156	405	82	299
Total executive directors' remuneration (including benefits-in-kind)	7,103	7,899	3,230	4,488
Non-executive:				
Fees	1,098	1,094	738	658
Other emoluments	3,576	1,840	3,280	1,464
Defined contribution and social security plans	125	131	125	131
Total non-executive directors' remuneration (excluding benefits-in-kind)	4,799	3,065	4,143	2,253
Estimated money value of benefits-in-kind	404	148	373	117
Total non-executive directors' remuneration (including benefits-in-kind)	5,203	3,213	4,516	2,370
Total directors' remuneration	12,306	11,112	7,746	6,858

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 31.12.2018
	At 1.1.2018	Acquired	Disposed	
Direct interest:				
Dato Sri Mahmud Abu Bekir Taib	26,819,255	-	(15,391,100)	11,428,155
Datuk Syed Ahmad Alwee Alsree	1,000,000	-	-	1,000,000
Datuk Seri Yam Kong Choy	60,000	-	-	60,000
Chin Mui Khiong	-	80,000	(20,000)	60,000
Umang Nangku Jabu	-	200,000	-	200,000
Indirect interest*:				
Dato Sri Mahmud Abu Bekir Taib	-	4,480,000	-	4,480,000
Datuk Syed Ahmad Alwee Alsree	136,890,306	665,500	-	137,555,806

* 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 RM83,000. 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 provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision 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.

Cahya 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 provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent;
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
 - (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 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.

Subsequent events

The subsequent events of the Group are as disclosed in Note 45 to the financial statements.

Company No: 21076-T

Cahaya Mata Sarawak Berhad
(Incorporated in Malaysia)

Directors' Report

Auditors

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

Auditors' remuneration 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, 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 during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 March 2019.



Dato Sri Mahmud Abu Bekir Taib



Datuk Syed Ahmad Alwee Alsree

Company No: 21076-T

**Cahya Mata Sarawak Berhad
(Incorporated in Malaysia)**

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

We, **Dato Sri Mahmud Abu Bekir Taib** and **Datuk Syed Ahmad Alwee Alsee**, being two of the directors of **Cahya Mata Sarawak Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 154 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 2018 and of the financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 March 2019.



Dato Sri Mahmud Abu Bekir Taib



Datuk Syed Ahmad Alwee Alsee

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

I, **Syed Hizam Alsagoff**, being the officer primarily responsible for the financial management of **Cahya Mata Sarawak Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 154 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 22 March 2019.



Syed Hizam Alsagoff
Group Chief Financial Officer

Before me,



PHANG DAH NAN
Commissioner For Oaths
No. 55, 1st Floor,
Jalan Chan Bee Kiew
Off Jalan Padungan,
93100 Kuching, Sarawak.



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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Cahya Mata Sarawak Berhad**, which comprise the statements of financial position as at 31 December 2018 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 15 to 154.

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 2018, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

**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 2018, the Group's goodwill stood at RM63 million resulting from the acquisition of two 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 assumptions used to estimate the recoverable amount of the cash generating units to which the above goodwill has been allocated to and is based on assumptions that are affected by expected future demand or economic conditions of the construction and related industries. 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, among others, involving a valuation expert to assist in evaluating the discount rate applied which included comparing the weighted average cost of capital with sector averages for the industry and markets in which the cash generating unit operates, evaluating the assumptions used by management, in particular those relating to sales volume and prices, profit margins, operating costs and growth rates. Our procedures also include reviewing the sensitivity analysis to assess the effect of how reasonable changes in certain key assumptions affect the recoverable amount of the cash generating unit. We further focused on the adequacy of the disclosures set out in Note 18 to the financial statements.

**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. Most construction works take several years to complete and the scope of work may change during the construction period. Management estimates the revenue and costs at the commencement of the contracts and regularly assess the progress of construction works as well as the financial impact in changing of 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 assessing the management's assumptions in determining the percentage of completion of projects, estimations to revenue and costs, provisions for foreseeable losses and liquidated ascertained damages. We have 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 and contract revenues and the estimation of costs to be incurred. We also considered the adequacy of the disclosures on revenue recognition included in the summary of significant accounting policies in Note 2.15 and Note 2.16 to the financial statements, as well as in the significant accounting judgements and estimates in Note 3.2(d) 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.

**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 skepticism 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.

**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.

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

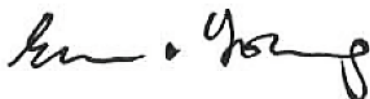
Report on the audit of the financial statements (contd.)

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.

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
AF: 0039
Chartered Accountants



AU YONG SWEE YIN
No. 03101/02/2020 J
Chartered Accountant

Kuching, Malaysia
Date: 22 March 2019

Cahaya Mata Sarawak Berhad**Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2018**

	Note	Group		Company	
		2018	2017	2018	2017
		RM'000	(Restated) RM'000	RM'000	RM'000
Revenue	4	1,712,244	1,570,924	208,750	111,505
Cost of sales		(1,368,283)	(1,217,844)	(35,766)	(33,313)
Gross profit		343,961	353,080	172,984	78,192
Other items of income					
Interest income	5	3,018	4,369	-	-
Other income	6	37,906	20,544	15,281	969
Other items of expense					
Administrative expenses		(54,159)	(53,576)	(25,599)	(23,636)
Selling expenses		(17,042)	(14,460)	-	-
Finance costs	7	(37,285)	(24,090)	(24,025)	(15,944)
Other expenses		(8,869)	(37,126)	(1,722)	(1,995)
Share of results of associates		105,340	40,640	-	-
Share of results of joint ventures		(546)	31,909	-	-
Profit before tax	8	372,324	321,290	136,919	37,586
Income tax expense	11	(75,078)	(81,609)	166	(3,031)
Profit net of tax		297,246	239,681	137,085	34,555
Other comprehensive income					
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		(4)	(3)	-	-
Share of other comprehensive income of associates		4,270	(8,125)	-	-
Share of other comprehensive income of a joint venture		(32)	(432)	-	-
Other comprehensive income for the year		4,234	(8,560)	-	-
Total comprehensive income for the year		301,480	231,121	137,085	34,555
Profit attributable to:					
Owners of the Company		262,135	208,029	137,085	34,555
Non-controlling interests		35,111	31,652	-	-
		297,246	239,681	137,085	34,555

Company No: 21076-T

Cahaya Mata Sarawak Berhad

**Statements of Profit or Loss and Other Comprehensive Income
For the financial year ended 31 December 2018 (contd.)**

	Note	Group		Company	
		2018	2017 (Restated)	2018	2017
		RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:					
Owners of the Company		266,341	199,517	137,085	34,555
Non-controlling interests		35,139	31,604	-	-
		<u>301,480</u>	<u>231,121</u>	<u>137,085</u>	<u>34,555</u>
		2018	2017 (Restated)		
Earnings per share attributable to owners of the Company (sen per share):					
Basic/Diluted	12	<u>24.45</u>	<u>19.36</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 2018**

	Note	31.12.2018	Group 31.12.2017 (Restated)	1.1.2017 (Restated)	Company 2018	Company 2017
		RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	13	746,217	727,960	721,567	2,221	1,743
Prepaid land lease payments	14	42,508	14,448	15,210	8,435	8,861
Land held for property development	15(a)	227,629	241,393	234,333	-	-
Investment properties	16	5,156	5,274	5,390	-	-
Intangible assets	17	726	2,201	3,823	101	101
Goodwill	18	62,954	62,954	61,709	-	-
Investments in subsidiaries	19	-	-	-	1,125,351	1,164,118
Investments in associates	20	979,791	897,565	869,179	243,853	243,853
Investments in joint ventures	21	23,916	27,197	46,611	-	-
Deferred tax assets	22	19,034	21,376	32,693	-	-
Other receivables	24	50,182	52,312	86,242	38,644	36,073
Investment securities	27	3,958	70	300	-	-
		<u>2,162,071</u>	<u>2,052,750</u>	<u>2,077,057</u>	<u>1,418,605</u>	<u>1,454,749</u>
Current assets						
Property development costs	15(b)	192,993	215,933	296,858	-	-
Inventories	23	334,248	288,213	184,587	-	-
Trade and other receivables	24	314,038	270,737	289,145	312,875	266,716
Other current assets	25	81,985	102,927	42,392	-	-
Investment securities	27	100,201	96,520	9,662	100,201	96,520
Derivative financial asset	28	81,271	35,414	35,414	81,271	35,414
Tax recoverable		7,017	4,030	3,142	1,091	-
Cash and bank balances	29	920,539	977,835	457,070	860,707	876,358
		<u>2,032,292</u>	<u>1,991,609</u>	<u>1,318,270</u>	<u>1,356,145</u>	<u>1,275,008</u>
TOTAL ASSETS		<u>4,194,363</u>	<u>4,044,359</u>	<u>3,395,327</u>	<u>2,774,750</u>	<u>2,729,757</u>

Cahaya Mata Sarawak Berhad**Statements of Financial Position
As at 31 December 2018 (contd.)**

	Note	31.12.2018	Group 31.12.2017 (Restated)	1.1.2017 (Restated)	Company 2018	Company 2017
		RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES						
Current liabilities						
Income tax payable		18,109	20,549	23,147	-	2,024
Loans and borrowings	30	53,905	51,731	142,880	-	-
Trade and other payables	31	454,659	525,372	396,218	1,162,784	1,187,170
Other current liabilities	32	91,045	51,875	63,921	-	-
		617,718	649,527	626,166	1,162,784	1,189,194
Net current assets		1,414,574	1,342,082	692,104	193,361	85,814
Non-current liabilities						
Deferred tax liabilities	22	35,947	36,835	40,399	37	37
Loans and borrowings	30	562,628	584,633	105,076	500,000	500,000
Trade and other payables	31	61,859	93,719	84,363	-	-
		660,434	715,187	229,838	500,037	500,037
TOTAL LIABILITIES		1,278,152	1,364,714	856,004	1,662,821	1,689,231
Net assets		2,916,211	2,679,645	2,539,323	1,111,929	1,040,526
Equity attributable to owners of the Company						
Share capital	33	867,902	867,902	537,188	867,902	867,902
Treasury shares	33	(12,277)	-	-	(12,277)	-
Share premium	34	-	-	330,716	-	-
Other reserves	35	13,589	9,092	40,090	168,000	168,000
Retained earnings		1,679,692	1,473,275	1,310,446	88,304	4,624
		2,548,906	2,350,269	2,218,440	1,111,929	1,040,526
Non-controlling interests		367,305	329,376	320,883	-	-
TOTAL EQUITY		2,916,211	2,679,645	2,539,323	1,111,929	1,040,526
TOTAL EQUITY AND LIABILITIES		4,194,363	4,044,359	3,395,327	2,774,750	2,729,757

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 2018**

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 33) RM'000	Treasury shares (Note 33) RM'000	Other reserves (Note 35) 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	33(b)	(17,731)	(17,731)	-	(17,731)	-	-	-
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)
Disposal of treasury shares	33(b)	6,272	6,272	-	5,454	-	818	-
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

Cahaya Mata Sarawak Berhad**Statements of Changes in Equity
For the financial year ended 31 December 2018 (contd.)**

	Note	← Attributable to owners of the Company →					Retained earnings	Non-controlling interests
		Total equity	Total	Share capital (Note 33)	Share premium (Note 34)	Other reserves (Note 35)		
Group (contd.)		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2017		2,534,739	2,212,836	537,188	330,716	40,090	1,304,842	321,903
Effect of adoption of MFRS 15		4,584	5,604	-	-	-	5,604	(1,020)
As restated		2,539,323	2,218,440	537,188	330,716	40,090	1,310,446	320,883
Profit net of tax		239,681	208,029	-	-	-	208,029	31,652
Other comprehensive income, net of tax		(8,560)	(8,512)	-	-	(8,512)	-	(48)
Total comprehensive income		231,121	199,517	-	-	(8,512)	208,029	31,604
Transactions with owners								
Dividends paid to owners of the Company	44(a)	(67,686)	(67,686)	-	-	-	(67,686)	-
Dividends paid to non-controlling interests		(23,257)	-	-	-	-	-	(23,257)
Non-controlling interests arising from acquisition of a subsidiary	19(c)	146	-	-	-	-	-	146
Total transactions with owners		(90,797)	(67,686)	-	-	-	(67,686)	(23,111)
Share of associates' reserves		(2)	(2)	-	(2)	(22,486)	22,486	-
Transfer pursuant to Companies Act 2016		-	-	330,714	(330,714)	-	-	-
At 31 December 2017		2,679,645	2,350,269	867,902	-	9,092	1,473,275	329,376

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 2018 (contd.)**

Company	Note	Total equity	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings
		RM'000	(Note 33) RM'000	(Note 34) RM'000	(Note 33) RM'000	(Note 35) RM'000	RM'000
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	33(b)	(17,731)	-	-	(17,731)	-	-
Disposal of treasury shares	33(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
At 1 January 2017		1,073,657	537,188	330,714	-	168,000	37,755
Profit net of tax, representing total comprehensive income		34,555	-	-	-	-	34,555
Transaction with owners							
Dividends paid to owners of the Company	44(a)	(67,686)	-	-	-	-	(67,686)
Transfer pursuant to Companies Act 2016		-	330,714	(330,714)	-	-	-
At 31 December 2017		1,040,526	867,902	-	-	168,000	4,624

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 2018**

Group	Note	2018	2017
		RM'000	(Restated) RM'000
Operating activities			
Profit before tax		372,324	321,290
<u>Adjustments for:</u>			
Amortisation of intangible assets	8	1,477	1,731
Amortisation of prepaid land lease payments	8	905	762
Depreciation of property, plant and equipment	8	60,308	55,374
Depreciation of investment properties	8	118	116
Fair value gain in a derivative financial asset	6	(14,130)	-
Gain on disposal of investment in irredeemable convertible preference shares in an associate	6	(10,860)	-
Gross dividend income	4	(4,872)	(3,427)
Impairment loss on amount due from an associate	8	-	972
Impairment loss on investment securities	8	-	300
Impairment loss on trade and other receivables	8	389	367
Interest expense	7	36,771	23,651
Interest income	4/5	(28,352)	(24,352)
Inventories written off	8	602	9
Net fair value changes in investment securities	6	(405)	(611)
Net gain on disposal of property, plant and equipment	8	(97)	(550)
Property, plant and equipment written off	8	974	944
Reversal of impairment loss on amount due from an associate	6	(607)	(1,972)
Reversal of impairment loss on trade and other receivables	6	(835)	(486)
Reversal of impairment loss on redeemable preference shares	6	-	(6,973)
Share of results of associates		(105,340)	(40,640)
Share of results of joint ventures		546	(31,909)
Unrealised foreign exchange (gain)/loss	8	(1,045)	6,743
Total adjustments		(64,453)	(19,951)
Operating cash flows before changes in working capital		307,871	301,339

Cahaya Mata Sarawak Berhad**Statements of Cash Flows
For the financial year ended 31 December 2018 (contd.)**

