Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements, for the year ended 31 December 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.

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 year ended 31 December 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 31 December 2013, the Company issued 463,900 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.

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.

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

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A8. Segmental information

	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	141,591	145,350	539,743	544,449
Construction materials & trading	136,247	136,165	450,739	335,050
Construction & road maintenance	103,654	91,815	301,523	240,765
Property development	48,540	17,980	75,928	59,740
Samalaju development #	22,529	18,791	112,977	72,250
Strategic investments *	2,821	2,557	10,532	9,101
Others	7,798	7,391	26,829	26,936
Total revenue including inter-segment sales	463,180	420,049	1,518,271	1,288,291
Elimination of inter-segment sales	(23,731)	(27,311)	(100,731)	(84,726)
	439,449	392,738	1,417,540	1,203,565
Segment Results				
Operating profit/(loss):				
Cement	21,796	13,506	96,663	66,374
Construction materials & trading	16,974	17,364	55,083	40,660
Construction & road maintenance	41,532	34,729	95,013	79,729
Property development	31,396	2,390	31,272	24,493
Samalaju development #	(13)	4,384	26,719	25,311
Strategic investments *	(3,687)	(8,081)	(4,297)	(9,120)
Others	37	(1)	976	6,813
	108,035	64,291	301,429	234,260
Unallocated corporate expenses	(2,718)	(2,810)	(13,015)	(11,444)
Share of profit of associates	3,600	871	6,628	3,134
Share of profit of joint ventures	201	21	228	956
Profit before tax	109,118	62,373	295,270	226,906
Income tax expenses	(29,649)	(16,956)	(79,346)	(60,279)
Net profit for the period	79,469	45,417	215,924	166,627

Lodging and catering services.
* *Financial services and education.*

A9. Changes in the composition of the Group

There have been no changes in the composition of the Group for the quarter ended 31 December 2013.

A10. Fair value of instruments

(a) Determination of fair value

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments, by class, other than those with carrying amounts which are reasonable approximations of fair values:

	Carrying amount		**Fair value**	
	2013	**2012**	**2013**	**2012**
	RM'000	RM'000	RM'000	RM'000
Financial liabilities:				
Interest-bearing loans and borrowings				
- Bankers' acceptances	36,006	3,722	36,006	3,723
- Term loan	42,800	64,240	43,340	65,634
- Hire purchase and finance lease liabilities	15	32	16	34
- Revolving credits	15,000	15,000	15,000	15,000
- Loans from corporate shareholders	6,280	6,831	7,532	7,918
	100,101	89,825	101,894	92,309

(b) Fair value hierarchy

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

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

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

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

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A10. Fair value of instruments (contd.)

(b) Fair value hierarchy (contd.)

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

	Level 1	**Level 2**	**Level 3**	**Total**
	RM'000	RM'000	RM'000	RM'000
31 DECEMBER 2013				
Financial assets				
Dynamic income fund	-	58,904	-	58,904
Equity instruments	38,413	-	7,169	45,582
Unit trust funds	28,695	-	-	28,695
Wholesale fund	-	1,056	-	1,056
	67,108	59,960	7,169	134,237
Financial liabilities				
Interest-bearing loans and borrowings				
Bankers' acceptances	-	36,006	-	36,006
Term loan	-	43,340	-	43,340
Hire purchase and finance lease liabilities	-	16	-	16
Revolving credits	-	15,000	-	15,000
Loans from corporate shareholders	-	7,532	-	7,532
	-	101,894	-	101,894
31 DECEMBER 2012				
Financial assets				
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
	51,411	56,033	428	107,872
Financial liabilities				
Interest-bearing loans and borrowings				
Bankers' acceptances	-	3,722	-	3,723
Term loan	-	65,634	-	65,634
Hire purchase and finance lease liabilities	-	34	-	34
Revolving credits	-	15,000	-	15,000
Loans from corporate shareholders	-	7,918	-	7,918
	-	92,308	-	92,309

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

A11. Capital commitments

The amount of commitments not provided for in the interim financial statements as at 31 December 2013 was as follows:

