## Part A – Explanatory notes pursuant to MFRS 134

### A1. Basis of preparation

These condensed consolidated interim financial statements, for the year ended 31 Deceember 2014 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 2013. 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 2013.

### 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 2013, except with the adoption of the following Malaysian Financial Reporting Standards ("MFRS"), IC interpretations and Amendments to MFRSs and interpretations.

- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities
- Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies
- Amendments to MFRS 2, MFRS 3, MFRS 8, MFRS 116, MFRS 124 and MFRS 138, Annual Improvements 2010-2012 Cycle
- Amendments to MFRS 3, MFRS 13 and MFRS 140, Annual Improvements 2011-2013 Cycle
- Amendments to MFRS 119, Defined Benefit Plans: Employee Contributions

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 2014 except for the gain on liquidation of subsidiaries amounting to RM15.6 million.

## 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 2014, the Company issued 255,900 ordinary shares of RM0.50 each for cash pursuant to the Company's Employee Share Option Scheme at exercise prices of RM0.74 and RM0.75 per ordinary share.

## A7. Dividends paid

The final tax exempt (single-tier) dividend of 12 sen per ordinary share of RM1.00 each for the financial year ended 31 December 2013 amounting to RM41,433,665 was paid on 20 June 2014.

The first interim tax exempt (single-tier) dividend of 1.5 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2014 amounting to RM15,588,728 was paid on 24 October 2014.

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## A8. Segmental information

| | 3 months ended | | 12 months ended | |
|---|---|---|---|---|
| | 13.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Segment Revenue** | | | | |
| Cement | 161,465 | 141,591 | 585,822 | 539,743 |
| Construction materials & trading | 229,014 | 136,247 | 665,964 | 450,739 |
| Construction & road maintenance | 115,422 | 103,654 | 366,476 | 301,523 |
| Property development | 21,905 | 47,842 | 113,843 | 75,230 |
| Samalaju development # | 7,240 | 22,529 | 14,896 | 112,977 |
| Strategic investments * | 2,243 | 2,821 | 11,391 | 10,532 |
| Others | (18,420) | 7,798 | 28,918 | 26,828 |
| Total revenue including inter-segment | 518,869 | 462,482 | 1,787,310 | 1,517,572 |
| Elimination of inter-segment sales | (14,639) | (29,732) | (113,412) | (100,731) |
| | 504,230 | 432,750 | 1,673,898 | 1,416,841 |
| **Segment Results** | | | | |
| Operating profit/(loss): | | | | |
| Cement | 28,065 | 21,796 | 120,483 | 96,663 |
| Construction materials & trading | 25,877 | 16,974 | 76,477 | 55,083 |
| Construction & road maintenance | 24,496 | 41,533 | 82,974 | 95,013 |
| Property development | (427) | 31,396 | 45,628 | 31,272 |
| Samalaju development # | 2,447 | (13) | 9,455 | 26,718 |
| Strategic investments * | (1,772) | (3,688) | (3,228) | (4,297) |
| Others | (118) | 37 | 15,305 | 976 |
| | 78,568 | 108,035 | 347,094 | 301,428 |
| Unallocated corporate expenses | (11,009) | (3,094) | (23,487) | (13,390) |
| Share of results of associates | 5,365 | 3,600 | 16,586 | 6,628 |
| Share of results of joint ventures | (490) | 201 | 1,259 | 228 |
| Profit before tax | 72,434 | 108,742 | 341,452 | 294,894 |
| Income tax expenses | (16,496) | (29,649) | (75,844) | (79,346) |
| Profit for the year | 55,938 | 79,093 | 265,608 | 215,548 |

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

## A9. Changes in composition of the Group

There have been no changes in the composition of the Group for the quarter ended 31 December 2014.

