

CAHYA MATA SARAWAK BERHAD

(Company No: 21076-T)

(Incorporated in Malaysia)

Interim Financial Report

Condensed consolidated statements of comprehensive income for the period ended 30 June 2017

	Note	3 months ended		6 months ended	
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
		RM'000	RM'000	RM'000	RM'000
Revenue	A8	388,273	398,817	670,570	745,723
Cost of sales		(283,573)	(307,718)	(515,700)	(597,948)
Gross profit		104,700	91,099	154,870	147,775
Other income		9,317	2,966	11,997	8,786
Administrative expenses		(10,770)	(8,425)	(23,889)	(23,536)
Selling and marketing expenses		(3,185)	(3,294)	(7,165)	(6,915)
Other expenses		(3,479)	(5,054)	(5,757)	(9,417)
Operating profit		96,583	77,292	130,056	116,693
Finance costs		(5,444)	(2,485)	(7,676)	(4,461)
Share of results of associates		(3,349)	(32,740)	(7,483)	(48,901)
Share of results of joint ventures		9,111	696	20,546	2,338
Profit before taxation		96,901	42,763	135,443	65,669
Income tax expense	B5	(22,024)	(22,364)	(33,316)	(35,331)
Profit for the period		74,877	20,399	102,127	30,338
Other comprehensive income					
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:					
Foreign currency translation, net of tax		0	(5)	0	(5)
Share of other comprehensive income of associates, net of tax		9,531	27,840	(72)	38,558
Share of other comprehensive income of joint ventures, net of tax		0	0	(584)	0
Other comprehensive income for the period, net of tax		9,531	27,835	(656)	38,553
Total comprehensive income for the period, net of tax		84,408	48,234	101,471	68,891
Profit attributable to:					
Owners of the Company		64,737	7,900	87,394	8,949
Non-controlling interests		10,140	12,499	14,733	21,389
		74,877	20,399	102,127	30,338
Total comprehensive income attributable to:					
Owners of the Company		74,274	35,676	86,769	47,448
Non-controlling interests		10,134	12,558	14,702	21,443
		84,408	48,234	101,471	68,891
Earnings per share attributable to owners of the Company:		sen	sen	sen	sen
Basic	B13	6.03	0.74	8.13	0.83
Diluted		-	-	-	-

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of financial position as at 30 June 2017

	Note	Unaudited As at 30.06.2017 RM'000	Audited As at 31.12.2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		720,145	721,567
Prepaid land lease payments		14,829	15,210
Land held for property development		234,389	234,333
Investment properties		5,332	5,390
Intangible assets		3,009	3,823
Goodwill		61,709	61,709
Investments in associates		857,495	869,179
Investments in joint ventures		20,840	46,611
Deferred tax assets		29,777	34,989
Other receivables		85,022	86,242
Investment securities		300	300
		<u>2,032,847</u>	<u>2,079,353</u>
Current assets			
Property development costs		328,306	354,748
Inventories		218,154	185,361
Trade and other receivables		352,176	289,145
Other current assets		49,333	37,442
Investment securities		90,590	9,662
Derivative financial asset		35,414	35,414
Tax recoverable		3,497	3,142
Cash and bank balances		697,476	457,070
		<u>1,774,946</u>	<u>1,371,984</u>
TOTAL ASSETS		<u>3,807,793</u>	<u>3,451,337</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		537,188	537,188
Share premium		330,713	330,716
Other reserves		16,908	40,090
Retained earnings		1,336,469	1,304,842
		<u>2,221,278</u>	<u>2,212,836</u>
Non-controlling interests		<u>313,349</u>	<u>321,903</u>
Total equity		<u>2,534,627</u>	<u>2,534,739</u>
Non-current liabilities			
Deferred tax liabilities		37,930	39,292
Loans and borrowings	B7	594,086	105,076
Trade and other payables		84,100	84,363
		<u>716,116</u>	<u>228,731</u>
Current liabilities			
Income tax payable		20,180	23,147
Loans and borrowings	B7	92,480	142,880
Trade and other payables		351,801	395,057
Other current liabilities		92,589	126,783
		<u>557,050</u>	<u>687,867</u>
Total liabilities		<u>1,273,166</u>	<u>916,598</u>
TOTAL EQUITY AND LIABILITIES		<u>3,807,793</u>	<u>3,451,337</u>
Net assets per share attributable to ordinary owners of the Company (RM)		<u>2.07</u>	<u>2.06</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 30 June 2017