Group (contd.)	Note	2018 RM'000	2017 (Restated) RM'000
Operating activities (contd.)			
<u>Changes in working capital</u>			
Decrease in property development costs		22,940	81,537
Decrease/(increase) in land held for development		13,764	(7,060)
Increase in inventories		(46,637)	(103,376)
Decrease/(increase) in other current assets		21,146	(58,906)
(Increase)/decrease in receivables		(40,145)	18,415
(Decrease)/increase in payables		(105,741)	135,532
Increase/(decrease) in other current liabilities		39,170	(12,046)
Total changes in working capital		(95,503)	54,096
Cash flows from operations		212,368	355,435
Interest received		25,782	26,166
Interest paid		(33,023)	(22,225)
Income taxes paid, net of refund		(78,204)	(77,237)
Net cash flows from operating activities		126,923	282,139
Investing activities			
Acquisition of property, plant and equipment	13	(81,284)	(59,966)
Acquisition of additional interests in an associate	20(c)	(45,542)	-
Acquisition of prepaid land lease payments	14	(28,965)	-
Additional costs incurred on intangible assets	17	(2)	(109)
Additional investments in investment securities		(7,164)	(92,107)
Additional investments in joint ventures	21	(3,294)	(3,320)
Dividends received from associates		6,536	4,127
Dividends received from investments		4,872	3,427
Distribution of profit from joint ventures		5,418	26,065
Net cash outflow from acquisition of a subsidiary	19(c)	-	(1,690)
Proceeds from disposal of property, plant and equipment		1,638	1,247
Proceeds from disposal of investment securities		-	5,790
Proceeds from disposal of investment in irredeemable convertible preference shares in an associate	20(a)	77,170	-
Proceeds from redemption of investment in redeemable preference shares		-	31,821
Proceeds from repayment of loan to an associate		-	29,688
Net cash flows used in investing activities		(70,617)	(55,027)

Cahaya Mata Sarawak Berhad**Statements of Cash Flows
For the financial year ended 31 December 2018 (contd.)**

Group (contd.)	Note	2018	2017
		RM'000	(Restated) RM'000
Financing activities			
Acquisition of treasury shares	33(b)	(17,731)	-
Dividends paid to owners of the Company	44(a)	(85,950)	(67,686)
Dividends paid to non-controlling interests		(15,574)	(23,257)
Drawdown of borrowings		37,600	133,500
Increase in deposits pledged to licensed banks	29(c)	(45)	(57)
Repayment of borrowings		(57,431)	(248,296)
Net proceeds from disposal of treasury shares	33(b)	6,272	-
Proceeds from issuance of Islamic medium term notes	30(e)	-	500,000
Proceeds from issuance of redeemable preference shares to a non-controlling interest		19,110	-
Net cash flows (used in)/from financing activities		<u>(113,749)</u>	<u>294,204</u>
Net (decrease)/increase in cash and cash equivalents		(57,443)	521,316
Cash and cash equivalents at 1 January		975,781	455,073
Effect of foreign exchange changes on cash and cash equivalents		102	(608)
Cash and cash equivalents at 31 December	29	<u><u>918,440</u></u>	<u><u>975,781</u></u>

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 2018 (contd.)**

Company	Note	2018 RM'000	2017 RM'000
Operating activities			
Profit before tax		136,919	37,586
<u>Adjustments for:</u>			
Amortisation of prepaid land lease payments	8	426	425
Depreciation of property, plant and equipment	8	310	305
Gross dividend income	4	(170,126)	(76,468)
Impairment loss on amount due from a subsidiary	8	1,247	1,357
Interest expense	7	59,766	49,225
Interest income	4	(38,624)	(35,037)
Net fair value changes in investment securities	6	(405)	(611)
Fair value gain in a derivative financial asset	6	(14,130)	-
Property, plant and equipment written off	8	461	30
Unrealised foreign exchange loss	8	-	608
Total adjustments		(161,075)	(60,166)
Operating cash flows before changes in working capital		(24,156)	(22,580)
<u>Changes in working capital</u>			
(Increase)/decrease in receivables		(48,534)	14,710
(Decrease)/increase in payables		(28,134)	190,421
Total changes in working capital		(76,668)	205,131
Cash flows (used in)/from operations		(100,824)	182,551
Interest received		37,181	35,037
Interest paid		(56,018)	(49,225)
Taxes paid		(2,949)	(535)
Net cash flows (used in)/from operating activities		(122,610)	167,828
Investing activities			
Additional investments in investment securities		(3,276)	(92,037)
Acquisition of property, plant and equipment	13	(1,249)	(153)
Dividends received		170,126	76,468
Proceeds from disposal of investment securities		-	5,790
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)	(27,543)	(69,373)
Net cash flows from/(used in) investing activities		204,368	(79,305)

Cahaya Mata Sarawak Berhad**Statements of Cash Flows
For the financial year ended 31 December 2018 (contd.)**

Company (contd.)	Note	2018 RM'000	2017 RM'000
Financing activities			
Acquisition of treasury shares	33(b)	(17,731)	-
Dividends paid to owners of the Company	44(a)	(85,950)	(67,686)
Net proceeds from disposal of treasury shares	33(b)	6,272	-
Repayment of borrowings		-	(35,000)
Proceeds from issuance of Islamic medium term notes		-	500,000
Net cash flows (used in)/from financing activities		<u>(97,409)</u>	<u>397,314</u>
Net (decrease)/increase in cash and cash equivalents		(15,651)	485,837
Effect of foreign exchange changes on cash and cash equivalents		-	(608)
Cash and cash equivalents at 1 January		876,148	390,919
Cash and cash equivalents at 31 December	29	<u>860,497</u>	<u>876,148</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 2018

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 registered office 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 to the financial statements. 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 2018.

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

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.2 Changes in accounting policies (contd.)

Except for the effects arising from the adoption of MFRS 9 and MFRS 15 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.

(a) MFRS 9: Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

MFRS 9 contains three principal classification categories for financial assets measured at amortised cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Group and Company applied MFRS 9, with an initial application date of 1 January 2018. The Group and the Company have not restated the comparative information, which continue to be reported under MFRS 139. Differences in carrying amounts of the financial assets and financial liabilities arising from the adoption of MFRS 9 have been recognised directly in retained earnings as at 1 January 2018.

The nature of these adjustments are described below:

(i) Classification and measurement

Under MFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group’s and the Company’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding.

The assessment of the Group’s and the Company’s business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The Group and the Company continued measuring at fair value all financial assets previously held at fair value under MFRS 139. The changes to the classification and measurement requirements of MFRS 9 is disclosed as below.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****2. Basis of preparation and summary of significant accounting policies (contd.)****2.2 Changes in accounting policies (contd.)****(a) MFRS 9: Financial Instruments (contd.)****(i) Classification and measurement (contd.)**

Derivative financial assets that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured which were previously measured at cost as at 31 December 2017 are classified and measured as financial assets at fair value through profit or loss beginning 1 January 2018. There were no impairment losses recognised in profit or loss for this financial asset in prior periods.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Group's and the Company's financial liabilities.

(ii) Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Company's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The Group and the Company have adopted the simplified expected credit loss model for their trade receivables and contract assets. The Group and the Company have also elected to apply the limited exemption in MFRS 9 relating to transition for impairment, and accordingly the allowance for impairment has not been restated in the comparative period in the year of initial application. Adjustments arising from the initial application of the new impairment model have been recognised in the opening balance of retained earnings.

In summary, upon the adoption of MFRS 9, the Group had the following required adjustments as at 1 January 2018.

	Effect of adoption of MFRS 9 to opening balance
	RM'000
Increase in retained earnings	29,468
Increase in other reserves (Note 35)	237
Decrease in equity attributable to non-controlling interests	(746)
Decrease in investments in associates	(82)
Decrease in trade receivables (Note 24(a))	(3,534)
Increase in deferred tax assets (Note 22)	848
Increase in derivative financial asset (Note 28)	31,727
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Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.2 Changes in accounting policies (contd.)

(b) MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. MFRS 15 supersedes the revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations.

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

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

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

(i) Property development

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

(ii) Costs incurred in obtaining a contract

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

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements****For the financial year ended 31 December 2018****2. Basis of preparation and summary of significant accounting policies (contd.)****2.2 Changes in accounting policies (contd.)****(b) MFRS 15: Revenue from Contracts with Customers (contd.)**

The amount of adjustment for each financial statement line item affected by the application of MFRS 15 is illustrated below:

(i) Reconciliation of financial position as at 1 January 2017

Group	As previously reported RM'000	Effect of MFRS 15 RM'000	As restated RM'000
Assets			
Non-current assets			
Deferred tax assets	34,989	(2,296)	32,693
Others	2,044,364		2,044,364
	<u>2,079,353</u>		<u>2,077,057</u>
Current assets			
Property development costs	354,748	(57,890)	296,858
Inventories	185,361	(774)	184,587
Other current assets	37,442	4,950	42,392
Others	794,433		794,433
	<u>1,371,984</u>		<u>1,318,270</u>
Total assets	<u>3,451,337</u>		<u>3,395,327</u>
Equity and liabilities			
Equity			
Share capital	537,188		537,188
Share premium	330,716		330,716
Other reserves	40,090		40,090
Retained earnings	1,304,842	5,604	1,310,446
	<u>2,212,836</u>		<u>2,218,440</u>
Non-controlling interests	321,903	(1,020)	320,883
	<u>2,534,739</u>		<u>2,539,323</u>
Non-current liabilities			
Deferred tax liabilities	39,292	1,107	40,399
Others	189,439		189,439
	<u>228,731</u>		<u>229,838</u>
Current liabilities			
Trade and other payables	395,057	1,161	396,218
Other current liabilities	126,783	(62,862)	63,921
Others	166,027		166,027
	<u>687,867</u>		<u>626,166</u>
Total liabilities	<u>916,598</u>		<u>856,004</u>
Total equity and liabilities	<u>3,451,337</u>		<u>3,395,327</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****2. Basis of preparation and summary of significant accounting policies (contd.)****2.2 Changes in accounting policies (contd.)****(b) MFRS 15: Revenue from Contracts with Customers (contd.)**

The amount of adjustment for each financial statement line item affected by the application of MFRS 15 is illustrated below: (contd.)

(ii) Reconciliation of financial position as at 31 December 2017

Group	As previously reported RM'000	Effect of MFRS 15 RM'000	As restated RM'000
Assets			
Non-current assets			
Land held for property development	241,516	(123)	241,393
Deferred tax assets	22,621	(1,245)	21,376
Others	1,789,981		1,789,981
	<u>2,054,118</u>		<u>2,052,750</u>
Current assets			
Property development costs	251,866	(35,933)	215,933
Inventories	294,310	(6,097)	288,213
Other current assets	102,372	555	102,927
Others	1,384,536		1,384,536
	<u>2,033,084</u>		<u>1,991,609</u>
Total assets	<u>4,087,202</u>		<u>4,044,359</u>
Equity and liabilities			
Equity			
Share capital	867,902		867,902
Other reserves	9,092		9,092
Retained earnings	1,472,852	423	1,473,275
	<u>2,349,846</u>		<u>2,350,269</u>
Non-controlling interests	332,541	(3,165)	329,376
	<u>2,682,387</u>		<u>2,679,645</u>
Non-current liabilities	715,187		715,187
Current liabilities			
Trade and other payables	525,475	(103)	525,372
Other current liabilities	91,873	(39,998)	51,875
Others	72,280		72,280
	<u>689,628</u>		<u>649,527</u>
Total liabilities	<u>1,404,815</u>		<u>1,364,714</u>
Total equity and liabilities	<u>4,087,202</u>		<u>4,044,359</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****2. Basis of preparation and summary of significant accounting policies (contd.)****2.2 Changes in accounting policies (contd.)****(b) MFRS 15: Revenue from Contracts with Customers (contd.)**

The amount of adjustment for each financial statement line item affected by the application of MFRS 15 is illustrated below: (contd.)

(iii) Reconciliation of total comprehensive income for the year ended 31 December 2017

Group	As previously reported RM'000	Effect of MFRS 15 RM'000	As restated RM'000
Revenue	1,606,444	(35,520)	1,570,924
Cost of sales	(1,245,002)	27,158	(1,217,844)
Gross profit	361,442		353,080
Interest income	4,369		4,369
Other income	20,548	(4)	20,544
Administrative expenses	(52,881)	(695)	(53,576)
Other expenses	(51,586)		(51,586)
Finance costs	(23,667)	(423)	(24,090)
Share of results of associates	40,640		40,640
Share of results of joint	31,909		31,909
Profit before tax	330,774		321,290
Income tax expense	(83,767)	2,158	(81,609)
Profit for the period	247,007		239,681
Other comprehensive income	(8,560)		(8,560)
Total comprehensive income	238,447		231,121
Profit attributable to:			
Owners of the Company	213,210	(5,181)	208,029
Non-controlling interests	33,797	(2,145)	31,652
	247,007		239,681
Total comprehensive income			
Owners of the Company	204,698	(5,181)	199,517
Non-controlling interests	33,749	(2,145)	31,604
	238,447		231,121
Earnings per share owners of the Company:			
Basic/diluted	19.85		19.36

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****2. Basis of preparation and summary of significant accounting policies (contd.)****2.2 Changes in accounting policies (contd.)****(b) MFRS 15: Revenue from Contracts with Customers (contd.)**

The amount of adjustment for each financial statement line item affected by the application of MFRS 15 is illustrated below: (contd.)

(iv) Reconciliation of cash flows for the year ended 31 December 2017

Group	As previously reported RM'000	Effect of MFRS 15 RM'000	As restated RM'000
Profit before tax	330,774	(9,484)	321,290
Adjustment for non-cash items	(20,374)	423	(19,951)
Changes in working capital	45,035	9,061	54,096
Interest received	26,166		26,166
Interest paid	(22,225)		(22,225)
Income tax paid, net of refund	(77,237)		(77,237)
Net cash from operating activities	<u>282,139</u>		<u>282,139</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.

**Effective for annual
periods beginning
on or after****Description**

Effective for annual periods beginning on or after	Description
	Annual Improvements to MFRS Standards 2015 - 2017 Cycle:
1 January 2019	(i) Amendments to MFRS 3: Business Combinations
1 January 2019	(ii) Amendments to MFRS 11: Joint Arrangements
1 January 2019	(iii) Amendments to MFRS 112: Income Taxes
1 January 2019	(iv) Amendments to MFRS 123: Borrowing Costs
1 January 2019	Amendments to MFRS 9: Prepayment Features with Negative Compensation
1 January 2019	Amendments to MFRS 119: Employee Benefits - Plan Amendment, Curtailment or Settlement
1 January 2019	Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
1 January 2019	MFRS 16: Leases
1 January 2019	IC Interpretation 23: Uncertainty over Income Tax Treatments

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.3 Standards issued but not yet effective (contd.)