## 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, which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

| | **31 December 2014** | | **31 December 2013** | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Financial assets:** | | | | |
| Available-for-sale financial assets: | | | | |
| - Equity instruments | 300 | 300 | 300 | 300 |
| - Redeemable participating shares | 9,161 | 9,161 | 6,869 | 6,869 |
| | 9,461 | 9,461 | 7,169 | 7,169 |
| **Financial liabilities:** | | | | |
| Interest-bearing loans and borrowings | | | | |
| - Bankers' acceptances | 38,708 | 38,708 | 36,006 | 36,006 |
| - Term loan | 46,360 | 49,599 | 42,800 | 43,340 |
| - Finance lease liabilities | - | - | 16 | 16 |
| - Revolving credits | 14,000 | 14,000 | 15,000 | 15,000 |
| - Loans from corporate shareholders | 5,728 | 6,491 | 6,280 | 7,532 |
| | 104,796 | 108,798 | 100,102 | 101,894 |

### (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).

## 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 2014** | | | | |
| **Financial assets** | | | | |
| Income debt securities fund | - | 61,523 | - | 61,523 |
| Equity instruments | 37,826 | - | - | 37,826 |
| Unit trust funds | 27,951 | - | - | 27,951 |
| Wholesale fund | - | 1,386 | - | 1,386 |
| | 65,777 | 62,909 | - | 128,686 |
| **31 December 2013** | | | | |
| **Financial assets** | | | | |
| Income debt securities fund | - | 58,904 | - | 58,904 |
| Equity instruments | 38,413 | - | - | 38,413 |
| Unit trust funds | 28,695 | - | - | 28,695 |
| Wholesale fund | - | 1,056 | - | 1,056 |
| | 67,108 | 59,960 | - | 127,068 |

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 2014 was as follows:

| | RM'000 |
|---|---|
| Approved and contracted for: | |
| - Property, plant and equipment | 186,507 |
| - Intangible assets | 1,170 |
| - Others | 5,704 |
| | 193,381 |
| Approved and not contracted for: | |
| - Property, plant and equipment | 213,064 |
| - Intangible assets | 674 |
| - Investment properties | 37,500 |
| - Investment in associates | 114,608 |
| - Others | 6,667 |
| | 372,513 |
| | 565,894 |

## 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.

## 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 2014 and 31 December 2013 as well as the balances with the related parties as at 31 December 2014 and 31 December 2013:

| | | 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 | 2014 | 487 | 155 | - | - |
| | 2013 | 185 | 1,015 | - | - |
| - COPE-KPF Opportunities 1 Sdn | 2014 | 1,658 | - | - | - |
| | 2013 | 1,982 | - | - | - |
| - KKB Engineering Bhd | 2014 | 61 | - | - | - |
| | 2013 | - | - | - | - |
| - Harum Bidang Sdn Bhd | 2014 | - | 170,110 | - | 36,442 |
| | 2013 | - | 39,196 | - | 18,429 |
| - Kenanga Investors Bhd | 2014 | 16,110 | 791 | - | - |
| | 2013 | 13,297 | 145 | - | - |
| **Joint Venture Entity** | | | | | |
| - PPES Works Wibawa | 2014 | 124 | - | - | - |
| | 2013 | - | - | - | - |
| **Key management personnel of the Group:** | | | | | |
| - Directors' interest | 2014 | 41,447 | 2,452 | 5,025 | 8 |
| | 2013 | 17,507 | 2,504 | 5,469 | 20 |

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.

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

**B1. Review of performance**

**Quarter 4, 2014 ("4Q14") vs Quarter 4, 2013 ("4Q13")**

The Group's profit before tax ("PBT") for 4Q14 was 33% lower than 4Q13 despite higher revenue. This was generally due to the unrealised loss in quoted securities.

The Construction & Road Maintenance Division's PBT for 4Q14 was also lower than 4Q13 due to lower instructed works claimed and share of loss in a joint venture.

The Property Development Division recorded a marginal loss in 4Q14. In 4Q13, this Division posted a PBT of RM31.40 million attributable to profit recognition from land sales.

Contributions from the following Divisions partially mitigated the lower PBT in 4Q14 compared to 4Q13:

(a) Cement Division – PBT was 29% higher due to higher cement prices (increase effective 17 February 2014) and higher cement sales and production volumes; and
(b) Construction Materials & Trading Division – PBT was raised by 52% mainly due to higher quarry revenue.

**Year-to-date, 2014 ("YE2014") vs Year-to-date, 2013 ("YE2013")**

The 18% rise in Group revenue was mainly attributable to higher revenue from the Construction Material & Trading Division which contributed 80% to the increase in YE2014. The main contributors to the Group revenue were the Cement, Construction Materials & Trading and Construction & Road Maintenance Divisions. Together, these three Divisions contributed 90% to the Group revenue.

The 16% rise in PBT was driven by higher earnings from the Cement Division which contributed 51% to this increase in YE2014. The main contributors to the Group's PBT were the Cement, Construction & Road Maintenance and Construction Materials & Trading Divisions. These three Divisions made a combined contribution of 82% to the Group's PBT.