	RM'000
Approved and contracted for:	
- Property, plant and equipment	49,517
- Others	8,941
	58,458
Approved and not contracted for:	
- Property, plant and equipment	324,406
- Others	188,135
	512,541
	570,999

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 year ended 31 December 2013 and 31 December 2012 as well as the balances with the related parties as at 31 December 2013 and 31 December 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
Associates:					
- Kenanga Investment Bank Bhd	2013	185	1,015	-	-
	2012	588	-	-	-
- COPE-KPF Opportunities 1 Sdn Bhd	2013	1,982	-	-	-
	2012	2,393	-	-	-
- COPE Opportunities 2 Sdn Bhd	2013	1,129	-	-	-
	2012	537	-	-	-
- COPE Opportunities 3 Sdn Bhd	2013	1,067			
	2012	-	-	-	-
- KKB Engineering Bhd	2013	-	337	-	-
	2012	1	181	-	452
- Harum Bidang Sdn Bhd	2013	-	39,196	-	-
	2012	-	15,380	-	-
- Kenanga Investors Bhd	2013	13,297	145	-	-
	2012	11,922	36	-	-
Jointly controlled entity:					
- PPES Works Wibawa JV	2013	-	-	-	-
	2012	45	-	-	-
Key management personnel of the Group:					
- Directors' interest	2013	-	2,256	-	81
	2012	-	1,944	-	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.

B1. Review of performance

Quarter 4, 2013 ("4Q13") vs Quarter 4, 2012 ("4Q12")

The Group's revenue and profit before tax ("PBT") for the 4Q13 were 10% and 76% higher than the 4Q12 respectively. Higher contributions were made by:-

(i) Cement Division – Higher PBT was largely due to the stable running of the upgraded clinker plant which has resulted in lower cost of production whereas in the 4Q12, the clinker plant was in the midst of commissioning and the production volume was low. Revenue was however slightly lower in the current year's quarter due to a lower demand for its ready-mix concrete.

(ii) Construction & Road Maintenance Division – Higher revenue and PBT were due to longer road length maintained and more works undertaken.

(iii) Property Development Division – Contribution rose mainly due to the higher profit recognition from land sales.

However, the above was partially offset by:

(iv) Samalaju Development Division – Lower PBT was mainly due to a higher depreciation charge. Revenue was however higher than the previous year same quarter.

(v) Construction Materials & Trading Division – Revenue and PBT declined marginally. The lower result was largely due to shortage of bitumen in Sarawak for more than 10 days in December 2013, plants broke down for more than a week and lower production deficiency due to wet materials caused by frequent rain for the premix operations. As a result, sale volume & revenue was lower. The gross profit margin was also depressed by increased prices of raw materials.

Year-to-date, 2013 ("FY 2013") vs Year-to-date, 2012 ("FY 2012")

The Group registered a higher revenue of 18% largely due to higher revenue from Construction Materials & Trading Division which contributed 52% to the increase. The main contributors to the Group revenue were Cement, Construction Materials & Trading and Construction & Road Maintenance Divisions. The three Divisions together contributed 84% (2012: 86%) to the Group revenue.

PBT increased by 30% largely attributable to higher earnings from the Cement Division which contributed 44% to the increase. The main contributors to the Group's PBT were Cement, Construction & Road Maintenance, Construction Materials & Trading Divisions. These three Divisions combined contributed 84% (2012: 83%) to the Group's PBT.

The Cement Division recorded a 46% stronger PBT of RM96.66 million in FY 2013 over FY 2012's PBT of RM66.37 million, attributed mainly to the turnaround of CMS Clinker. The clinker operations which suffered a loss of RM28.96 million in FY 2012 due to prolonged shutdown for upgrading, have been operating smoothly since March 2013 and registered a PBT of RM16.61 million for FY 2013.

B1. Review of performance (contd.)

