

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2013**

**Part A – Explanatory notes pursuant to MFRS 134**

**A1. Basis of preparation**

These condensed consolidated interim financial statements, for the period ended 30 September 2013 are unaudited and have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2012. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2012.

**A2. Changes in accounting policies**

The significant accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2012, except with the adoption of the following Malaysian Financial Reporting Standards (“MFRS”), IC interpretations and Amendments to MFRSs and interpretations.

- Amendments to MFRS 101, Presentation of items of Other Comprehensive Income
- Amendments to MFRS 1, Government Loans
- Amendments to MFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- MFRS 3, Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- Amendments to MFRS 10, MFRS 11 and MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits
- MFRS 127, Separate Financial Statements
- MFRS 127, Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- MFRS 128, Investments in Associates and Joint Ventures
- Amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134, Annual Improvements 2009-2011 Cycle
- Amendment to IC Interpretation 2, Annual Improvements 2009-2011 Cycle

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

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**A3. Seasonal or cyclical factors**

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

**A4. Unusual items due to their nature, size and incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the period ended 30 September 2013.

**A5. Changes in estimates**

There were no changes in estimates that have had a material effect on the current quarter's results.

**A6. Debt and equity securities**

During the financial quarter ended 30 September 2013, the Company issued 1,014,700 ordinary shares of RM1.00 each for cash pursuant to the Company's Employee Share Option Scheme at exercise prices of RM2.20 and RM2.23 per ordinary share.

During the current quarter ended 30 September 2013, the Company repurchased 801,000 of its issued ordinary shares from the open market at an average price of RM4.53 per share. The total consideration paid for the repurchase including transaction costs was RM3,628,907 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

**A7. Dividends paid**

The final dividend of 12 sen per share less 25% tax for the financial year ended 31 December 2012 amounting to RM30,278,290 was paid on 21 June 2013.

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**A8. Segmental information**

	3 months ended		9 months ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
Cement	133,547	136,587	398,152	399,098
Construction materials & trading	105,680	88,857	314,492	198,885
Construction & road maintenance	76,851	56,882	197,870	148,951
Property development	11,081	5,699	27,388	41,760
Samalaju development #	23,450	17,530	90,447	53,459
Strategic investments *	2,565	2,329	7,711	6,543
Others	6,668	6,139	19,031	19,545
Total revenue including inter-segment sales	359,842	314,023	1,055,091	868,241
Elimination of inter-segment sales	(24,442)	(25,739)	(71,000)	(57,414)
	<u>335,400</u>	<u>288,284</u>	<u>984,091</u>	<u>810,827</u>
<b>Segment Results</b>				
Operating profit/(loss):				
Cement	29,673	13,911	74,867	52,868
Construction materials & trading	13,478	12,537	38,109	23,297
Construction & road maintenance	20,209	15,540	53,480	45,000
Property development	461	13	(124)	22,104
Samalaju development #	981	4,907	26,732	20,926
Strategic investments *	158	(217)	(610)	(1,040)
Others	10	(77)	939	6,813
	<u>64,970</u>	<u>46,614</u>	<u>193,393</u>	<u>169,968</u>
Unallocated corporate expenses	(3,692)	(2,207)	(10,296)	(8,633)
Share of profit of associates	1,248	(819)	3,028	2,263
Share of profit of jointly controlled entities	0	935	27	935
	<u>62,526</u>	<u>44,523</u>	<u>186,152</u>	<u>164,533</u>
Income tax expenses	(13,404)	(14,976)	(49,697)	(43,323)
Net profit for the period	<u>49,122</u>	<u>29,547</u>	<u>136,455</u>	<u>121,210</u>

# Lodging and catering services.

\* Financial services and education.

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**A9. Changes in the composition of the Group**

There have been no changes in the composition of the Group for the quarter ended 30 September 2013 except the following:-

- (a) on 5 August 2013, the Company acquired 7,372,640 ordinary shares of RM1.00 each fully paid up in the capital of CMS I-Systems Berhad (“CMSI”), representing 31.24% of the equity interest in CMSI for a total purchase consideration of RM10.01. Following the acquisition, CMSI is now a wholly owned subsidiary of the Company.
- (b) on 16 August 2013, the Company acquired from CMS Steel Berhad, a wholly owned subsidiary company of the Company, its entire 69.10% equity interest in CMS Wires Sdn. Bhd., represented by 1,527,202 ordinary shares of RM1.00 each, for a total cash consideration of RM1,527,202.