< ----- Attributable to Owners of the Company ----- >

< ----- Non-distributable ----- > Distributable

	Total equity RM'000	Total RM'000	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Non- controlling interests RM'000
At 1 January 2017	2,534,739	2,212,836	537,188	330,716	40,091	1,304,841	321,903
Profit net of tax	102,127	87,394	0	0	0	87,394	14,733
Other comprehensive income, net of tax	(656)	(625)	0	0	(625)	0	(31)
Total comprehensive income	101,471	86,769	0	0	(625)	87,394	14,702
Transactions with owners:-							
Dividends on ordinary shares	(67,687)	(67,687)	0	0	0	(67,687)	0
Dividends paid to non-controlling interests	(23,256)	0	0	0	0	0	(23,256)
Total transactions with owners	(90,943)	(67,687)	0	0	0	(67,687)	(23,256)
Share of associates' reserves	(3)	(3)	0	(3)	(22,558)	22,558	0
Share of joint ventures' reserves	(10,637)	(10,637)	0	0	0	(10,637)	0
At 30 June 2017	2,534,627	2,221,278	537,188	330,713	16,908	1,336,469	313,349

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 30 June 2017

	< ----- Attributable to Owners of the Company ----- >						
	Total equity RM'000	< ----- Non-distributable ----- >					Distributable
Total RM'000		Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained earnings RM'000	Retained earnings RM'000	
At 1 January 2016	2,312,727	2,017,501	537,188	330,716	(18,760)	1,168,357	295,226
Profit net of tax	30,338	8,949	0	0	0	8,949	21,389
Other comprehensive income, net of tax	38,553	38,499	0	0	38,499	0	54
Total comprehensive income	68,891	47,448	0	0	38,499	8,949	21,443
Transactions with owners:-							
Dividends on ordinary shares	(32,231)	(32,231)	0	0	0	(32,231)	0
Dividends paid to non-controlling interests	(24,584)	0	0	0	0	0	(24,584)
Total transactions with owners	(56,815)	(32,231)	0	0	0	(32,231)	(24,584)
Share of associate's reserves	0	0	0	0	399	(399)	0
At 30 June 2016	2,324,803	2,032,718	537,188	330,716	20,138	1,144,676	292,085

Cahaya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the period ended 30 June 2017

	6 months ended 30.06.2017 RM'000	6 months ended 30.06.2016 RM'000
Profit before taxation	135,443	65,669
Adjustments for non-cash items:		
Non-cash items	(2,806)	76,389
Operating cash flows before changes in working capital	<u>132,637</u>	<u>142,058</u>
Changes in working capital		
Increase in current assets	(78,433)	(51,949)
Increase in land held for development	(56)	(11,021)
Decrease in current liabilities	(77,450)	(42,602)
Decrease in non-current liabilities	(265)	(264)
Cash flows used in operations	<u>(23,567)</u>	<u>36,222</u>
Interest received	7,406	2,579
Interest paid	(11,056)	(4,461)
Income tax paid, net of refund	(32,788)	(40,539)
Net cash flows used in operating activities	<u>(60,005)</u>	<u>(6,199)</u>
Investing activities		
Purchases of investment securities	(80,602)	(19,068)
Dividends from investments	1,854	5,302
Dividends from associates	4,129	2,067
Additional investments in associates	0	(156,900)
Additional investments in joint ventures	0	(1,333)
Acquisition of property, plant and equipment	(25,188)	(29,882)
Acquisition of investment properties	(409)	0
Proceeds from disposal of property, plant and equipment	53	157
Proceeds from disposal of investment securities	0	92,455
Distribution of profits from joint ventures	15,503	3,549
Redemption of redeemable preference shares	37,459	0
Others	(54)	(849)
Net cash used in investing activities	<u>(47,256)</u>	<u>(104,502)</u>
Financing activities		
(Repayments)/drawdown of borrowings	(61,391)	114,447
Proceeds from issuance of Islamic medium term notes	500,000	0
Decrease in deposits pledged to licensed banks	0	80
Dividends paid to shareholders of the Company	(67,687)	(32,231)
Dividends paid to non-controlling interests in subsidiary companies	(23,256)	(24,584)
Net cash from financing activities	<u>347,666</u>	<u>57,712</u>
Net increase/(decrease) in cash and cash equivalents	240,406	(52,989)
Cash and cash equivalents as at 1 January	<u>455,073</u>	<u>323,003</u>
Cash and cash equivalents as at 30 June	<u><u>695,479</u></u>	<u><u>270,014</u></u>
Cash and cash equivalents as at 30 June comprised the following:		
Cash and short term deposits	697,476	271,998
Less: Deposits pledged to licensed banks	(1,997)	(1,984)
	<u><u>695,479</u></u>	<u><u>270,014</u></u>

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial report.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

These condensed consolidated interim financial statements, for the period ended 30 June 2017 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 2016. 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 2016.