The Cement Division recorded a 25% increase in PBT of RM120.48 million in YE2014 over YE2013's PBT of RM96.66 million, attributed mainly to an upward revision in cement selling price effective 17 February 2014, higher cement sale volume, lower volume of cement imported and higher volumes of cement and clinker produced.

The Construction Materials & Trading Division reported a higher PBT of RM76.48 million for YE2014, exceeding YE2013's PBT of RM55.08 million by 39%. This was primarily due to the full year supply of mild steel polyurethane ("MSPU") pipes in YE2014, the first batch of which was delivered at end of YE2013. The quarrying business reported greater PBT whilst the premix business maintained its excellent profit. The recovery of RM2.72 million bad debts by the wires business had also helped boost the performance of the Division.

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

**Year-to-date, 2014 ("YE2014") vs Year-to-date, 2013 ("YE2013") (contd.)**

The Construction & Road Maintenance Division posted a PBT of RM84.23 million which included the share of profit of joint ventures in YE2014, representing a decrease of 12% over YE2013's profit of RM95.24 million.

The Property Development Division's PBT grew to RM45.63 million in YE2014 from RM31.27 million in YE2013, an increase of 46%. The higher PBT was attributable to more land and properties sales recognised as well as higher construction activities.

The Samalaju Division registered a sharp 65% drop in PBT (excluding the associates) to RM9.46 million in YE2014 as compared to RM26.72 million in YE2013, on the back of lower revenue as a result of lower occupancy and rates.

The Strategic Investments Division (excluding the listed associates) reported a lower loss of RM3.23 million in YE2014 from RM4.30 million in YE2013. The education company reported higher loss in YE2014. However, this was mitigated by the higher profit recorded by the investment company which had returned to profitability in YE2014. Its loss in YE2013 was due to impairment of investment.

In the Dormant/inactive companies Division, a gain of RM15.31 million was recorded which arose mainly from liquidation of CMS Steel Bhd.

**B2. Material changes in profit before tax for the quarter (Quarter 4, 2014 vs Quarter 3, 2014)**

The Group's PBT for 4Q14 was 30% lower than 3Q14. Included in 3Q14 PBT was a gain on liquidation of subsidiaries amounting to RM15.62 million. Excluding this gain, PBT for 4Q14 would have been lower by 18% only. Notwithstanding the higher revenue, the lower PBT in 4Q14 among other reasons, was generally due to the ex-gratia and bonus payment.

The Cement Division reported a lower PBT in 4Q14 compared to 3Q14 mainly due to more expensive clinker from both own production and importation. The clinker plant faced operation problems and incurred higher repair and maintenance expense in 4Q14. The cost of imported clinker in 4Q14 was also higher compared to 3Q14 due to the weakening of ringgit against USD as a result of the tumble in oil prices. Other factors included stock write-down adjustments, impairment of receivables and write-off of property, plant and equipment.

The Property Development Division registered marginal loss whilst the Strategic Investment Division (excluding the associates) posted higher losses in the current quarter compared to the preceding quarter.

The Construction Materials & Trading Division's PBT was up significantly, attributable to higher revenue from the quarrying business which benefited from government spending.

**B2. Material changes in profit before tax for the quarter (Quarter 4, 2014 vs Quarter 3, 2014)(contd.)**

The Construction & Road Maintenance Division reported higher PBT in 4Q14 compared to 3Q14 due to more profits recognised from projects.

CMSB HQ recorded a higher unrealised loss in quoted securities in 4Q14 than 3Q14.

**B3. Prospects for the year ending 31 December 2015**

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 2015. 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.

**B5. Income tax expense**

| | 3 months ended | | 12 months ended | |
|---|---|---|---|---|
| | 31.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current income tax: | | | | |
| - Malaysian income tax | 18,311 | 33,225 | 78,181 | 87,027 |
| - Under/(over) provision in respect of previous years | (1,228) | 90 | 2,984 | (4,014) |
| Deferred tax | (587) | (3,666) | (647) | (3,667) |
| Total income tax expense | 16,496 | 29,649 | 75,844 | 79,346 |

The effective tax rate for the quarter and year ended 31 December 2014 was lower than the statutory tax rate principally due to the reversal of tax provision in respect of prior years and non-taxable income on liquidation of subsidiaries.