**A10. Fair value hierarchy**

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

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

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

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

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000
<b>30 September 2013</b>				
<b>Financial assets</b>				
Fixed income debt securities	-	56,766	-	56,766
Equity instruments	31,266	-	4,008	35,274
Unit trust funds	28,863	-	-	28,863
Wholesale fund	-	1,403	-	1,403
	<u>60,129</u>	<u>58,169</u>	<u>4,008</u>	<u>122,306</u>
<b>31 December 2012</b>				
<b>Financial assets</b>				
Fixed income debt securities	-	55,537	-	55,537
Equity instruments	23,017	-	428	23,445
Unit trust funds	28,394	-	-	28,394
Wholesale fund	-	496	-	496
	<u>51,411</u>	<u>56,033</u>	<u>428</u>	<u>107,872</u>

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

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**A11. Capital commitments**

The amount of commitments not provided for in the interim financial statements as at 30 September 2013 was as follows:

	RM'000
Approved and contracted for:	
- Property, plant and equipment	26,109
- Others	<u>60,780</u>
	<u>86,889</u>
Approved and not contracted for:	
- Property, plant and equipment	264,869
- Others	<u>6,667</u>
	<u>271,536</u>
	<u><u>358,425</u></u>

**A12. Changes in contingent liabilities and contingent assets**

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

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**A13. Related party transactions**

The following table provides information on the transactions which have been entered into with related parties during the six-month period ended 30 September 2013 and 30 September 2012 as well as the balances with the related parties as at 30 September 2013 and 30 September 2012:

		Interest/ fee income from/sales to related parties RM '000	Purchases from/payment for services to related parties RM '000	Amounts owed by related parties RM '000	Amounts owed to related parties RM '000
<b>Associates:</b>					
- Kenanga Investment Bank Bhd	2013	134	1,015	-	-
	2012	501	-	-	-
- COPE-KPF Opportunities 1 Sdn Bhd	2013	1,551	-	-	-
	2012	1,800	-	-	-
- COPE Opportunities 2 Sdn Bhd	2013	846	-	-	-
	2012	255	-	-	-
- COPE Opportunities 3 Sdn Bhd	2013	667	-	-	-
	2012	-	-	-	-
- KKB Engineering Bhd	2013	-	337	-	-
	2012	5	81	-	452
- Harum Bidang Sdn Bhd	2013	-	20,767	-	-
	2012	-	4,034	-	-
- Kenanga Investors Bhd	2013	9,223	90	-	-
	2012	8,890	36	-	-
<b>Jointly controlled entity:</b>					
- PPES Works Wibawa JV	2013	-	-	-	-
	2012	27	-	-	-
<b>Key management personnel of the Group:</b>					
- Directors' interest	2013	-	1,572	-	16
	2012	-	1,437	-	39

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

**A14. Subsequent event**

There was no material event subsequent to the statement of financial position date that has not been reflected in the quarterly financial statements.

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2013**

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

**B1. Review of performance**

**Quarter 3, 2013 (“3Q13”) vs Quarter 3, 2012 (“3Q12”)**

The Group’s revenue and profit before tax (“PBT”) for the 3Q13 were 16% and 40% higher than the 3Q12 respectively. Higher contributions were made by:-

- (i) Cement Division – PBT was higher as the clinker plant was running smoothly in the current quarter whereas in the previous year same quarter, the upgrading was still in progress. Higher PBT was also contributed by the recognition of a delayed penalty compensation claim on the upgrading. Revenue was slightly lower due to a lower demand for its ready-mix concrete.
- (ii) Construction & Road Maintenance Division – Higher revenue and PBT in the current quarter due to longer road length maintained and more works undertaken.
- (iii) Construction Materials & Trading Division – Higher revenue and PBT in the current quarter mainly due to higher sales of stones & contract services to JKR and higher sales of steel pipes and special fittings.