**Effective for annual
periods beginning
on or after**

Description

1 January 2020	Amendments to MFRS 3: Business Combinations - Definition of a Business
1 January 2020	Amendments to MFRS 101: Presentation of Financial Statements and MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material
1 January 2020	Revised Conceptual Framework for Financial Reporting
1 January 2021	MFRS 17: Insurance Contracts
Deferred	Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(a) Annual Improvements to MFRS Standards 2015 - 2017 Cycle

The Annual Improvements to MFRS Standards 2015 - 2017 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

(i) Amendments to MFRS 3: Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

(ii) Amendments to MFRS 11: Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.3 Standards issued but not yet effective (contd.)

(a) Annual Improvements to MFRS Standards 2015 - 2017 Cycle (contd.)

(iii) Amendments to MFRS 112: Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

(iv) Amendments to MFRS 123: Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

(b) Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Company do not expect the amendments to have any impact on the Group's and the Company's financial statements.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.3 Standards issued but not yet effective (contd.)

(c) MFRS 16: Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The standard will affect primarily the accounting for the Group and the Company's operating leases. The Group and the Company have not completed the assessment of the effects arising from the adoption of MFRS 16 and it is therefore not practicable at this juncture to estimate the amount of right-to-use assets and liabilities that will have to be recognised on adoption of MFRS 16 and how this may affect the Group's and the Company's profit or loss and classification of cash flows going forward.

(d) IC Interpretation 23: Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.3 Standards issued but not yet effective (contd.)

(d) IC Interpretation 23: Uncertainty over Income Tax Treatments (contd.)

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date.

(e) Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- gains and losses resulting from transactions involving the sale or contribution of assets to an associate of a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

2.4 Basis of consolidation

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

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

- (a) Power over the investee (i.e. existing rights that give 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.4 Basis of consolidation (contd.)

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

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

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.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.4 Basis of consolidation (contd.)

Business combinations (contd.)

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. The accounting policy for goodwill is set out in Note 2.12(a).

2.5 Subsidiaries

A subsidiary is an entity over which the Group 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.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.6 Investments in associates and joint ventures

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

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

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

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

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

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

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

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.6 Investments in associates and joint ventures (contd.)

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.

2.7 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 2018**

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

2.7 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.

2.8 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.8 Property, plant and equipment (contd.)

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

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.

2.9 Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation and accumulated impairment losses. The prepaid land lease payments are amortised over their lease terms.

2.10 Land held for property development and property development costs

(a) Land held for property development

Land held for property development consists of land on which no significant development work has been undertaken other than earthwork, infrastructure work and professional fees incurred to put the land ready for development or where development activities are not expected to be completed within the normal operating cycle. Such land 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

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

(b) Property development costs

Property development costs are determined based on a specific identification basis. Property development costs comprising costs of land, direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. 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.

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.

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

2.11 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. These include land held for a currently undetermined future use. 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 as stated in Note 2.8.

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 2018**

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

2.12 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 2.7.

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.

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

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.12 Intangible assets (contd.)

(b) Other intangible assets (contd.)

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

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

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

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

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

2.13 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.13 Impairment of non-financial assets (contd.)

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.

2.14 Inventories

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

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

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

2.15 Contract assets and contract liabilities

A contract asset is the right to consideration for goods or services transferred to the customer. In the case of property development and construction contracts, a 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 and the Company have received the consideration or have billed the customer. In the case of property development and construction contracts, a 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 and the Company have billed or have collected the payment before the goods are delivered or services are provided to the customers.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.16 Contract costs

(i) Incremental cost of obtaining a contract

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

(ii) Costs 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.

2.17 Financial instruments

(i) 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.

Current financial year

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.17 Financial instruments (contd.)

(i) Initial recognition and measurement (contd.)

Previous financial year

A financial instrument was recognised initially, at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition or issue of the financial instrument.

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

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.

(a) Amortised costs

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 2018**

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

2.17 Financial instruments (contd.)

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

Financial assets (contd.)

Current financial year (contd.)

(b) Fair value through profit or loss

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 in Note 2.18.

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139 as follows:

(a) Financial assets at fair value through profit or loss

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

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments whose fair values could not be reliably measured were measured at cost.

Other financial assets categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.17 Financial instruments (contd.)

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

Financial assets (contd.)

Previous financial year (contd.)

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables were subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investment in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which were recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into profit or loss. Interest calculated from a debt instrument using the effective interest method was recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss were subject to impairment assessment in Note 2.18.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.17 Financial instruments (contd.)

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

Financial liabilities

Current financial year

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

(a) Fair value through profit or loss

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 designed 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.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.17 Financial instruments (contd.)

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

Financial liabilities (contd.)

Current financial year (contd.)

(b) 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.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

Derivatives that were linked to and must be settled by delivery of unquoted equity instruments that did not have a quoted price in an active market for identical instruments whose fair values otherwise could not be reliably measured were measured at cost.

Financial liabilities categorised as fair value through profit or loss were subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) 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 2018**

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

2.17 Financial instruments (contd.)

(iv) Offsetting

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

2.18 Impairment of financial assets

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at the amortised cost, debt investments 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 2018**

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

2.18 Impairment of financial assets (contd.)

Current financial year (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 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. 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.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) were assessed at each reporting date whether there was any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial assets was estimated.

An impairment loss in respect of loan and receivables was recognised in profit or loss and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in profit or loss and was measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to profit or loss.

An impairment loss in respect of an unquoted equity instrument that was carried at cost was recognised in profit or loss and was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in any equity instrument classified as available-for-sale was not reversed through profit or loss.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.18 Impairment of financial assets (contd.)

Previous financial year (contd.)

If, in a subsequent period, the fair value of a debt instrument increases and the increase could be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss was reversed, to the extent that the asset's carrying amount did not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment was reversed. The amount of the reversal was recognised in profit or loss.

2.19 Fair value measurement

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

The fair value 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.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.21 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.

Current financial year

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.

Previous financial year

In the previous financial year, fair value arising from financial guarantee contracts were classified as deferred income and was amortised to profit or loss using a straight-line method over the contractual period or, when there was no specified a contract period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract was probable, an estimate of the obligation was made. If the carrying amount of the financial guarantee contract was lower than the obligation, the carrying amount was adjusted to the obligation amount and accounted for as a provision.

2.22 Leases

(a) As 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 taken 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.22 Leases (contd.)

(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. The accounting policy for rental income is set out in Note 2.25(h)(iii).

2.23 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 risk 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.

2.24 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.

2.25 Revenue

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contracts with customers. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group or the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and services tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.25 Revenue (contd.)

(a) Sale of goods

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

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

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

(b) Construction contracts

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

(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 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.25 Revenue (contd.)

(c) Property development (contd.)

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 customers, being when the properties are delivered to the customers.

(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 over time when the services are rendered.

(f) Hotel operations, room rental and related revenue

Room rental revenue is recognised over the period of the guests' stay at the hotel. Any cancellation of hotel reservation during the non-refundable periods are immediately recognised as room revenue. Revenue from the sale of food and beverages is recognised when the customer receives and consumes, and the Group has a present right to payment for the food and beverage products. Hotel room rental and food and beverage revenue are recorded based on the published rates, net of discounts and when 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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.25 Revenue (contd.)

(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.

2.26 Taxes

(a) Income tax

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes, also include other taxes, such as withholding taxes, which are payable by foreign subsidiaries, associates or joint ventures on distributions to the Group and the Company, and real property gains taxes payable on disposal of properties.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.26 Taxes (contd.)

(b) Deferred tax (contd.)

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.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

2.27 Employee benefits

Defined contribution plans

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.

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 43, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 Equity instruments

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

(i) Issue expenses

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

(ii) 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.

(iii) 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 2018**

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

2.29 Equity instruments (contd.)

(iv) 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.

2.30 Contingencies

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

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

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.

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 2018**

3. Significant accounting judgements and estimates (contd.)

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) Impairment of investments in subsidiaries and interests in associates

The Group assesses whether there is any indication that investments in subsidiaries and interests in associates may be impaired at each reporting date.

If indicators are present, these assets are subject to impairment review. The impairment review comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount. Impairment exists if the former value is greater than the latter.

Judgements made by management in the process of applying the Group's accounting policies in respect of investments in subsidiaries and interests in associates are as follows:

- (i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and fundamentals.
- (ii) Depending on their nature and the industries in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted cash flow, realisable net asset value and sector average price-earning ratio methods.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

Management believes that no reasonably expected possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amount.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(b) 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 a 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.

(c) 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.

(d) 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 26.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(e) 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 26.

(f) 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.

(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 24 and Note 26.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(h) 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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements****For the financial year ended 31 December 2018****4. Revenue**

Revenue comprised the following:

Group

	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						
Revenue from contracts with customers:	534,465	457,748	547,767	129,445	11,613	1,681,038
Revenue from other sources:						
- Interest income	-	-	-	-	25,334	25,334
- Rental income	-	-	-	896	-	896
- Supervision fee	-	-	104	-	-	104
- Dividends from investments	-	-	-	-	4,872	4,872
	-	-	104	896	30,206	31,206
Total revenue	534,465	457,748	547,871	130,341	41,819	1,712,244
(a) Disaggregation of revenue from contracts with customers:						
- 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

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****4. Revenue (contd.)**

Revenue comprised the following: (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 (contd.)						
(b) Transaction prices allocated to the remaining performance obligations						
Within one year						
Construction contracts	-	-	512,377	610	-	512,987
Sale of properties under construction	-	-	-	10,163	-	10,163
Sale of land	-	-	-	12,250	-	12,250
Rendering of services	-	8,564	-	-	-	8,564
	-	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

Cahya Mata Sarawak Berhad**Notes to the Financial Statements****For the financial year ended 31 December 2018****4. Revenue (contd.)**

Revenue comprised the following: (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
2017						
Revenue from contracts with customers:	491,208	428,291	447,018	167,755	12,290	1,546,562
Revenue from other sources:						
- Interest income	-	-	-	-	19,983	19,983
- Rental income	-	-	-	792	-	792
- Supervision fee	-	-	160	-	-	160
- Dividends from investments	-	-	-	-	3,427	3,427
	-	-	160	792	23,410	24,362
Total revenue	491,208	428,291	447,178	168,547	35,700	1,570,924
(a) Disaggregation of revenue from contracts with customers						
- Sale of goods	491,208	279,434	-	-	-	770,642
- Construction and road maintenance	-	-	252,575	30,562	-	283,137
- Rendering of services	-	148,857	194,443	16,379	12,290	371,969
- Sale of completed properties	-	-	-	39,247	-	39,247
- Sale of properties under construction	-	-	-	81,567	-	81,567
	491,208	428,291	447,018	167,755	12,290	1,546,562
Timing of revenue recognition						
- At a point in time	491,208	327,935	193,840	40,968	-	1,053,951
- Over time	-	100,356	253,178	126,787	12,290	492,611
	491,208	428,291	447,018	167,755	12,290	1,546,562

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****4. Revenue (contd.)**

Revenue comprised the following: (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
2017 (contd.)						
(b) Transaction prices allocated to the remaining performance obligations						
Within one year						
Construction contracts	-	-	339,825	19,684	-	359,509
Sales of properties under construction	-	-	-	30,960	-	30,960
	-	-	339,825	50,644	-	390,469
Over one year						
Construction contracts	-	-	1,208,044	6,700	-	1,214,744
Company			2018 RM'000	2017 RM'000		
Revenue from other sources:						
- Interest income			38,624	35,037		
- Dividends from investments			4,872	3,427		
- Dividends from associates			1,936	677		
- Dividends from subsidiaries			163,318	72,364		
			208,750	111,505		

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****5. Interest income**

	Group	
	2018	2017
	RM'000	RM'000
Interest income for financial assets:		
- Trade receivables	167	207
- Advance to a shareholder of a subsidiary	91	47
- Amount due from a joint venture	-	271
- Amount due from an associate under shareholder's loan	2,570	3,631
- Short term deposits	190	213
	3,018	4,369

6. Other income

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fee income	200	390	-	-
Gain on disposal of irredeemable convertible preference shares in an associate (Note 20(a))	10,860	-	-	-
Gain on disposal of property, plant and equipment	303	593	-	-
Insurance settlement	-	604	-	-
Licence fee	1,224	728	-	-
Miscellaneous income	1,603	2,728	144	358
Net fair value changes in investment securities held as fair value through profit or loss	405	611	405	611
Fair value gain in derivative financial asset (Note 28)	14,130	-	14,130	-
Net foreign exchange gain:				
- Realised	2,195	-	602	-
- Unrealised	1,045	-	-	-
Other fees and school items	118	55	-	-
Rental income	3,410	3,553	-	-
Reversal of impairment loss on:				
- Amount due from an associate	607	1,972	-	-
- Trade and other receivables	835	486	-	-
Reversal of impairment loss on redeemable preference shares in a joint venture	-	6,973	-	-
Supervision fees	971	1,851	-	-
	37,906	20,544	15,281	969

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****7. Finance costs**

	Group		Company	
	2018	2017	2018	2017
	(Restated)			
	RM'000	RM'000	RM'000	RM'000
Interest expense for financial liabilities:				
- Islamic medium term notes	24,000	15,846	24,000	15,846
- Bank borrowings and bank overdraft	6,454	7,786	-	66
- Amount due to subsidiaries under central cash management account	-	-	35,766	33,313
- Amount due to a joint venture	-	19	-	-
- Land premium payable	6,317	7,495	-	-
	<u>36,771</u>	<u>31,146</u>	<u>59,766</u>	<u>49,225</u>
Interest expense capitalised in:				
- Land held for property development (Note 15(a))	-	(7,495)	-	-
	<u>36,771</u>	<u>23,651</u>	<u>59,766</u>	<u>49,225</u>
Other finance costs:				
- Trade facility charges	478	397	-	-
- Facility fee and commitment fee	36	42	25	32
	<u>514</u>	<u>439</u>	<u>25</u>	<u>32</u>
	<u>37,285</u>	<u>24,090</u>	<u>59,791</u>	<u>49,257</u>
Recognised in profit or loss as:				
- Cost of sales	-	-	35,766	33,313
- Finance costs	37,285	24,090	24,025	15,944
	<u>37,285</u>	<u>24,090</u>	<u>59,791</u>	<u>49,257</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****8. Profit before tax**

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets (Note 17)	1,477	1,731	-	-
Amortisation of prepaid land lease payments (Note 14)	905	762	426	425
Auditors' remuneration:	1,204	1,127	257	236
- Statutory audit	941	898	170	165
- Other services	263	229	87	71
Depreciation of property, plant and equipment (Note 13)	60,308	55,374	310	305
Depreciation of investment properties (Note 16)	118	116	-	-
Employee benefits expense (Note 9)	155,087	145,042	11,876	10,191
Impairment loss on:				
- Amount due from a subsidiary	-	-	1,246	1,357
- Amount due from an associate	-	972	-	-
- Investment securities	-	300	-	-
Loss allowance for trade and other receivables	389	367	-	-
Inventories written off	602	9	-	-
Minimum operating lease payments on:	18,649	15,815	807	820
- Land and buildings	6,441	6,344	807	820
- Plant and equipment	9,934	7,908	-	-
- Wharf	2,274	1,563	-	-
Non-executive directors' remuneration (Note 10)	4,483	2,510	4,143	2,253
Net foreign exchange (gain)/loss:				
- Realised	(1,582)	933	-	-
- Unrealised	(1,045)	6,743	-	608
Net gain on disposal of property, plant and equipment	(97)	(550)	-	-
Property, plant and equipment written off	974	944	461	30