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

The Construction Materials & Trading Division reported a higher PBT for FY 2013 of RM55.08 million which exceeded FY 2012's PBT of RM40.66 million by 35%. This was primarily due to higher revenue and volume which arose from the spill-over works of 2012 under Jabatan Kerja Raya ("JKR") and from the successful lobbying from JKR to use the term contracts to carry out the state and rural road maintenance throughout Sarawak under Malaysian Road Records Information System ("MARRIS") program. The good performance was also attributed to a few major private projects secured and the supply and delivery of the first batch of PU mild steel pipes to JKR in December 2013 under a contract which is estimated to take 18 months to complete.

The Construction & Road Maintenance Division posted a PBT of RM95.24 million including the share of profit of joint ventures in FY 2013, representing an increase of 18% over FY 2012's profit of RM80.69 million primarily due to more works undertaken and longer road length maintained.

The Property Development Division recorded a 28% higher profit of RM31.27 in FY 2013 compared to a profit of RM24.49 million in FY 2012, mainly due to higher profit recognition from the land sale.

The Samalaju Development Division registered a 5% jump in PBT to RM26.72 million in FY 2013 from RM25.33 million in FY 2012, on the back of higher revenue from more blocks of lodges built and occupied but substantially reduced by a higher depreciation charge as a result of shortening the useful lives of the lodges.

The Strategic Investments Division (excluding the listed associates) recorded a slightly higher loss in FY 2013 compared to FY 2012. This was attributed to higher loss reported by the education company but partially mitigated by higher profits recorded by the investment and private equity companies.

The Group recorded a higher share of profits from its associates compared to the previous year.

B2. Material changes in profit before tax for the quarter (Quarter 4, 2013 vs Quarter 3, 2013)

The Group's revenue and PBT for the 4Q13 were 29% and 75% higher than the 3Q13 respectively, largely due to higher contributions from the Property Development and Construction & Road Maintenance Divisions.

All other Divisions reported higher revenue except for Samalaju Development Division.

The Cement Division however registered lower PBT despite higher revenue in the 4Q13. Included in the preceding quarter was a delayed penalty compensation claim from the main contractor for the upgrading of clinker plant.

B2. Material changes in profit before tax for the quarter (Quarter 4, 2013 vs Quarter 3, 2013) (contd.)

The Construction Materials & Trading Division recorded higher revenue and PBT in the current quarter as ongoing projects and sales continued from the preceding quarter, especially the JKR's 2013 MARRIS program which was expected to be completed by end of the year. The supply of PU mild steel pipes by the Trading operations to JKR in December 2013 also contributed to the better performance.

The Construction & Road Maintenance Division's revenue and PBT for the current quarter were higher than the preceding quarter due to higher instructed works/design built projects claimed, higher federal periodic maintenance works and project work undertaken.

The Property Development Division's results improved significantly mainly due to the profits recognition from land sales in the current quarter.

The Samalaju Development Division reported a marginally lower revenue and PBT in the current quarter due to lower occupancies and higher expenses incurred.

B3. Prospects for the year ending 31 December 2014

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 2014. The Group's strong financial position will enable the Group to invest in new business opportunities especially in Sarawak.

B4. Profit forecast or profit guarantee

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

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B5. Income tax expense

	3 months ended		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	33,226	23,447	87,028	66,553
- Overprovision in respect of previous years	88	146	(4,016)	363
Deferred tax	(3,665)	(6,637)	(3,666)	(6,637)
Total income tax expense	29,649	16,956	79,346	60,279

The effective tax rate for the quarters ended 31 December 2013 and 31 December 2012 and financial years ended 31 December 2013 and 31 December 2012 were higher than the statutory tax rate principally due to certain expenses which are not deductible for tax purposes.

B6. Corporate proposals

Other than as disclosed below, there were no other corporate proposals that have been announced but not completed as at the date of this announcement.

Joint venture between Samalaju Industries Sdn. Bhd., Malaysian Phosphate Venture Sdn. Bhd., Arif Enigma Sdn. Bhd. and Malaysian Phosphate Additives (Sarawak) Sdn. Bhd.