However, the above was partially offset by Samalaju Development Division’s lower PBT in the current quarter which was due to a higher depreciation charge. Revenue for the current quarter was however higher than the previous year same quarter.

**Year-to-date, 2013 (“PE2013”) vs Year-to-date, 2012 (“PE2012”)**

The Group’s revenue for PE2013 continued to be driven by the Cement Division, followed by the Construction Material and Trading Division. However, in terms of % increase, Construction Materials & Trading Division recorded the highest increase (70%), followed by Samalaju Development Division (69%).

The Group’s PBT also continued to be driven by Cement Division, but followed by Construction & Road Maintenance Division. However, in terms of % increase, Construction Materials & Trading Division recorded the highest increase (64%), followed by Cement Division (42%).

The Cement Division recorded a 42% higher PBT of RM74.87 million in PE2013 over PE2012’s PBT of RM52.87 million, attributed mainly to the turnaround of CMS Clinker which has been operating smoothly since March 2013 after a prolonged shut down for upgrading in PE2012.

The Construction Materials & Trading Division reported a strong PBT for PE2013 of RM38.11 million which exceeded PE2012’s PBT of RM23.30 million by 64%, on the back of higher revenue which arose from the spill-over works of 2012 under Jabatan kerja Raya (“JKR”) and the earlier implementation of JKR’s 2013 Malaysian Road Records Information System (“MARRIS”) program. In addition, the Division also secured a few major private projects in PE2013.

The Construction & Road Maintenance Division posted a PBT of RM53.51 million including the share of profit of jointly controlled entities (PE2012: RM45.94 million), representing an increase of 16% over PE2012 mainly due to more works undertaken in PE2013.

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**B1. Review of performance (contd.)**

**Year-to-date, 2013 vs Year-to-date, 2012 (contd.)**

The Property Development Division recorded a marginal loss in PE2013 compared to a profit in PE2012 (RM22.10 million). The profit in PE2012 was due mainly to the recognition of the profit for a land sale.

The Samalaju Development Division registered a 28% jump in PBT to RM26.73 million in PE2013 from RM20.93 million in PE2012, on the back of higher revenue from more blocks of lodges built and occupied.

The Strategic Investments Division (excluding the listed associates) recorded a lower loss in PE2013 compared to PE2012. This was attributed to higher profits recorded by the investment and private equity companies but partially offset by a higher loss reported by the education company.

**B2. Material changes in profit before tax for the quarter (Quarter 3, 2013 vs Quarter 2, 2013)**

The Group's revenue and PBT for the current quarter ended 30 September 2013 were lower than the preceding quarter ended 30 June 2013. Divisions which reported lower revenue were Cement, Construction Materials & Trading and Samalaju Development Divisions.

The lower revenue in the Cement Division was due to a decline in demand for the ready-mix concrete from a project in Samalaju as it was near completion in the current quarter. However, its PBT in the current quarter was 23% higher due to the recognition of a delayed penalty compensation claim from the main contractor for the upgrading of clinker plant.

The Construction Materials & Trading Division recorded a lower revenue because most of the resurfacing works of premix were completed by June 2013 for the first phase of JKR's MARRIS program. Overall, this Division sustained its profit albeit at a lower revenue.

The Samalaju Development Division reported a lower revenue in the current quarter due to lower occupancies. Coupled with the acceleration of depreciation on the lodges, its PBT was lower in the current quarter compared to the preceding quarter.

The Construction & Road Maintenance Division's revenue and PBT for the current quarter were higher than the preceding quarter due to more road rehabilitation work and infrastructure work undertaken.

**B3. Prospects for the year ending 31 December 2013**

Whilst the operating environment faced by the Group will remain challenging, the Board expects that the Group's financial performance to be good for year ending 31 December 2013. The Group's strong financial position will enable the Group to invest in new business opportunities especially in the Samalaju Industrial Park, Bintulu, Sarawak.



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**B4. Profit forecast or profit guarantee**

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

**B5. Income tax expense**

	3 months ended		9 months ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	17,520	14,833	53,802	43,106
- Overprovision in respect of previous years	(4,116)	143	(4,104)	217
Deferred tax	0	0	(1)	0
Total income tax expense	<u>13,404</u>	<u>14,976</u>	<u>49,697</u>	<u>43,323</u>

The effective tax rate for the quarter ended 30 September 2013 was lower than the statutory tax rate principally due to the reversal of tax provision in respect of prior years.