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****9. Employee benefits expense**

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	135,853	128,760	9,010	9,105
Contributions to defined contribution plans	15,690	15,072	1,033	1,067
Contributions to social security plans	1,440	1,210	21	19
Retirement benefits	1,812	-	1,812	-
Termination benefits	292	-	-	-
	<u>155,087</u>	<u>145,042</u>	<u>11,876</u>	<u>10,191</u>

10. Directors' remuneration

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	2,810	4,104	2,810	3,739
Defined contribution and social security plans	338	494	338	450
Total executive directors' remuneration (excluding benefits-in-kind)	<u>3,148</u>	<u>4,598</u>	<u>3,148</u>	<u>4,189</u>
Estimated money value of benefits-in-kind	82	306	82	299
Total executive directors' remuneration (including benefits-in-kind)	<u>3,230</u>	<u>4,904</u>	<u>3,230</u>	<u>4,488</u>
Non-executive:				
Fees	900	788	738	658
Other emoluments	3,458	1,591	3,280	1,464
Defined contribution and social security plans	125	131	125	131
Total non-executive directors' remuneration (excluding benefits-in-kind)	<u>4,483</u>	<u>2,510</u>	<u>4,143</u>	<u>2,253</u>
Estimated money value of benefits-in-kind	404	148	373	117
Total non-executive directors' remuneration (including benefits-in-kind)	<u>4,887</u>	<u>2,658</u>	<u>4,516</u>	<u>2,370</u>
Total directors' remuneration	<u>8,117</u>	<u>7,562</u>	<u>7,746</u>	<u>6,858</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****10. Directors' remuneration (contd.)**

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

Group	Fees RM'000	Other emoluments RM'000	Total RM'000
2018			
Executive Director:			
Datuk Syed Ahmad Alwee Alsee	-	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
2017			
Executive Directors:			
Datuk Syed Ahmad Alwee Alsee	-	2,645	2,645
Dato' Richard Alexander John Curtis	-	2,259	2,259
	-	4,904	4,904
Non-executive Directors:			
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	150	771	921
Dato Sri Mahmud Abu Bekir Taib	186	620	806
General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Haji Zainuddin (Retired)	37	161	198
Datu Hubert Thian Chong Hui	166	182	348
Datuk Seri Yam Kong Choy	124	86	210
Chin Mui Khiong	100	48	148
Umang Nangku Jabu	25	2	27
	788	1,870	2,658
	788	6,774	7,562

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****10. Directors' remuneration (contd.)**

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

	Fees RM'000	Other emoluments RM'000	Total RM'000
Company			
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
	<u>738</u>	<u>3,778</u>	<u>4,516</u>
	<u>738</u>	<u>7,008</u>	<u>7,746</u>
2017			
Executive Directors:			
Datuk Syed Ahmad Alwee Alsree	-	2,645	2,645
Dato' Richard Alexander John Curtis	-	1,843	1,843
	<u>-</u>	<u>4,488</u>	<u>4,488</u>
Non-executive Directors:			
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	150	771	921
Dato Sri Mahmud Abu Bekir Taib	150	594	744
General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Haji Zainuddin (Retired)	33	159	192
Datu Hubert Thian Chong Hui	100	82	182
Datuk Seri Yam Kong Choy	100	56	156
Chin Mui Khiong	100	48	148
Umang Nangku Jabu	25	2	27
	<u>658</u>	<u>1,712</u>	<u>2,370</u>
	<u>658</u>	<u>6,200</u>	<u>6,858</u>

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

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****11. Income tax expense**

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	Group		Company	
	2018	2017 (Restated)	2018	2017
	RM'000	RM'000	RM'000	RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	75,809	75,008	1,790	3,000
- (Over)/under provision in respect of previous years	(3,033)	(1,152)	(1,956)	31
	<u>72,776</u>	<u>73,856</u>	<u>(166)</u>	<u>3,031</u>
Deferred income tax (Note 22):				
- Origination and reversal of temporary differences	2,556	7,739	-	-
- (Over)/under provision in respect of previous years	(254)	14	-	-
	<u>2,302</u>	<u>7,753</u>	<u>-</u>	<u>-</u>
Income tax expense recognised in profit or loss	<u>75,078</u>	<u>81,609</u>	<u>(166)</u>	<u>3,031</u>

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows:

	Group	
	2018	2017 (Restated)
	RM'000	RM'000
Accounting profit before tax	<u>372,324</u>	<u>321,290</u>
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	89,358	77,110
Adjustments:		
Share of results of associates	(25,282)	(9,754)
Share of results of joint ventures	131	(7,658)
Effect of reduction in income tax rate	(1,264)	(1,490)
Non-deductible expenses	21,530	27,619
Income not subject to tax	(7,733)	(3,412)
Utilisation of previously unrecognised tax losses	(1,403)	(3,218)
Deferred tax assets not recognised	3,028	3,550
Over provision of income tax in respect of previous years	(3,033)	(1,152)
(Over)/under provision of deferred tax in respect of previous years	(254)	14
Income tax expense recognised in profit or loss	<u>75,078</u>	<u>81,609</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****11. Income tax expense (contd.)**

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 are as follows: (contd.)

	Company	
	2018	2017
	RM'000	RM'000
Accounting profit before tax	136,919	37,586
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	32,861	9,021
Adjustments:		
Group tax relief transferred from subsidiaries	(532)	(306)
Non-deductible expenses	13,612	12,718
Income not subject to tax	(44,151)	(18,433)
(Over)/under provision of income tax in respect of previous years	(1,956)	31
Income tax expense recognised in profit or loss	(166)	3,031

The Malaysian corporate tax rate is reduced to a range of 20% to 24% from the prevailing statutory tax rate of 24% for Years of Assessment 2017 and 2018 if there is a percentage of increase in chargeable business income as compared to the immediate preceding year of assessment.

Tax savings during the financial year arising from:

	Group	
	2018	2017
	RM'000	RM'000
Utilisation of current year tax losses	143	102
Utilisation of tax losses brought forward	1,051	824
	1,194	926

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	
	2018	2017
		(Restated)
Profit net of tax attributable to owners of the Company (RM'000)	262,135	208,029
Weighted average number of ordinary shares in issue ('000)	1,071,987	1,074,376
Basic earnings per share (sen)	24.45	19.36

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 2018****13. Property, plant and equipment**

Group	Land RM'000	Buildings and infrastructure RM'000	Plant and machinery RM'000	Equipment and others RM'000	Total RM'000
Cost:					
At 1 January 2017	76,961	388,694	921,189	121,247	1,508,091
Additions	3,847	4,759	38,436	12,924	59,966
Arising from acquisition of a subsidiary	-	148	4,575	2,216	6,939
Disposals	(15)	-	(1,351)	(580)	(1,946)
Reclassification	-	6,399	(6,399)	-	-
Written off	-	(174)	(1,910)	(1,812)	(3,896)
At 31 December 2017 and 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	80,793	409,336	987,651	139,277	1,617,057

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****13. Property, plant and equipment (contd.)**

Group (contd.)	Land RM'000	Buildings and infrastructure RM'000	Plant and machinery RM'000	Equipment and others RM'000	Total RM'000
Accumulated depreciation:					
At 1 January 2017	12,258	132,437	559,777	82,052	786,524
Depreciation charge for the year:	1,268	11,225	32,995	10,045	55,533
- Recognised in profit or loss (Note 8)	1,268	11,225	32,967	9,914	55,374
- Capitalised in construction costs (Note 26)	-	-	28	131	159
Arising from acquisition of a subsidiary	-	31	2,113	1,194	3,338
Disposals	(6)	-	(836)	(407)	(1,249)
Written off	-	-	(1,421)	(1,531)	(2,952)
At 31 December 2017 and 1 January 2018	13,520	143,693	592,628	91,353	841,194
Depreciation charge for the year:	1,356	11,400	36,256	11,500	60,512
- Recognised in profit or loss (Note 8)	1,356	11,400	36,212	11,340	60,308
- Capitalised in construction costs (Note 26)	-	-	44	160	204
Disposals	-	-	(20,540)	(1,658)	(22,198)
Written off	-	(1,089)	(5,196)	(2,383)	(8,668)
At 31 December 2018	14,876	154,004	603,148	98,812	870,840
Net carrying amount:					
At 31 December 2017	67,273	256,133	361,912	42,642	727,960
At 31 December 2018	65,917	255,332	384,503	40,465	746,217

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****13. Property, plant and equipment (contd.)**

Company	Motor vehicles RM'000	Equipment and others RM'000	Total RM'000
Cost:			
At 1 January 2017	3,893	2,864	6,757
Additions	77	76	153
Disposals	(390)	(2)	(392)
At 31 December 2017 and 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	4,062	3,018	7,080
Accumulated depreciation:			
At 1 January 2017	2,155	2,677	4,832
Depreciation charge for the year (Note 8)	242	63	305
Disposals	(360)	(2)	(362)
At 31 December 2017 and 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	2,063	2,796	4,859
Net carrying amount:			
At 31 December 2017	1,543	200	1,743
At 31 December 2018	1,999	222	2,221

(a) Assets under construction

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

	Group	
	2018 RM'000	2017 RM'000
Buildings and infrastructure	5,205	1,795
Plant and machinery	42,723	27,279
	47,928	29,074

(b) 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 RM475,740,256 (2017: RM467,785,931) and RM2,624,734 (2017: RM3,173,217) for the Group and the Company, respectively.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****13. Property, plant and equipment (contd.)****(c) Land**

Included in the carrying amount of land are:

	Group	
	2018	2017
	RM'000	RM'000
Freehold land	417	417
Leasehold land	65,500	66,856
	<u>65,917</u>	<u>67,273</u>

(d) Property, plant and equipment held under finance lease arrangements

Net carrying amount of the Group's property, plant and equipment held under finance lease arrangements are as follows:

	Group	
	2018	2017
	RM'000	RM'000
Plant and machinery	1,305	1,980
Motor vehicles	765	959
	<u>2,070</u>	<u>2,939</u>

Details of terms and conditions of the finance lease arrangements are disclosed in Note 37(d).

14. Prepaid land lease payments

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cost:				
At 1 January	24,014	24,014	11,925	11,925
Additions	28,965	-	-	-
At 31 December	<u>52,979</u>	<u>24,014</u>	<u>11,925</u>	<u>11,925</u>
Accumulated amortisation:				
At 1 January	9,566	8,804	3,064	2,639
Amortisation for the year (Note 8)	905	762	426	425
At 31 December	<u>10,471</u>	<u>9,566</u>	<u>3,490</u>	<u>3,064</u>
Net carrying amount	<u>42,508</u>	<u>14,448</u>	<u>8,435</u>	<u>8,861</u>
Amount to be amortised:				
- Not later than one year	2,379	762	426	425
- Later than one year but not later than five years	9,515	3,054	1,704	1,704
- Later than five years	30,614	10,632	6,305	6,732

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****14. Prepaid land lease payments (contd.)**

The Group and the Company have prepaid land leases in Malaysia. The prepaid land leases of the Group and the Company have a remaining tenure of 6 to 38 years (2017: 7 to 39 years) and 20 to 38 years (2017: 21 to 39 years), respectively.

15. Land held for property development and property development costs**(a) Land held for property development**

Group	Leasehold land RM'000	Development expenditure (Restated) RM'000	Total (Restated) RM'000
Cost:			
At 1 January 2017	210,363	23,970	234,333
Additions	-	7,495	7,495
Adjustment	-	(431)	(431)
Disposals	(2)	(2)	(4)
At 31 December 2017 and 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	<u>207,520</u>	<u>20,109</u>	<u>227,629</u>

Certain long term leasehold land of the Group with a carrying amount of RM18,327,899 (2017: RM18,327,899) are pledged to secure revolving credit facilities granted to the subject subsidiary (Note 30).

Included in land held for property development in the previous financial year were finance costs capitalised amounting to RM7,495,000 (Note 7).

During the financial year, adjustment was made to leasehold land for finalisation of land size while 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 adjustment to the development expenditure in the previous financial year was due to the reduction in land premium payable approved by the relevant authority.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****15. Land held for property development and property development costs (contd.)****(b) Property development costs**

Group	Leasehold land (Restated) RM'000	Development expenditure (Restated) RM'000	Total (Restated) RM'000
At 1 January 2017	86,674	865,506	952,180
Costs incurred during the year	4,901	92,652	97,553
Unsold units transferred to inventories	(2,331)	(93,157)	(95,488)
At 31 December 2017 and 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	88,503	882,355	970,858
Cumulative property development costs:			
At 1 January 2017	(7,713)	(647,609)	(655,322)
Recognised during the year	(4,585)	(78,405)	(82,990)
At 31 December 2017 and 1 January 2018	(12,298)	(726,014)	(738,312)
Recognised during the year	(1,310)	(43,996)	(45,306)
Reversal of completed projects	361	5,392	5,753
At 31 December 2018	(13,247)	(764,618)	(777,865)
Property development costs:			
At 31 December 2017	76,945	138,988	215,933
At 31 December 2018	75,256	117,737	192,993

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****16. Investment properties**

Group	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
Cost:			
At 31 December 2017 and 31 December 2018	3,177	2,918	6,095
Accumulated depreciation:			
At 1 January 2017	231	474	705
Depreciation charge for the year (Note 8)	38	78	116
At 31 December 2017 and 1 January 2018	269	552	821
Depreciation charge for the year (Note 8)	39	79	118
At 31 December 2018	308	631	939
Net carrying amount:			
At 31 December 2017	2,908	2,366	5,274
At 31 December 2018	2,869	2,287	5,156

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

	Group	
	2018 RM'000	2017 RM'000
Rental income	(568)	(528)
Direct operating expenses:		
- income generating investment properties	170	676
- non-income generating investment properties	37	37
Fair value of investment properties	7,100	7,100

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****17. Intangible assets**

Group	Computer software RM'000	Others RM'000	Total RM'000
Cost:			
At 1 January 2017	10,541	1,027	11,568
Additions	109	-	109
At 31 December 2017 and 1 January 2018	10,650	1,027	11,677
Additions	2	-	2
At 31 December 2018	10,652	1,027	11,679
Accumulated amortisation:			
At 1 January 2017	6,997	748	7,745
Amortisation charge for the year (Note 8)	1,725	6	1,731
At 31 December 2017 and 1 January 2018	8,722	754	9,476
Amortisation charge for the year (Note 8)	1,471	6	1,477
At 31 December 2018	10,193	760	10,953
Net carrying amount:			
At 31 December 2017	1,928	273	2,201
At 31 December 2018	459	267	726
Company			Others RM'000
Cost:			
At 31 December and 31 December 2018			101
Accumulated amortisation:			
At 31 December 2017 and 31 December 2018			-
Net carrying amount:			
At 31 December 2017			101
At 31 December 2018			101

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****18. Goodwill**

	Group	
	2018	2017
	RM'000	RM'000
At 1 January	62,954	61,709
Arising from acquisition of a subsidiary (Note 19(b))	-	1,245
At 31 December	<u>62,954</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	
	2018	2017
	RM'000	RM'000
Manufacturing of cement and clinker	61,709	61,709
Manufacturing and selling of premix	1,245	1,245
	<u>62,954</u>	<u>62,954</u>

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	
	2018	2017	2018	2017
CMS Cement Industries Sdn. Bhd.	17%	24%	12%	12%
Betong Premix Sdn. Bhd.	11%	11%	6%	6%

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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****19. Investments in subsidiaries**

	Company	
	2018	2017
	RM'000	RM'000
Unquoted shares, at cost	1,137,538	1,109,995
Redeemable preference shares, at cost	43,690	110,000
Less: Accumulated impairment losses	(55,877)	(55,877)
	1,125,351	1,164,118

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2018	2017
			%	%
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	Manufacture and trading of cement	100.0	100.0
CMS Education Sdn. Bhd.	Malaysia	Education services	100.0	100.0
CMS Infra Trading Sdn. Bhd.	Malaysia	General trading	51.0	51.0
CMS I-Systems Berhad	Malaysia	Dormant	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
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

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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	
			2018 %	2017 %
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 Berhad				
CMS I-Systems (India) Pte. Ltd. ⁽ⁱⁱ⁾	India	Dormant	99.9	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
Subsidiaries of CMS Resources Sdn. Bhd.				
Betong Premix Sdn. Bhd.	Malaysia	Manufacture and sale of premix	80.0	80.0
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

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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	
			2018 %	2017 %
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 and provision of road maintenance services	51.0	51.0
Subsidiary 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
Subsidiary of Samalaju Industries Sdn. Bhd.				
Samalaju Properties Sdn. Bhd.	Malaysia	Provision and management of temporary accommodation, property and township development	51.0	51.0
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	100.0

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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.
- (iii) Another 40% is held by CMS Premix Sdn. Bhd.
- (iv) Has yet to commence business.