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 2016, except with the adoption of the following Malaysian Financial Reporting Standards (“MFRS”), IC interpretations and Amendments to MFRSs and interpretations.

- Amendments to MFRS 107: Disclosures Initiatives
- Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to MFRSs 2014 - 2016 Cycle: Amendments to MFRS 12: Disclosure of Interests in Other Entities

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 period ended 30 June 2017.

A5. Changes in estimates

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

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

A6. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities for the financial period under review except for the first issuance of Islamic medium term notes amounting to RM500.0 million in nominal value pursuant to the RM2.0 billion Sukuk Programme. In accordance with the terms of the Sukuk Programme, the proceeds raised shall be utilised by the Company for the purposes of financing capital expenditure, working capital requirements and other general funding requirements and/or general corporate purposes of the Group.

A7. Dividends paid

The final tax exempt (single-tier) dividend of 6.3 sen per share for the financial year ended 31 December 2016 amounting to RM67,685,670 was paid on 26 May 2017.

A8. Segmental information

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	119,038	140,400	242,180	275,154
Construction materials & trading	110,896	159,602	182,133	276,509
Construction & road maintenance	80,321	98,115	159,164	187,550
Property development	93,335	22,124	109,921	41,204
Strategic investments *	2,755	2,456	5,528	5,050
Others	14,225	9,207	27,972	18,688
Total including inter-segment sales	420,570	431,904	726,898	804,155
Elimination of inter-segment sales	(32,297)	(33,087)	(56,328)	(58,432)
	<u>388,273</u>	<u>398,817</u>	<u>670,570</u>	<u>745,723</u>
Segment Results				
Operating profit/(loss):				
Cement	32,576	32,072	47,037	41,689
Construction materials & trading	21,031	31,242	29,498	48,221
Construction & road maintenance	18,255	20,853	36,110	38,428
Property development	23,962	3,873	26,101	7,033
Strategic investments *	7,143	(747)	6,452	(1,690)
Others	(1,699)	(7,021)	(5,705)	(11,424)
	<u>101,268</u>	<u>80,272</u>	<u>139,493</u>	<u>122,257</u>
Unallocated corporate expenses	(10,129)	(5,465)	(17,113)	(10,025)
Share of results of associates	(3,349)	(32,740)	(7,483)	(48,901)
Share of results of joint ventures	9,111	696	20,546	2,338
Profit before tax	<u>96,901</u>	<u>42,763</u>	<u>135,443</u>	<u>65,669</u>
Income tax expenses	(22,024)	(22,364)	(33,316)	(35,331)
Profit for the year	<u>74,877</u>	<u>20,399</u>	<u>102,127</u>	<u>30,338</u>

* Financial services and education.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

A9. Changes in composition of the Group

There have been no changes in the composition of the Group for the quarter ended 30 June 2017 except that on 30 June 2017, the Group announced that the final meeting for the members' voluntary winding up of CMS Agrotech Sdn Bhd, a 51% owned subsidiary of the Group, was duly convened on 30 June 2017.

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:

	30 June 2017		30 June 2016	
	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
Financial liabilities:				
Interest-bearing loans and borrowings				
- Bankers' acceptances	44,900	44,900	60,100	60,100
- Term loan	115,515	115,515	121,300	121,300
- Revolving credits	25,600	25,600	95,600	95,600
- Loans from corporate shareholders	551	572	1,103	1,171
- Islamic medium term notes	500,000	506,643	-	-
	<u>686,566</u>	<u>693,230</u>	<u>278,103</u>	<u>278,171</u>

(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).