The effective tax rate for the quarter ended 30 September 2012 were higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against profits made by other subsidiaries and certain expenses which are not deductible for tax purposes.

**B6. Corporate proposals**

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

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2013**

**B7. Borrowings**

	<b>As at 30.9.2013 RM'000</b>	<b>As at 31.12.2012 RM'000</b>
<b>Secured</b>		
Revolving credits	15,000	15,000
Hire purchase and finance lease liabilities	21	32
<b>Unsecured</b>		
Bankers' acceptances	30,250	3,722
Term loans	42,800	64,240
Loan from corporate shareholder	2,756	6,831
<b>Total</b>	<u>90,827</u>	<u>89,825</u>
<b>Maturity</b>		
Repayable within one year	67,259	40,729
One year to five years	23,568	49,096
	<u>90,827</u>	<u>89,825</u>

All borrowings were denominated in Ringgit Malaysia.

**B8. Off balance sheet financial instruments**

As at the date of this report, there are no financial instruments with off balance sheet risks entered into by the Group.

**B9. Derivatives**

There were no derivatives entered into by the Group as at the end of the quarter under review.

**B10. Gains/losses arising from fair value changes of financial liabilities**

There were no gains/losses arising from fair value changes of financial liabilities.

**B11. Changes in material litigation**

There were no changes in material litigation since the last annual statement of financial position date of 31 December 2012.

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2013**

**B12. Dividend payable**

The first interim dividend of 5 sen per share less 25% tax for the financial year ending 31 December 2013 amounting to RM12,691,449 was paid on 18 October 2013.

The total dividend for the current financial year ending 31 December 2013 is 5.0 sen (2012: 5.0 sen) per ordinary share.

**B13. Earnings per share**

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

Diluted earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	3 months ended		9 months ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	40,992	22,142	109,733	100,583
Weighted average number of ordinary shares in issue ('000)	338,874	326,870	331,293	328,177
<b>Basic earnings per share (sen)</b>	<b>12.10</b>	<b>6.77</b>	<b>33.12</b>	<b>30.65</b>
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	340,684	329,070	333,870	329,939
<b>Diluted earnings per share (sen)</b>	<b>12.03</b>	<b>6.73</b>	<b>32.87</b>	<b>30.49</b>

**B14. Auditor's report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2012 was not subject to any qualification.

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2013**

**B15. Additional disclosure on profit for the period**

	Quarter ended 30.9.2013 RM'000	Financial period ended 30.9.2013 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	261	783
Amortisation of prepaid land lease payments	181	544
Bad debt written off	-	-
Property, plant and equipment written off	0	7
Depreciation of property, plant and equipment	23,192	57,344
Depreciation of investment properties	29	88
(Gain)/loss on foreign exchange	76	375
(Gain)/loss on disposal of property, plant and equipment	32	(270)
(Gain)/loss on disposal of investments	467	1,770
(Gain)/loss on fair value changes of derivatives	-	-
Impairment loss on trade receivables	99	341
Interest expense	1,101	3,271
Interest income	(1,250)	(4,538)
Inventory written off	13	55
Net fair value changes in investment securities	926	(1,269)
Reversal of allowance for impairment loss on trade receivables	0	(2,141)
Reversal of allowance for obsolete inventory	-	-
Write down of inventory	-	-

**B16. Realised and unrealised profits/losses**

	As at 30 September 2013 RM'000	As at 31 December 2012 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	762,049	657,079
- Unrealised	(15,894)	(13,816)
	<u>746,155</u>	<u>643,263</u>
Total retained earnings from associates:		
- Realised	1,338	7,245
- Unrealised	8,074	3,453
	<u>9,412</u>	<u>10,698</u>
Total retained earnings from jointly controlled entities:		
- Realised	3,943	3,948
	<u>759,510</u>	<u>657,909</u>
Add: consolidation adjustments	25,936	60,774
Total Group retained earnings as per consolidated accounts	<u><u>785,446</u></u>	<u><u>718,683</u></u>