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

During the financial year, the Company subscribed for an additional 27,542,400 (2017: 69,373,000) ordinary shares in Samalaju Industries Sdn. Bhd. ("SISB") for a total cash consideration of RM27,542,400 (2017: RM69,373,000)

(b) Redemption of preference shares

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

(c) Acquisition of a subsidiary

On 15 September 2017, CMS Resources Sdn. Bhd. acquired 600,000 ordinary shares representing 80% equity interest in Betong Premix Sdn. Bhd. ("BPSB") for a total cash consideration of RM1,826,790.

The fair value of the identifiable assets and liabilities of BPSB as at the date of acquisition in 2017 were:

	Fair value recognised on acquisition RM'000
Property, plant and equipment	3,601
Inventories	259
Trade and other receivables	3,583
Tax recoverable	105
Cash and bank balances	136
Loans and borrowings	(3,204)
Trade and other payables	(3,753)
	<hr/>
Total identifiable net assets at fair value	727
Non-controlling interest (20% of net assets)	(146)
Goodwill arising on acquisition (Note 18)	1,245
	<hr/>
Purchase consideration transferred	1,826
	<hr/> <hr/>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****19. Investments in subsidiaries (contd.)****(c) Acquisition of a subsidiary (contd.)**

	Cash flow on acquisition RM'000
Net cash acquired with the subsidiary	136
Cash paid	(1,826)
	<hr/>
Net cash flow on acquisition	(1,690)
	<hr/> <hr/>

(d) Non-controlling interests in subsidiaries

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

	PPES Works (Sarawak) Sdn. Bhd. Group RM'000	CMS Land Sdn. Bhd. RM'000	CMS Resources Sdn. Bhd. Group RM'000
2018			
Summarised Statements of Financial Position			
As at 31 December			
Non-current assets	5,292	20,520	106,416
Current assets	351,883	151,585	388,128
Total assets	<hr/> 357,175	<hr/> 172,105	<hr/> 494,544
Current liabilities	138,076	33,116	234,849
Non-current liabilities	188	1,595	685
Total liabilities	<hr/> 138,264	<hr/> 34,711	<hr/> 235,534
Net assets	<hr/> 218,911	<hr/> 137,394	<hr/> 259,010
Equity attributable to owners of the Company	108,516	65,516	211,047
Non-controlling interests	<hr/> 110,395	<hr/> 71,878	<hr/> 47,963
Summarised Statements of Profit or Loss and Other Comprehensive Income			
Year ended 31 December			
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
	<hr/> 1,421	<hr/> -	<hr/> 5,057

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****19. Investments in subsidiaries (contd.)****(d) Non-controlling interests in subsidiaries (contd.)**

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

	PPES Works (Sarawak) Sdn. Bhd. Group RM'000	CMS Land Sdn. Bhd. RM'000	CMS Resources Sdn. Bhd. Group RM'000
2018 (contd.)			
Summarised Statements of Cash Flows			
Net cash from/(used in) operating activities	46,195	(4,719)	19,870
Net cash used in investing activities	(1,911)	-	(38,471)
Net cash used in financing activities	(2,900)	-	(29,831)
Net increase/(decrease) in cash and cash equivalents	41,384	(4,719)	(48,432)
Cash and cash equivalents at beginning of the year	230,218	47,003	294,973
Cash and cash equivalents at end of the year	271,602	42,284	246,541
	PPES Works (Sarawak) Sdn. Bhd. Group RM'000	CMS Land Sdn. Bhd. (Restated) RM'000	CMS Resources Sdn. Bhd. Group RM'000
2017			
Summarised Statements of Financial Position			
As at 31 December			
Non-current assets	5,648	21,008	72,383
Current assets	318,310	160,585	388,496
Total assets	323,958	181,593	460,879
Current liabilities	118,712	61,913	215,315
Non-current liabilities	1,066	-	1,261
Total liabilities	119,778	61,913	216,576
Net assets	204,180	119,680	244,303
Equity attributable to owners of the Company	102,279	56,482	198,345
Non-controlling interests	101,901	63,198	45,958

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****19. Investments in subsidiaries (contd.)****(d) Non-controlling interests in subsidiaries (contd.)**

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

	PPES Works (Sarawak) Sdn. Bhd. (Group) RM'000	CMS Land Sdn. Bhd. (Restated) RM'000	CMS Resources Sdn. Bhd. (Group) RM'000
2017 (contd.)			
Summarised Statements of Profit or Loss and Other Comprehensive Income			
Year ended 31 December			
Revenue	194,512	56,791	391,936
Profit for the year	13,065	13,927	35,721
Profit attributable to owners of the Company	6,297	6,215	19,847
Profit attributable to non-controlling interests	6,768	7,712	15,874
Dividends paid to non-controlling interests	5,145	-	16,651
Summarised Statements of Cash flows			
Net cash from operating activities	59,673	4,737	70,092
Net cash used in investing activities	(2,669)	(12)	(14,426)
Net cash used in financing activities	(10,500)	(3,600)	(39,367)
Net increase in cash and cash equivalents	46,504	1,125	16,299
Cash and cash equivalents at beginning of the year	183,714	45,878	278,674
Cash and cash equivalents at end of the year	230,218	47,003	294,973

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****20. Investments in associates**

	Group		Company	
	2018	2017	2018	2017
	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	480,741	435,198	186,790	186,790
Irredeemable convertible preference shares	43,690	110,000	-	-
	791,664	812,431	243,853	243,853
Share of post-acquisition reserves	188,127	85,134	-	-
	979,791	897,565	243,853	243,853
Fair value of investments in associates for which there is published price quotation	155,532	149,979	63,520	65,635

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

Name of associates	Principal activities	Proportion of ownership interest	
		2018	2017
		%	%
Held by the Company:			
KKB Engineering Berhad	Steel fabrication, civil construction, hot dip galvanising and the manufacture of LPG cylinders	20.0	20.0
Kenanga Investment Bank Berhad ⁽ⁱ⁾	Investment holding stockbroking and financial services business	4.3	4.2
Sacofa Sdn. Bhd.	Telecommunication infrastructure providers	50.0	50.0

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****20. Investments in associates (contd.)**

Details of the associates, which are incorporated in Malaysia, are as follows: (contd.)

Name of associates	Principal activities	Proportion of ownership interest	
		2018 %	2017 %
Held through subsidiaries:			
Kenanga Investment Bank Berhad ⁽ⁱ⁾	Investment holding, stockbroking and financial services business	21.9	21.2
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
Malaysian Phosphate Additives (Sarawak) Sdn. Bhd. ^(iv)	Manufacturing and trading of inorganic feed phosphates	49.9	40.0

(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) The plants are undergoing construction.

(a) Irredeemable Convertible Preference Shares ("ICPS") in an associate

On 7 April 2016, 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 financial year, the Group disposed off 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).

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****20. Investments in associates (contd.)****(b) Additional investment in an associate**

During the 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%.

As stated in Note 45(b), this associate became a 60% owned subsidiary of the Group on 14 January 2019.

(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	KKB Engineering Berhad Group	OM Materials (Sarawak) Sdn. Bhd.	Sacofa Sdn. Bhd. Group
2018	RM'000	RM'000	RM'000	RM'000
As at 31 December				
Non-current assets	531,962	141,059	1,807,989	561,850
Current assets	6,014,566	368,265	1,039,295	367,968
Current liabilities	(5,675,522)	(185,142)	(560,402)	(166,871)
Non-current liabilities	-	(5,050)	(1,706,941)	(88,724)
Net assets	<u>871,006</u>	<u>319,132</u>	<u>579,941</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>1,034</u>	<u>-</u>	<u>-</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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.

2018	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
As at 31 December				
Net assets	871,006	319,132	579,941	674,223
Total ICPS issued by an associate	-	-	(174,761)	-
Non-controlling interests	-	(19,777)	-	66
	<u>871,006</u>	<u>299,355</u>	<u>405,180</u>	<u>674,289</u>
Effective interests in associates	26.24%	20.00%	25.00%	50.00%
Group's share of net assets	221,061	59,871	101,295	337,145
Goodwill	17,670	4,988	49,760	-
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>
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	<u>3,684</u>	<u>3,523</u>	<u>67,005</u>	<u>39,752</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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.

	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
2017				
As at 31 December				
Non-current assets	539,920	141,534	1,804,118	568,260
Current assets	5,952,582	217,588	936,269	296,983
Current liabilities	(5,601,036)	(58,331)	(558,298)	(185,479)
Non-current liabilities	-	(2,117)	(1,871,444)	(84,800)
Net assets	<u>891,466</u>	<u>298,674</u>	<u>310,645</u>	<u>594,964</u>
Revenue	697,439	209,271	1,631,707	205,002
Profit/(loss) for the year	24,166	3,296	(18,327)	79,366
Other comprehensive income	(2,584)	-	(29,754)	(211)
Total comprehensive income	21,582	3,296	(48,081)	79,155
Dividends received by the Group during the year	<u>4,127</u>	<u>-</u>	<u>-</u>	<u>-</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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.

2017	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
As at 31 December				
Net assets	891,466	298,674	310,645	594,964
Total ICPS issued by an associate	-	-	(174,761)	-
Non-controlling interests	-	(11,775)	-	(178)
	<u>891,466</u>	<u>286,899</u>	<u>135,884</u>	<u>594,786</u>
Effective interests in associates	25.38%	20.00%	25.00%	50.00%
Group's share of net assets	226,254	57,380	33,971	297,393
Goodwill	14,297	4,991	50,079	-
ICPS subscribed by the Group	-	-	110,000	-
Group's carrying amount	<u>240,551</u>	<u>62,371</u>	<u>194,050</u>	<u>297,393</u>
Group's share of results for the year ended 31 December				
Group's share of profit or loss	6,139	328	(4,413)	39,804
Group's share of other comprehensive income	(656)	-	(7,439)	(30)
Group's share of total Comprehensive income	<u>5,483</u>	<u>328</u>	<u>(11,852)</u>	<u>39,774</u>

21. Investments in joint ventures

	Group	
	2018	2017
	RM'000	RM'000
Unquoted shares, at cost	9,118	5,824
Redeemable preference shares, at cost	2	2
Share of post-acquisition reserves	14,796	21,371
	<u>23,916</u>	<u>27,197</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****21. Investments in joint ventures (contd.)**

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.

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Proportion of ownership interest	
		2018 %	2017 %
COPE Private Equity Sdn. Bhd. (formerly known as CMS Opus 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
PPES Works - Naim Land JV ⁽ⁱ⁾	Construction of bridges	55.0	55.0
PPES Works - Larico JV ⁽ⁱ⁾	Connection of transmission line	51.0	51.0
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
Help Ibraco CMS Sdn. Bhd.	Education services	30.0	-

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****21. Investments in joint ventures (contd.)**

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

- (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.

(a) Additional investments in joint ventures

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

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.

(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.

2018	COPE-KPF Opportunities 1 Sdn. Bhd. RM'000	COPE Opportunities 2 Sdn. Bhd. RM'000
As at 31 December		
Non-current assets	34,399	5,203
Cash and cash equivalents	272	69
Other current assets	2,629	497
Current liabilities	(7,479)	(20)
Net assets	29,821	5,749
Year ended 31 December		
Revenue	143	2,879
(Loss)/profit for the year	(9,169)	2,580
Total comprehensive income	(9,169)	2,580

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****21. Investments in joint ventures (contd.)****(b) Material joint ventures (contd.)**

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. (contd.)