The effective tax rate for the quarter and year ended 31 December 2013 was higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable 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.

## B7. Borrowings

| | As at 31.12.2014 RM'000 | As at 31.12.2013 RM'000 |
|---|---|---|
| **Secured** | | |
| Revolving credits | 14,000 | 15,000 |
| Finance lease liabilities | - | 16 |
| | | |
| **Unsecured** | | |
| Bankers' acceptances | 38,708 | 36,006 |
| Term loan | 46,360 | 42,800 |
| Loan from corporate shareholder | 5,728 | 6,280 |
| **Total** | 104,796 | 100,102 |
| | | |
| **Maturity** | | |
| Repayable within one year | 74,619 | 73,013 |
| One year to five years | 30,177 | 21,911 |
| 5 years or more | - | 5,178 |
| | 104,796 | 100,102 |

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 2013.

## 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 7.0 sen per share of RM0.50 each (2013: 12 sen per share of RM1.00 each). 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 2014 is 8.5 sen per share of RM0.50 each (2013: 17.0 sen per share of RM1.00 each) 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 | |
|---|---|---|---|---|
| | 31.12.2014 | 31.12.2013 (Restated) | 31.12.2014 | 31.12.2013 (Restated) |
| Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000) | 43,943 | 65,339 | 221,335 | 175,072 |
| Weighted average number of ordinary shares in issue ('000) | 1,039,385 | 1,015,846 | 1,033,352 | 999,275 |
| Basic earnings per share (sen) | 4.23 | 6.43 | 21.42 | 17.52 |
| Weighted average number of ordinary shares for diluted earnings per share computation ('000) | 1,042,017 | 1,021,764 | 1,038,810 | 1,007,680 |
| Diluted earnings per share (sen) | 4.22 | 6.39 | 21.31 | 17.37 |

The comparative basic and diluted earnings per share have been adjusted to take into account the effect of the share split involving the subdivision of every one existing shares of RM1.00 each into two subdivided shares of RM0.50 each and the bonus issue of one share for every two subdivided shares resulting in the increase in the number of ordinary shares in June 2014.

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

The auditors' report on the financial statements for the year ended 31 December 2013 was not subject to any qualification.

## B15. Additional disclosure on profit for the period

| | Quarter ended 31.12.2014 RM'000 | Financial year ended 31.12.2014 RM'000 |
|---|---|---|
| Profit for the period is arrived at after charging/(crediting): | | |
| Amortisation of intangible assets | 34 | 86 |
| Amortisation of prepaid land lease payments | 191 | 763 |
| Bad debt written off | 54 | 54 |
| Bad debts recovered | - | (2,721) |
| Property, plant and equipment written off | 1,153 | 1,157 |
| Depreciation of property, plant and equipment | 11,918 | 46,236 |
| Depreciation of investment properties | 29 | 117 |
| (Gain)/loss on foreign exchange | (2,225) | (612) |
| (Gain)/loss on disposal of property, plant and equipment | (197) | (535) |
| (Gain)/loss on disposal of investments | (4) | (981) |
| (Gain)/loss on fair value changes of derivatives | - | - |
| Impairment loss on trade receivables | 4,032 | 4,092 |
| Interest expense | 1,751 | 3,554 |
| Interest income | (1,308) | (3,914) |
| Inventory written off | 406 | 422 |
| Net fair value changes in investment securities | (4,673) | (4,739) |
| Reversal of allowance for impairment loss on trade receivables | - | - |
| Reversal of allowance for obsolete inventory | - | - |
| Write down of inventory | - | - |

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### B16. Realised and unrealised profits/losses

| | As at 31 December 2014 | As at 31 December 2013 |
|---|---|---|
| | RM'000 | RM'000 |
| Total retained earnings of the Company and its subsidiaries: | | |
| - Realised | 1,086,361 | 826,620 |
| - Unrealised | (13,732) | (7,724) |
| | 1,072,629 | 818,896 |
| Total retained earnings from associates: | | |
| - Realised | 1,793 | 10,184 |
| - Unrealised | 3,975 | (597) |
| | 5,768 | 9,587 |
| Total retained earnings from jointly controlled entities: | | |
| - Realised | 1,395 | 3,945 |
| | 1,079,792 | 832,428 |
| Add: consolidation adjustments | (61,788) | 22,665 |
| Total Group retained earnings as per consolidated accounts | 1,018,004 | 855,093 |

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