On 7 June 2012, 7 September 2012, 7 December 2012, 7 March 2013, 7 June 2013, 6 September 2013 and 6 December 2013 respectively pertaining to the Memorandum of Understanding (“MOU”) signed between the Company’s wholly owned subsidiary, Samalaju Industries Sdn Bhd (“SISB”) and Malaysian Phosphate Additives Sdn Bhd (“MPASB”) for the purpose of recording their intention to enter into negotiations in good faith pertaining to an integrated phosphate plant/complex (“Plant”) with an annual production capacity of approximately 500,000 tonnes of phosphate products in Samalaju, Sarawak at a current estimated cost of approximately RM1.04 billion (“the Project”).

Further to the MOU, on 31 December 2013, SISB had entered into a Shareholders’ Agreement (“SHA”) with Malaysian Phosphate Venture Sdn Bhd (“MPVSB”), a wholly owned subsidiary company of MPASB, Arif Enigma Sdn Bhd (“AESB”) and Malaysian Phosphate Additives (Sarawak) Sdn Bhd (“MPA Sarawak”) in respect of the Project via the joint venture company, MPA Sarawak.

Pursuant to the SHA, SISB, MPVSB and AESB will subscribe for 400,000, 400,000 and 200,000 ordinary shares of RM1.00 each in MPA Sarawak, respectively.

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B7. Borrowings

	As at 31.12.2013 RM'000	As at 31.12.2012 RM'000
Secured		
Revolving credits	15,000	15,000
Hire purchase and finance lease liabilities	15	32
Unsecured		
Bankers' acceptances	36,006	3,722
Term loans	42,800	64,240
Loans from corporate shareholders	6,280	6,831
Total	100,101	89,825
Maturity		
Repayable within one year	73,013	40,729
One year to five years	27,088	49,096
	100,101	89,825

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.

B12. Dividend payable

The Board of Directors has proposed to declare a final tax exempt (single-tier) dividend at the coming Annual General Meeting of 12 sen per share (2012: 12 sen per share less 25% tax). The dividend entitlement and payment date for the final dividend will be announced at a later date.

The total dividend for the current financial year ended 31 December 2013 is 17.0 sen (2012: 17.0 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		12 months ended	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	65,716	35,152	175,449	135,735
Weighted average number of ordinary shares in issue ('000)	338,615	325,804	333,124	327,928
Basic earnings per share (sen)	19.41	10.79	52.67	41.39
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	340,599	327,496	335,941	329,646
Diluted earnings per share (sen)	19.29	10.73	52.23	41.18

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.

B15. Additional disclosure on profit for the period

	Quarter ended 31.12.2013 RM'000	Financial year ended 31.12.2013 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	181	964
Amortisation of prepaid land lease payments	204	747
Bad debt written off	690	690
Property, plant and equipment written off	4	12
Depreciation of property, plant and equipment	25,140	82,483
Depreciation of investment properties	29	117
(Gain)/loss on foreign exchange	(1,194)	(819)
(Gain)/loss on disposal of property, plant and equipment	(230)	(500)
(Gain)/loss on disposal of investments	486	(1,285)
(Gain)/loss on fair value changes of derivatives	-	-
Impairment loss on trade receivables	87	428
Interest expense	980	4,251
Interest income	(929)	(5,467)
Inventory written off	709	764
Net fair value changes in investment securities	(1,167)	(2,436)
Reversal of allowance for impairment loss on trade receivables	1,541	(600)
Reversal of allowance for obsolete inventory	-	-
Write down of inventory	30	30

B16. Realised and unrealised profits/losses

	As at 31 December 2013 RM'000	As at 31 December 2012 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	820,628	657,079
- Unrealised	(7,724)	(13,816)
	812,904	643,263
Total retained earnings from associates:		
- Realised	10,235	7,245
- Unrealised	(648)	3,453
	9,587	10,698
Total retained earnings from jointly controlled entities:		
- Realised	3,945	3,948
	826,436	657,909
Add: consolidation adjustments	22,665	60,774
Total Group retained earnings as per consolidated accounts	849,101	718,683