2017	COPE-KPF Opportunities 1 Sdn. Bhd. RM'000	COPE Opportunities 2 Sdn. Bhd. RM'000
As at 31 December		
Non-current assets	45,819	10,523
Cash and cash equivalents	237	17
Other current assets	3,533	4,308
Current liabilities	(10,001)	(3,683)
Net assets	39,588	11,165
Year ended 31 December		
Revenue	700	1,232
Profit for the year	42,135	54,550
Total comprehensive income	42,135	54,550

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

	COPE-KPF Opportunities 1 Sdn. Bhd. RM'000	COPE Opportunities 2 Sdn. Bhd. RM'000
As at 31 December 2018		
Net assets	29,821	5,749
Effective interest in joint ventures	26.67%	16.39%
Group's carrying amount	7,953	942
2017		
As at 31 December 2017		
Net assets	39,588	11,165
Effective interest in joint ventures	26.67%	16.39%
Group's carrying amount	10,558	1,830

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****22. Deferred tax**

	Group		Company	
	2018	2017	2018	2017
	(Restated)	(Restated)	(Restated)	(Restated)
	RM'000	RM'000	RM'000	RM'000
At 1 January	(15,459)	(7,706)	(37)	(37)
Effect of adoption of MFRS 9	848	-	-	-
As restated	<u>(14,611)</u>		<u>(37)</u>	
Recognised in statements of profit or loss and other comprehensive income (net) (Note 11)	(2,302)	(7,753)	-	-
At 31 December	<u>(16,913)</u>	<u>(15,459)</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	
	2018	2017	2018	2017
	(Restated)	(Restated)	(Restated)	(Restated)
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	19,034	21,376	-	-
Deferred tax liabilities, net	(35,947)	(36,835)	(37)	(37)
	<u>(16,913)</u>	<u>(15,459)</u>	<u>(37)</u>	<u>(37)</u>

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	69,433	67,036	-	-
Deferred tax liabilities	(86,346)	(82,495)	(37)	(37)
	<u>(16,913)</u>	<u>(15,459)</u>	<u>(37)</u>	<u>(37)</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****22. Deferred tax (contd.)**

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 (Restated)	Total (Restated)
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets:				
At 1 January 2017	-	62,854	9,850	72,704
Recognised in statements of profit or loss and other comprehensive income	-	(12,882)	7,214	(5,668)
At 31 December 2017	-	49,972	17,064	67,036
Effect of adoption of MFRS 9	-	-	848	848
Recognised in statements of profit or loss and other comprehensive income	3	(4,976)	6,522	1,549
At 31 December 2018	3	44,996	24,434	69,433
Group	Property, plant and equipment	Property development costs (Restated)	Other temporary differences	Total (Restated)
	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities:				
At 1 January 2017	(74,159)	(5,264)	(987)	(80,410)
Recognised in statements of profit or loss and other comprehensive income	(2,940)	1,849	(994)	(2,085)
At 31 December 2017	(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)

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****22. Deferred tax (contd.)**

Company	Unabsorbed capital allowances RM'000
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Deferred tax assets:

At 31 December 2017 and 31 December 2018 (37)

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

	2018	Group 2017 (Restated)
	RM'000	RM'000
Unutilised tax losses	59,067	54,191
Unabsorbed capital allowances	17,758	12,491
Other deductible temporary differences	1,793	5,167
	<u>78,618</u>	<u>71,849</u>

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, for which no deferred tax asset is recognised because it is not probable that future taxable profits will be available against which the Group can use the benefits therefrom.

The use of the tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation. The unutilised tax losses will expire in Year of Assessment 2025.

23. Inventories

	2018	Group 2017 (Restated)
	RM'000	RM'000
Cost		
Raw materials	51,020	29,881
General stores	95,859	95,086
Work-in-progress	95	53
Goods-in-transit	310	348
Finished goods	20,127	24,797
Completed development units	166,837	138,048
	<u>334,248</u>	<u>288,213</u>

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM429,468,590 (2017: RM384,454,718).

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****24. Trade and other receivables**

	Group		Company	
	2018	2017	2018	2017
	RM'000	(Restated) RM'000	RM'000	RM'000
Current Trade				
Trade receivables from contracts with customers	193,962	213,671	-	-
Less: Loss allowance				
- Third parties	(5,034)	(2,327)	-	-
	<u>188,928</u>	<u>211,344</u>	<u>-</u>	<u>-</u>
Non-trade				
Other receivables	29,643	38,466	847	4,089
Other deposits	37,452	9,018	428	429
Amount due from joint ventures	5,731	4,077	-	-
Amount due from an associate	51,236	8,324	39	74
Amount due from related parties	-	56	-	-
Amount due from subsidiaries				
- Central cash management accounts	-	-	274,679	261,743
- Current accounts	-	-	70,204	33,768
- Loans	-	-	-	287
Dividend receivable	155	-	155	-
Interest receivable	1,443	-	1,443	-
	<u>125,660</u>	<u>59,941</u>	<u>347,795</u>	<u>300,390</u>
Less: Loss allowance				
- Related companies	-	-	(34,920)	(33,674)
- Third parties	(550)	(548)	-	-
Other receivables, net	<u>125,110</u>	<u>59,393</u>	<u>312,875</u>	<u>266,716</u>
	<u>314,038</u>	<u>270,737</u>	<u>312,875</u>	<u>266,716</u>
	=====	=====	=====	=====

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****24. Trade and other receivables (contd.)**

	Group		Company	
	2018	2017	2018	2017
	RM'000	(Restated) RM'000	RM'000	RM'000
Non-current Non-trade				
Amount due from an associate	6,750	13,000	-	-
Amount due from a subsidiary under loans	-	-	38,644	36,073
Amount due from an associate under shareholders' loan	43,797	40,284	-	-
	<u>50,547</u>	<u>53,284</u>	<u>38,644</u>	<u>36,073</u>
Less: Loss allowance - An associate	(365)	(972)	-	-
	<u>50,182</u>	<u>52,312</u>	<u>38,644</u>	<u>36,073</u>
Total trade and other receivables (current and non-current)	<u>364,220</u>	<u>323,049</u>	<u>351,519</u>	<u>302,789</u>

(a) Trade receivables

- (i) The Group's average credit period ranges from 30 to 180 days (2017: 30 to 180 days). No interest is charged on outstanding trade receivables, except for Cement Division which charges late payments interest of 1% (2017: 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.

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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****24. Trade and other receivables (contd.)****(a) Trade receivables (contd.)**

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

	2018		Total RM'000
	Lifetime ECL RM'000	Credit impaired RM'000	
Group			
As at 1 January under MFRS 139			2,327
Effect of adoption of MFRS 9			3,534
As at 1 January under MFRS 9	3,534	2,327	5,861
Amount written off	-	(379)	(379)
Net remeasurement of loss allowance (Note 8)	(399)	(49)	(448)
As at 31 December	<u>3,135</u>	<u>1,899</u>	<u>5,034</u>

The movements in the allowance for impairment losses of trade receivables during the financial year 2017 are shown below:

	2017 RM'000
Group	
At 1 January	3,084
Charges for the year (Note 8)	367
Reversal of impairment loss (Note 6)	(486)
Amount written off	(638)
At 31 December	<u>2,327</u>

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

	2018 RM'000	2017 RM'000
Amount due from associates	934	2,789
Amount due from joint ventures	775	417
	<u>=====</u>	<u>=====</u>

- (iv) Included in trade receivables were retention sums of RM4,348,000 (2017: RM3,394,000) 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 2018****24. Trade and other receivables (contd.)****(b) Non-trade receivables****(i) Other receivables**

Included in other receivables is an amount of RM18,616,742 (2017: RM8,573,891) being GST input tax receivable.

(ii) Amount 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 4.98% to 5.25% (2017: 3.58% to 5.80%) per annum.

(iii) Amount due from subsidiaries under current accounts

The amount is unsecured, non-interest bearing and is repayable on demand.

(iv) Amount due from a subsidiary under loans

Amount due from a subsidiary under loans is unsecured and earns interest at 5.73% to 6.78% (2017: 5.20% to 5.74%) per annum.

(v) Amounts due from joint ventures and an associate

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

(vi) Amount due from an associate under shareholders' loan

The amount is unsecured and earns interest at 5.73% to 6.78% (2017: 5.20% to 5.74%) per annum.

25. Other current assets

	Group	
	2018	2017
		(Restated)
	RM'000	RM'000
Prepaid operating expenses	2,640	3,199
Contract assets from construction contracts (Note 26)	65,512	91,131
Contract assets from property development (Note 26)	13,833	8,597
	<u>81,985</u>	<u>102,927</u>

26. Contract assets/(contract liabilities)**Contract assets****Group**

	Property development		Construction contracts		Total	
	2018	2017	2018	2017	2018	2017
		(Restated)		(Restated)		(Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	8,597	9,837	91,131	28,857	99,728	38,694
Revenue recognised during the year	34,508	49,231	357,964	310,947	392,472	360,178
Progress billings during the year	(29,272)	(50,471)	(383,583)	(248,673)	(412,855)	(299,144)
At 31 December (Note 25)	<u>13,833</u>	<u>8,597</u>	<u>65,512</u>	<u>91,131</u>	<u>79,345</u>	<u>99,728</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 (2017: 30 days) and payment is expected within 90 days (2017: 90 days).

Contract liabilities**Group**

	Property development		Construction contracts		Total	
	2018	2017	2018	2017	2018	2017
		(Restated)		(Restated)		(Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	(11,282)	(14,718)	(40,593)	(48,788)	(51,875)	(63,506)
Revenue recognised during the year	54,458	71,576	220,506	144,245	274,964	215,821
Progress billings during the year	(43,176)	(68,140)	(270,958)	(136,050)	(314,134)	(204,190)
At 31 December (Note 32)	<u>-</u>	<u>(11,282)</u>	<u>(91,045)</u>	<u>(40,593)</u>	<u>(91,045)</u>	<u>(51,875)</u>
	=====	=====	=====	=====	=====	=====

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 days (2017: 90 days).

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****26. Contract assets/(contract liabilities) (contd.)**

	Group	
	2018	2017
	RM'000	RM'000
Retention sums on construction contracts included in:		
Trade receivable (Note 24)	4,348	3,394
Trade payables (Note 31)	(10,683)	(9,512)

Included in costs incurred to-date are the following expenses incurred during the year:

	Group	
	2018	2017
	RM'000	RM'000
Depreciation of property, plant and equipment (Note 13)	204	159
Operating leases		
- lease payments on equipment	63	61
- lease payments on building	740	684

27. Investment securities

Group	2018		2017	
	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 in Malaysia)	96,101	96,101	91,970	91,970
Real Estate Investment Trust				
(quoted in Malaysia)	4,100	4,100	4,550	4,550
Total current investment securities	100,201	100,201	96,520	96,520
Non-current				
Available-for-sale financial assets				
Equity instruments				
(unquoted in Malaysia), at cost	-	-	70	-
Fair value through profit or loss				
Redeemable participatory shares				
(unquoted in Malaysia) ⁽ⁱ⁾	3,958	-	-	-
Total non-current investment securities	3,958	-	70	-
Total current and non-current investment securities	104,159	-	96,590	-

⁽ⁱ⁾ As permitted under MFRS 9, cost may be the appropriate estimate of fair value for investment in redeemable participatory shares if this investment has a wide range of possible fair value measurements.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****27. Investment securities (contd.)**

Company	2018		2017	
	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 in Malaysia)	96,101	96,101	91,970	91,970
Real Estate Investment Trust (quoted in Malaysia)	4,100	4,100	4,550	4,550
Total current investment securities	100,201	100,201	96,520	96,520

28. Derivative financial asset

	Group/Company	
	2018 RM'000	2017 RM'000
At 1 January	35,414	35,414
Effect of adoption of MFRS 9 (Note 2.2)	31,727	
As restated	67,141	
Fair value gain (Note 6)	14,130	-
At 31 December	81,271	35,414

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 during the current financial year. 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.

29. Cash and bank balances

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash in hand and at banks	58,227	102,737	232	3,150
Short-term deposits with licensed banks	761,772	875,056	759,935	873,166
Money market funds	100,540	42	100,540	42
Total cash and bank balances	920,539	977,835	860,707	876,358

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****29. Cash and bank balances (contd.)**

- (a) Short-term deposits are made for varying periods of between one day and three months (2017: 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 31 December 2018 for the Group and the Company were 3.77% (2017: 3.74%) and 3.77% (2017: 3.74%), respectively.
- (b) As at 31 December 2018, included in short-term deposits with licensed banks of the Group and the Company is an amount of RM151,000,000 (2017: RM145,000,000) being deposits placed with an associate.
- (c) Short-term deposits of the Group and the Company amounting to RM2,099,483 (2017: RM2,054,004) and RM210,000 (2017: 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	920,539	977,835	860,707	876,358
Less: Deposits pledged to licensed banks	(2,099)	(2,054)	(210)	(210)
Cash and cash equivalents	<u>918,440</u>	<u>975,781</u>	<u>860,497</u>	<u>876,148</u>

30. Loans and borrowings

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current Secured:				
Obligation under finance lease (Note 37(d))	577	727	-	-
Revolving credits (Note 30(b))	17,000	17,000	-	-
	<u>17,577</u>	<u>17,727</u>	-	-
Unsecured:				
Revolving credits	10,000	10,000	-	-
Shareholder loan	-	275	-	-
Bankers' acceptances	4,900	2,300	-	-
Term loan	21,428	21,429	-	-
	<u>36,328</u>	<u>34,004</u>	-	-
Total current	<u>53,905</u>	<u>51,731</u>	-	-

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****30. Loans and borrowings (contd.)**

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-current				
Secured:				
Obligation under finance lease (Note 37(d))	684	1,261	-	-
Unsecured:				
Islamic medium term notes	500,000	500,000	500,000	500,000
Term loan	61,944	83,372	-	-
	<u>561,944</u>	<u>583,372</u>	<u>500,000</u>	<u>500,000</u>
Total non-current	<u>562,628</u>	<u>584,633</u>	<u>500,000</u>	<u>500,000</u>
Total loans and borrowings	<u>616,533</u>	<u>636,364</u>	<u>500,000</u>	<u>500,000</u>

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
On demand or within 1 year	53,905	51,731	-	-
More than 1 year and less than 5 years	562,628	584,633	500,000	500,000
	<u>616,533</u>	<u>636,364</u>	<u>500,000</u>	<u>500,000</u>

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

	Group		Company	
	2018	2017	2018	2017
	%	%	%	%
Bankers' acceptances	3.60 to 3.89	3.53 to 3.60	-	-
Finance lease	2.44 to 3.60	2.62 to 6.60	-	-
Revolving credits	4.53 to 5.80	4.53 to 5.80	-	-
Term loans	4.58 to 4.84	4.58 to 4.84	-	-
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 shareholder loan which carried interest at 5% (2017: 5%) per annum was fully repaid during the current financial year.

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

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****30. Loans and borrowings (contd.)**

(e) Changes in liabilities arising from financing activities

	Group	
	2018	2017
	RM'000	RM'000
At 1 January	636,364	247,956
Drawdown of borrowings	37,600	133,500
Repayment of borrowings	(57,431)	(248,296)
Proceeds from issuance of Islamic medium term notes	-	500,000
Arising from acquisition of a subsidiary	-	3,204
At 31 December	<u>616,533</u>	<u>636,364</u>

31. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000 (Restated)	RM'000	RM'000
Current				
Trade				
Trade payables	343,347	388,416	-	-
Deposits payable	973	416	-	-
Retention sums on construction contracts (Note 26)	10,683	9,512	-	-
Amount due to joint ventures	4,943	7,890	-	-
	<u>359,946</u>	<u>406,234</u>	<u>-</u>	<u>-</u>
Non-trade				
Sundry payables	33,854	57,920	1,104	1,165
Accrued operating expenses	40,863	45,092	1,398	813
Amount due to subsidiaries under				
- Central cash management accounts	-	-	1,155,187	1,181,510
- Current accounts	-	-	1,347	-
Amount due to joint ventures	564	1,141	-	-
Deposits payable	5,053	5,575	-	-
Interest payable	3,946	3,907	3,748	3,682
Land premium payable	10,195	1,054	-	-
Retention monies	238	4,449	-	-
	<u>94,713</u>	<u>119,138</u>	<u>1,162,784</u>	<u>1,187,170</u>
	<u>454,659</u>	<u>525,372</u>	<u>1,162,784</u>	<u>1,187,170</u>
Non-current				
Trade payables				
Deposit payable	763	273	-	-
Other payables				
Land premium payable	61,096	93,446	-	-
	<u>61,859</u>	<u>93,719</u>	<u>-</u>	<u>-</u>
Total trade and other payables (current and non-current)	<u>516,518</u>	<u>619,091</u>	<u>1,162,784</u>	<u>1,187,170</u>

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

31. Trade and other payables (contd.)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one month to four months (2017: 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 (2017: average term of six months).

(c) Amount due to subsidiaries

Amount due to subsidiaries under central cash management accounts is unsecured, repayable on demand and bears interest at rates ranging from 3.50% to 3.74% (2017: 3.46% to 5.00%) per annum.

(d) Amount due to joint ventures

Amount due to joint ventures is unsecured, non-interest bearing and is repayable on demand.

(e) Land premium payable

Included in the Group's land premium payable (current and non-current) is an amount of RM69,416,053 (2017: RM91,571,705) relating to the acquisition of land held for property development by a subsidiary and is payable by 2024.

The remaining amount of RM1,874,418 (2017: RM2,928,585) relates to other parcels of leasehold land acquired by subsidiaries which are payable by 2021.

These amounts are unsecured and bear interest at 8% (2017: 5.22% to 6.38%) per annum.

These payables are due as follows:

	Group	
	2018	2017
	RM'000	RM'000
Repayable within one year	10,195	1,054
More than one year and less than five years	47,192	58,436
More than five years	13,904	35,010
	71,291	94,500
	71,291	94,500

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****32. Other current liabilities**

	Group	
	2018	2017
	RM'000	(Restated) RM'000
Contract liabilities from property development (Note 26)	-	11,282
Contract liabilities from construction contracts (Note 26)	91,045	40,593
	<u>91,045</u>	<u>51,875</u>

33. Share capital

	Group and Company			
	Number of ordinary shares		Amount	
	2018	2017	2018	2017
	'000	'000	RM'000	RM'000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
At 1 January	1,074,376	1,074,376	867,902	537,188
Transfer from share premium account in accordance with Section 618(2) of Companies Act 2016 (Note 34)	-	-	-	330,714
At 31 December	<u>1,074,376</u>	<u>1,074,376</u>	<u>867,902</u>	<u>867,902</u>
Treasury Shares				
At 1 January	-	-	-	-
Acquisition of treasury shares	(6,671)	-	(17,731)	-
Disposal of treasury shares	2,240	-	5,454	-
At 31 December	<u>(4,431)</u>	<u>-</u>	<u>(12,277)</u>	<u>-</u>

(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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****33. Share capital (contd.)****(b) Treasury shares (contd.)**

During the financial year, the Company repurchased 6,670,400 of its issued ordinary shares from the open market at an average price of RM2.66 per share totalling RM17,730,906 and re-sold 2,240,000 treasury shares in the open market at an average price of RM2.80 per share for RM6,271,760.

None of the treasury shares held were cancelled during the financial year. As at 31 December 2018, the number of treasury shares were 4,430,400 and the outstanding ordinary shares in issue after set-off of treasury shares was therefore 1,069,945,320.

34. Share premium

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	330,716	-	330,714
Share of an associate's reserves	-	(2)	-	-
Transfer of share premium account in accordance with Section 618(2) of Companies Act 2016 (Note 33)	-	(330,714)	-	(330,714)
At 31 December	-	-	-	-

Share premium comprised the premium paid on subscription of shares in the Company over and above the par value of the shares.

The Companies Act 2016 (the "Act"), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of issued share. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM330,713,721 for the purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

The Company did not utilise the share premium and it had been transferred to share capital in the previous financial year.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****35. 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 2017	9,609	35,937	(12,000)	28,833	(2,095)	3,219	(23,413)	40,090
Other comprehensive income:								
Share of other comprehensive income of associates	-	(9,740)	-	-	990	650	-	(8,100)
Share of other comprehensive income of a joint venture	-	-	-	-	(412)	-	-	(412)
Share of an associate's reserves	-	(9,740)	-	(22,486)	578	650	-	(22,486)
At 31 December 2017	9,609	26,197	(12,000)	6,347	(1,517)	3,869	(23,413)	9,092
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
Share of an associate's reserves	-	3,144	-	54	412	650	-	4,206
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 2018**

35. Other reserves (contd.)

**Company
RM'000**

Merger reserve:

At 31 December 2017 and 31 December 2018

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 fair value reserve 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 2018****36. Financial instruments****Categories of financial instruments**

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

	Carrying amount RM'000	Amortised cost RM'000	At FVTPL RM'000
Financial assets			
Group			
Investment securities	104,159	-	104,159
Trade and other receivables	364,220	364,220	-
Derivative financial asset	81,271	-	81,271
Cash and bank balances	920,539	920,539	-
	<u>1,470,189</u>	<u>1,284,759</u>	<u>185,430</u>
	=====	=====	=====
Company			
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	-
	<u>1,393,698</u>	<u>1,212,226</u>	<u>181,472</u>
	=====	=====	=====
Financial liabilities			
Group			
Loans and borrowings	616,533	616,533	-
Trade and other payables	516,518	516,518	-
	<u>1,133,051</u>	<u>1,133,051</u>	<u>-</u>
	=====	=====	=====
Company			
Loans and borrowings	500,000	500,000	-
Trade and other payables	1,162,784	1,162,784	-
	<u>1,662,784</u>	<u>1,662,784</u>	<u>-</u>
	=====	=====	=====

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****36. Financial instruments (contd.)**

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

	Carrying amount RM'000	Loans and receivables RM'000	At FVTPL RM'000	Available- for sale RM'000
Financial assets				
Group				
Investment securities	96,590	-	96,520	70
Trade and other receivables	323,049	323,049	-	-
Derivative financial asset	35,414	-	35,414	-
Cash and bank balances	977,835	977,835	-	-
	<u>1,432,888</u>	<u>1,300,884</u>	<u>131,934</u>	<u>70</u>
	=====	=====	=====	=====
Company				
Investment securities	96,520	-	96,520	-
Trade and other receivables	302,789	302,789	-	-
Derivative financial asset	35,414	-	35,414	-
Cash and bank balances	876,358	876,358	-	-
	<u>1,311,081</u>	<u>1,179,147</u>	<u>131,934</u>	<u>-</u>
	=====	=====	=====	=====
Financial liabilities				
Group				
Loans and borrowings	636,364	636,364	-	-
Trade and other payables	619,090	619,090	-	-
	<u>1,255,454</u>	<u>1,255,454</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====
Company				
Loans and borrowings	500,000	500,000	-	-
Trade and other payables	1,187,170	1,187,170	-	-
	<u>1,687,170</u>	<u>1,687,170</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****37. Commitments****(a) Capital commitments**

Capital commitments as at the reporting date were as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for:				
- Property, plant and equipment	39,476	29,583	-	-
- Investment in redeemable preference shares in joint ventures	49,911	53,799	-	-
	<u>89,387</u>	<u>83,382</u>	-	-
Approved but not contracted for:				
- Property, plant and equipment	312,274	270,817	2,394	37
- Intangible assets	4,310	4,015	-	-
- Investment in associates	271,314	334,000	-	-
	<u>587,898</u>	<u>608,832</u>	<u>2,394</u>	<u>37</u>
	<u>677,285</u>	<u>692,214</u>	<u>2,394</u>	<u>37</u>

(b) Operating lease commitments - as lessee

In addition to prepaid land lease payments disclosed in Note 14, the Group and the Company have entered into operating lease agreements for the use of land, buildings and certain plant and machinery. These leases have an average life of between 1 and 20 years with no renewal or purchase option included in the contracts. Certain contracts include escalation clauses or contingent rental arrangements computed based on sales achieved while others include fixed rentals for an average of 3 years. There are no restrictions placed upon the Group by entering into these leases.

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give notice for the termination of those agreements.

The future minimum lease payments under operating leases contracted at reporting date were as follows:

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	7,896	8,331	671	985
Later than 1 year and not later than 5 years	21,590	23,698	311	1,030
Later than 5 years	21,960	26,404	-	-
	<u>51,446</u>	<u>58,433</u>	<u>982</u>	<u>2,015</u>

The lease payments recognised in profit or loss during the financial year is disclosed in Note 8.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****37. Commitments (contd.)****(c) Operating lease commitments - as lessor**

The Group has entered into an operating lease agreement on its investment property. This lease has a remaining lease term of more than 5 years.

The future minimum lease payments receivable under the operating lease contracted for at the reporting date were as follows:

	Group	
	2018	2017
	RM'000	RM'000
Not later than 1 year	2,088	2,608
Later than 1 year and not later than 5 years	6,484	5,417
Later than 5 years	2,576	4,094
	11,148	12,119

Investment property rental income recognised in profit or loss during the financial year is disclosed in Note 4.

(d) Finance lease commitments

The Group has entered into lease agreements on certain plant and equipment (Note 13(d)). These leases have an average remaining tenure of between 1 to 5 years with no renewal option or purchase options included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments were as follows:

	Group	
	2018	2017
	RM'000	RM'000
Minimum lease payments:		
Not later than 1 year	633	823
Later than 1 year and not later than 5 years	721	1,354
	1,354	2,177
Less: Future finance charges	(93)	(189)
	1,261	1,988
Present value of payments:		
Not later than 1 year	577	727
Later than 1 year and not later than 5 years	684	1,261
	1,261	1,988
Less: Amount due within 12 months (Note 30)	(577)	(727)
Amount due after 12 months (Note 30)	684	1,261

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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. 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.

- (b) The Company has, on the basis of its 40% ownership interest in Malaysian Phosphate Additives (Sarawak) Sdn. Bhd. ("MPA Sarawak"), extended an unsecured proportionate corporate guarantee to Syarikat Sesco Berhad ("SSB") to guarantee the payment by MPA Sarawak of its obligations under the Power Purchase Agreement MPA Sarawak 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) 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 2018****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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Subsidiaries				
Interest income	-	-	(13,289)	(15,054)
Interest expenses	-	-	35,766	33,313
Group services fee expense	-	-	5,554	4,953
Associates				
Dividend income from funds managed by an associate	(902)	(1,109)	(902)	(1,109)
Interest income	(7,267)	(5,269)	(4,697)	(1,638)
Sale of goods	(1,156)	(182)	-	-
Rental income	(5,791)	(5,856)	-	-
Management fee income	(1,104)	(1,656)	-	-
Secondment services fee income	(692)	-	-	-
Group services fee income	(12)	-	-	-
Purchase of goods	23,399	12,140	-	-
Payment of services	424	492	-	-
Joint ventures				
Sale of goods	(80)	-	-	-
Group services fee income	(141)	(138)	-	-
Interest income	-	(271)	-	-
Rental income	(579)	(793)	-	-
Supervision fee/project management fee	(1,275)	(2,401)	-	-
Contract costs/contractor charges	9,133	19,941	-	-

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other related parties				
Sale of goods to:				
- Laku Management Sdn. Bhd. ⁽ⁱ⁾	-	(3,030)	-	-
- Titanium Construction Sdn. Bhd. ⁽ⁱⁱ⁾	-	(1)	-	-
Construction service income from:				
- Sarawak Economic Development Corporation ⁽ⁱⁱⁱ⁾	(10,344)	(14,260)	-	-
Interest income from:				
- Bina Puri Sdn. Bhd. ^(iv)	(91)	-	-	-
Rendering of services to:				
- Tintingmas Sdn. Bhd. ^(v)	-	(42)	-	-
Payment of land rental to:				
- a director and her family members ^(vi)	129	-	-	-
Payment of sales royalty to:				
- Sarawak Economic Development Corporation ⁽ⁱⁱⁱ⁾	297	299	-	-
Payment of services to:				
- Kristal Harta Sdn. Bhd. ^(vii)	114	150	-	-
- R. T. Cargo Sdn. Bhd. ^(viii)	2,392	1,116	-	-
- Satria Realty Sdn. Bhd. ^(ix)	2,389	2,296	529	542
- Tintingmas Sdn. Bhd. ^(v)	26	26	-	-

(i) The Group supplied goods to Laku Management Sdn. Bhd., a company in which Datu Hubert Thian Chong Hui was a director.

(ii) Dato Sri Mahmud Abu Bekir Taib is a director of Titanium Construction Sdn. Bhd. of which the Group supplied construction materials. He is a director and a major shareholder of the Company as well as a director in several subsidiaries of the Group.

(iii) 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.

(iv) The Group earned interest income from an advance to a corporate shareholder, Bina Puri Sdn. Bhd..

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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.)

- (v) 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.
- (vi) Land rental is paid to Umang Nangku Jabu and her family by a subsidiary of the Company.
- (vii) The Group transacted with Kristal Harta Sdn. Bhd., a company related to Datuk Syed Ahmad Alwee Alsree, a director of the Company, 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.
- (ix) 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.

(b) Year-end balances arising from sale/purchase of goods and services

	Group	
	2018	2017
	RM'000	RM'000
Receivable from a other related party:		
- SEDC	5,030	188
	5,030	188
Payable to other related parties:		
- R.T. Cargo Sdn. Bhd.	211	352
- Satria Realty Sdn. Bhd.	28	83
	239	435

Information regarding outstanding balance arising from related party transactions as at 31 December 2018 are disclosed in Note 24 and Note 31.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****39. Significant related party transactions (contd.)****(c) Compensation of key management personnel**

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Key management personnel				
Directors (Note 10)				
- Fees	900	788	738	658
- Other emoluments	6,268	5,695	6,090	5,203
- Defined contribution and social security plans	463	625	463	581
Total short-term employee benefits	7,631	7,108	7,291	6,442
Benefits-in-kind	486	454	455	416
	8,117	7,562	7,746	6,858
Other key management personnel				
- Short-term employee benefits	6,432	5,398	2,090	2,124
- Defined contribution and social security plans	778	637	251	254
Total short-term employee benefits	7,210	6,035	2,341	2,378
Benefits-in-kind	251	184	125	47
	7,461	6,219	2,466	2,425
Total key management personnel	15,578	13,781	10,212	9,283

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

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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****40. Fair value measurements (contd.)****(a) Determination of fair value and the fair value hierarchy (contd.)**

The Group and the Company generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.

MFRS 13 Fair Value Measurement requires each class of assets and liabilities measured at fair value in the statements of financial position after initial recognition to be categorised according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of those financial instruments and non-financial assets:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active market for identical instruments;

Level 2 - Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	2018		2017	
	Carrying Amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial liabilities:				
Group				
Loans and borrowings:				
- Non-current obligations under finance lease	684	721	1,261	1,354
- Islamic medium term notes	500,000	516,975	500,000	518,300

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****40. Fair value measurements (contd.)****(c) Financial instruments and non-financial assets carried at fair value**

The following tables provide an analysis of financial instruments and non-financial assets carried at fair values at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Group				
31 December 2018				
Financial assets				
Investment securities (Note 27)				
- 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 28)	-	-	81,271	81,271
	<u>4,100</u>	<u>96,101</u>	<u>85,229</u>	<u>185,430</u>

31 December 2017**Financial assets**

Investment securities (Note 27)				
- Income debt securities	-	91,970	-	91,970
- Real Estate Investment Trust	4,550	-	-	4,550
- Redeemable preference shares	-	-	70	70
	<u>4,550</u>	<u>91,970</u>	<u>70</u>	<u>96,590</u>

Company**31 December 2018****Financial assets**

Investment securities (Note 27)				
- Income debt securities	-	96,101	-	96,101
- Real Estate Investment Trust	4,100	-	-	4,100
Derivative financial asset (Note 28)	-	-	81,271	81,271
	<u>4,100</u>	<u>96,101</u>	<u>81,271</u>	<u>181,472</u>

31 December 2017**Financial assets**

Investment securities (Note 27)				
- Income debt securities	-	91,970	-	91,970
- Real Estate Investment Trust	4,550	-	-	4,550
	<u>4,550</u>	<u>91,970</u>	<u>-</u>	<u>96,520</u>

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 Level 1 and Level 2 of the fair value hierarchy during the financial year (2017: Nil).

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****40. Fair value measurements (contd.)****(d) Fair values of financial instruments not carried 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:

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Group				
31 December 2018				
Financial assets				
Investments in associates (Note 20)	155,532	-	-	155,532
Investment properties (Note 16)	-	-	7,100	7,100
	<u>155,532</u>	<u>-</u>	<u>7,100</u>	<u>162,632</u>
Financial liabilities				
Interest-bearing loans and borrowings				
- Finance lease	-	-	721	721
- Islamic medium term notes	-	-	516,975	516,975
- Term loan	-	-	90,809	90,809
	<u>-</u>	<u>-</u>	<u>608,505</u>	<u>608,505</u>
31 December 2017				
Financial assets				
Investments in associates (Note 20)	149,979	-	-	149,979
Investment properties (Note 16)	-	-	7,100	7,100
	<u>149,979</u>	<u>-</u>	<u>7,100</u>	<u>157,079</u>
Financial liabilities				
Interest-bearing loans and borrowings				
- Finance lease	-	-	1,354	1,354
- Islamic medium term notes	-	-	518,300	518,300
- Term loan	-	-	116,557	116,557
- Shareholders' loan	-	-	282	282
	<u>-</u>	<u>-</u>	<u>636,493</u>	<u>636,493</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****40. Fair value measurements (contd.)****(d) Fair values of financial instruments not carried 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.)

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Company				
31 December 2018				
Financial assets				
Investments in associates (Note 20)	63,520	-	-	63,520
Financial liabilities				
Interest-bearing loans and borrowing - Islamic medium term notes	-	-	516,975	516,975
31 December 2017				
Financial assets				
Investments in associates (Note 20)	65,635	-	-	65,635
Financial liabilities				
Interest-bearing loans and borrowing - Islamic medium term notes	-	-	518,300	518,300

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

(i) Loans, advances and financing

The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity. The fair values of impaired loans/financing are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

40. Fair value measurements (contd.)

(d) Fair values of financial instruments not carried at fair value (contd.)

(ii) Financial guarantees

The fair value of financial guarantees is determined based on the probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default;
- The estimated loss exposure if the party guaranteed were to default.

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 receivables	24
Other receivables	24
Loans and borrowings (excluding term loans and shareholders' loan)	30
Trade payables	31
Other payables	31

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date or that they are carried at their amortised carrying value.

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. At the reporting date, the Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries and an associate.

(i) Trade receivables and contract assets

• **Risk management objectives, policies and process for managing the risk**

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over the approved limits.

At each reporting date, the Group and the Company assess whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

• **Exposure to credit risk, credit quality and collateral**

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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 (contd.)**

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks. At the end of the reporting period, financial guarantees received by the Group amounted to RM30,493,578 (2017: RM28,857,332) in respect of RM27,944,001 (2017: RM29,226,191) 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 in Note 24. Management believes that no additional credit risk beyond that provided for is inherent in the Group's trade and other receivables.

- **Concentration of credit risk**

The Group determines concentrations of credit risk by monitoring the business segments of its trade receivables on an ongoing basis. The Group does not have significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics. The Group defines counter parties as having similar characteristics if they are related entities. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

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

	Group	
	2018	2017
	RM'000	RM'000
Cement	41,685	42,752
Construction materials and trading	75,616	72,077
Construction and road maintenance	42,439	48,092
Property development	33,374	49,810
Others	848	940
Total	193,962	213,671

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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**

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 90 days. The Group's debt recovery process is as follows:

- (i) Above 90 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales management team; and
- (ii) Above 180 days past due, the Group will commence a legal proceeding against the customer.

The Group uses an allowance matrix to measure ECLs of trade receivables for all except for government agencies. Consistent with the debt recovery process, balances which are past 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due. Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

For some trade receivables the Group has obtained security in the form of bank guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

For construction contracts, as there are only a few customers, the Group assesses the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable. All of these customers have low risk of default.

In respect of trade receivables arising from the sale of development properties, the Group mitigates its credit risk by withholding the transfer of registered ownership of the development properties until full settlement by the purchaser of the self-financed portion of the purchase consideration or upon undertaking of end-financing by the purchaser's end-financier.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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.)**

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 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
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>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 24.

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement.

The aging of the trade receivables as at 31 December 2017 was as follows:

Group	Gross RM'000	Individually impaired RM'000	Collective impairment RM'000	Net balance RM'000
Current (not past due)	126,567	-	-	126,567
1 to 30 days past due	20,200	-	-	20,200
31 to 60 days past due	14,421	-	-	14,421
61 to 90 days past due	15,716	-	-	15,716
More than 90 days past due	36,767	(2,325)	(2)	34,440
	<u>213,671</u>	<u>(2,325)</u>	<u>(2)</u>	<u>211,344</u>

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

(a) Credit risk (contd.)

(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.

(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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****41. Financial risk management objectives and policies (contd.)****(a) Credit risk (contd.)****(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.

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 2018					
Financial liabilities:					
Trade and other payables	516,518	469,184	62,320	15,016	546,520
Loans and borrowings	616,533	81,564	559,929	-	641,493
Financial guarantees ⁽ⁱ⁾	-	331,310	-	-	331,310
	<u>1,133,051</u>	<u>882,058</u>	<u>622,249</u>	<u>15,016</u>	<u>1,519,323</u>
At 31 December 2017					
Financial liabilities:					
Trade and other payables	619,091	532,656	106,373	-	639,029
Loans and borrowings	636,364	80,265	672,448	-	752,713
Financial guarantees ⁽ⁱ⁾	-	452,331	-	-	452,331
	<u>1,255,455</u>	<u>1,065,252</u>	<u>778,821</u>	<u>-</u>	<u>1,844,073</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****41. Financial risk management objectives and policies (contd.)****(b) Liquidity risk (contd.)****Analysis of financial instruments by remaining contractual maturities (contd.)**

	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	
Company					
At 31 December 2018					
Financial liabilities:					
Trade and other payables	1,162,784	1,204,717	-	-	1,204,717
Loans and borrowings	500,000	24,000	492,975	-	516,975
Financial guarantees ⁽ⁱ⁾	-	331,310	-	-	331,310
	<u>1,662,784</u>	<u>1,560,027</u>	<u>492,975</u>	<u>-</u>	<u>2,053,002</u>
At 31 December 2017					
Financial liabilities:					
Trade and other payables	1,187,170	1,230,533	-	-	1,230,533
Loans and borrowings	500,000	24,000	580,285	-	604,285
Financial guarantees ⁽ⁱ⁾	-	452,331	-	-	452,331
	<u>1,687,170</u>	<u>1,706,864</u>	<u>580,285</u>	<u>-</u>	<u>2,287,149</u>

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

(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.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

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

(c) Market risk (contd.)

(i) Currency risk (contd.)

• **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 2018 and 31 December 2017, the Group and the Company have not entered into any forward foreign currency contracts.

• **Currency risk sensitivity analysis**

A reasonable possible 10% (2017:10%) strengthening of the USD at the end of the reporting period would have increased the Group's profit for the year by RM4,411,917 (2017: RM6,027,749), 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.

(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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****41. Financial risk management objectives and policies (contd.)****(c) Market risk (contd.)****(ii) Interest rate risk (contd.)**

- **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 (2017: 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	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	761,772	875,056	759,935	873,454
Financial liabilities	501,261	502,264	500,000	500,000
	<u>1,263,033</u>	<u>1,377,320</u>	<u>1,259,935</u>	<u>1,373,454</u>
Floating rate instruments				
Financial assets	43,797	40,284	313,323	297,816
Financial liabilities	115,272	134,100	1,155,187	1,181,510
	<u>159,069</u>	<u>174,384</u>	<u>1,468,510</u>	<u>1,479,326</u>

- **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 RM633,626 (2017: RM796,482), 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.

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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 2018 and 2017.

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 2018 and 2017.

	Group		Company	
	2018	2017	2018	2017
	(Restated)			
	RM'000	RM'000	RM'000	RM'000
Loans and borrowings (Note 30)	616,533	636,364	500,000	500,000
Equity attributable to the owners of the Company	2,548,906	2,350,269	1,111,929	1,040,526
Gearing ratio (times)	0.24	0.27	0.45	0.48

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) Strategic investments - education and various investments through the associates and joint ventures; and
- (vi) Others - head office, management services, investment holding and dormant companies.

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

43. Segment information (contd.)

For each of the divisions, the Group Chief Executive Officer - Operations 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 2018****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 of 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	401	918	6	2	41	(14,546)	(32)	B	(13,210)
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 2018****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 2017									
External customers	491,208	428,291	447,178	168,547	10,410	25,290	-		1,570,924
Inter-segment of sales	23,736	63,703	11,633	1,500	-	38,129	(138,701)	A	-
Total revenue	514,944	491,994	458,811	170,047	10,410	63,419	(138,701)		1,570,924
Results:									
Interest income	9,355	7,523	13,440	2,684	2,025	3,666	(34,324)		4,369
Depreciation and amortisation	33,465	6,866	11,398	3,181	343	2,791	(61)		57,983
Other non-cash expenses	1,909	816	2	322	55	6,232	-	B	9,336
Segment profit/(loss) before tax:									
Company and subsidiaries	101,338	59,705	90,200	32,862	6,084	(7,411)	(34,037)	C	248,741
Associates	-	-	-	-	40,640	-	-		40,640
Joint ventures	-	-	3,147	-	28,762	-	-		31,909
	101,338	59,705	93,347	32,862	75,486	(7,411)	(34,037)		321,290
Assets:									
Investments in associates	-	-	-	-	212,260	541,104	144,201		897,565
Investments in joint ventures	-	-	4,456	-	22,741	-	-		27,197
Additions to non-current assets	27,395	13,200	15,772	9,885	434	880	4	D	67,570
Segment assets	1,010,549	520,337	695,468	808,204	74,040	1,600,930	(665,169)	E	4,044,359
Segment liabilities	68,806	226,177	181,370	440,101	37,513	1,219,802	(809,055)	F	1,364,714

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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	2018 RM'000	2017 RM'000
Fair value gain in a derivative financial asset	6	(14,130)	-
Loss allowance on trade and other receivables	8	389	368
Impairment loss on investment in an associate	8	-	972
Impairment loss on investment securities	8	-	300
Inventories written off	8	602	9
Net unrealised foreign exchange (gain)/loss	8	(1,045)	6,743
Property, plant and equipment written off	8	974	944
		<u>(13,210)</u>	<u>9,336</u>

	2018 RM'000	2017 RM'000
C Unallocated corporate expenses	<u>(27,542)</u>	<u>(34,037)</u>

D Additions to non-current assets consist of:

	2018 RM'000	2017 (Restated) RM'000
Property, plant and equipment	81,284	59,966
Prepaid land lease payments	28,965	-
Land held for property development	-	7,495
Intangible assets	2	109
	<u>110,251</u>	<u>67,570</u>

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:

	2018 RM'000	2017 RM'000
Investments in associates	979,791	897,565
Investments in joint ventures	23,916	27,197
Deferred tax assets	19,034	21,376
Inter-segment assets	(1,682,600)	(1,611,307)
	<u>(659,859)</u>	<u>(665,169)</u>

Cahaya Mata Sarawak Berhad**Notes to the Financial Statements
For the financial year ended 31 December 2018****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:

	2018	2017
	RM'000	RM'000
Deferred tax liabilities	35,947	36,835
Income tax payable	18,109	20,549
Loans and borrowings	616,533	636,364
Inter-segment liabilities	(1,533,224)	(1,502,803)
	<u>(862,635)</u>	<u>(809,055)</u>

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

	Sen	Total
	per share	amount
		RM'000
2018		
First and final tax exempt 2017 ordinary (single-tier)	8.00	<u>85,950</u>
2017		
First and final tax exempt 2016 ordinary (single-tier)	6.30	<u>67,686</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 2019.

	Sen	Total
	per share	amount
		RM'000
First and final tax exempt 2018 ordinary (single-tier)	<u>7.40</u>	<u>79,176</u>

Cahaya Mata Sarawak Berhad

**Notes to the Financial Statements
For the financial year ended 31 December 2018**

45. Subsequent events

- (a) On 1 January 2019, the Group undertook an internal reorganisation which resulted in the transfer of CMS Cement Sdn. Bhd.'s ("CMSC") business to its subsidiary, CMS Cement Industries Sdn. Bhd. ("CMSCI"). In conjunction with the internal reorganisation, CMSC transferred its business including related assets and liabilities (except for land and certain buildings), rights and obligations which include the manufacturing of cement at the Pending and Bintulu plants as well as Sibul and Miri terminals which have the packing and distribution facilities.
- (b) 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, Samalaju Industries Sdn. Bhd. ("SISB"), for a total cash consideration of RM64,242,800, thereby increasing the total equity in this associate from 49.94% to 60%. Subsequent to the share subscription, MPASSB became a subsidiary of SISB.
- (c) 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.
- (d) On 4 March 2019, PPES Works (Sarawak) Sdn. Bhd. ("PPESW"), a 51% owned subsidiary company of CMS Works Sdn. Bhd. ("CMSW"), which in turn is a wholly owned subsidiary company of the Company, incorporated a joint venture company, PPES Works CCCC JV Sdn. Bhd. ("PPESW CCCC JV").

PPESW CCCC JV was incorporated as a private company limited by shares with initial issued share capital of RM10.00 comprising ten (10) ordinary shares, is 70% held by PPESW and 30% by China Communications Construction Company (M) Sdn. Bhd..

The purpose of PPESW CCCC JV is to participate in the tender for the construction and completion of (1) The Balance of Works to Complete the Coastal Road Network, Sarawak; (2) The Second Trunk Road, Sarawak; if successful, to be the joint venture vehicle to execute the said projects.

46. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue by the Board in accordance with a resolution of the directors on 22 March 2019.

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