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

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
30 June 2017				
Financial assets				
Income debt securities fund	-	85,790	-	85,790
Equity instruments	4,800	-	-	4,800
	<u>4,800</u>	<u>85,790</u>	<u>-</u>	<u>90,590</u>
30 June 2016				
Financial assets				
Income debt securities fund	-	5,029	-	5,029
Equity instruments	20,675	-	-	20,675
	<u>20,675</u>	<u>5,029</u>	<u>-</u>	<u>25,704</u>

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

A11. Capital & other commitments

The amount of commitments not provided for in the interim financial statements as at 30 June 2017 was as follows:

(a) Capital commitments

	RM'000
Approved and contracted for:	
- Property, plant and equipment	36,705
- Others	2,103
	<u>38,808</u>
Approved but not contracted for:	
- Property, plant and equipment	235,903
- Intangible assets	360
- Investment in associates	352,000
- Others	43,266
	<u>631,529</u>
	<u>670,337</u>

A12. Changes in contingent liabilities and contingent assets

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

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

A13. Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the period ended 30 June 2017 and 30 June 2016 as well as the balances with the related parties as at 30 June 2017 and 30 June 2016:

		Interest/fee/ rental income from/sales to related 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	2017	301	-	-	150
	2016	-	44	-	-
- KKB Engineering Bhd	2017	-	-	-	-
	2016	107	-	45	-
- Kenanga Investors Bhd	2017	1,109	-	-	-
	2016	4,693	42	-	-
- Sacofa Sdn Bhd	2017	842	2	2	-
	2016	427	69	1,366	-
- OM Materials (Sarawak) Sdn Bhd	2017	2,879	-	6,090	-
	2016	2,684	-	4,204	-
Joint Ventures:					
- PPES Works Wibawa	2017	2	-	-	-
	2016	74	-	12	-
- PPES Works Naim Land	2017	60	-	-	-
	2016	18	-	25	-
- PPES Works Larico	2017	196	-	-	-
	2016	244	-	111	-
- PPES Works PCSB	2017	892	-	-	-
	2016	799	-	279	-
Key management personnel of the Group:					
- Directors' interest	2017	8,526	1,090	661	-
	2016	2,989	1,100	518	2

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 JUNE 2017

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

B1. Review of performance

Year-to-date, 2017 (“PE2017”) vs Year-to-date, 2016 (“PE2016”)

Revenue fell by 10% or RM75.15 million while profit before tax (PBT) and profit after non-controlling interests (PATNCI) increased by 106% or RM69.77 million and 877% or RM78.45 million respectively in comparison to preceding year first half year’s result. Except for the Property Development Division, all other core Divisions recorded lower revenue in PE2017.

The improvement in the PBT and PATNCI was mainly attributable to the reduction in the net share of losses in associates, increase in share of profits from the joint ventures and higher earnings by the Property Development and Cement Divisions.

The performance of the Group’s respective Divisions are analysed as follows:

- (a) **Cement Division** - recorded a 13% higher PBT of RM47.04 million in PE2017 over PE2016’s PBT of RM41.69 million despite lower sales volume. This was mainly attributable to lower clinker and cement production cost per MT which in turn was contributed by cheaper coal (fuel) price for clinker production and cheaper purchased clinker (raw material) price and lower fixed costs such as handling cost.
- (b) **Construction Materials & Trading Division** - reported a reduced PBT of RM29.50 million for PE2017, 39% lower than the PBT of RM48.22 million for PE2016. This was mainly attributable to lower sales volume and slow start for JKR 2017 Malaysian Road Records Information System (MARRIS) program in some divisions.
- (c) **Construction & Road Maintenance Division** - posted a PBT of RM36.11 million in PE2017, representing a decrease of 6% over PE2016’s profit of RM38.43 million. Revenue from federal road maintenance was lower in PE2017 as a result of reduction in road length maintained due to the Proposed Pan Borneo Highway project. Minimal profit was recognised for the Proposed Pan Borneo Highway WPC06 project as it was still at the early stage of construction.
- (d) **Property Development Division** - PBT soared to RM26.10 million in PE2017 from a PBT of RM7.03 million in PE2016, an increase of 271%. This was due to the revenue recognition of the Rivervale semi-detached houses project completed during the year. In addition, the better sales of residential properties and the rental income from a hypermarket in Bandar Samariang had also contributed to the better results in part. This was slightly affected by the higher loss recorded by the hotel operations in Samalaju Industrial Park, Bintulu caused by lower occupancy.
- (e) **Strategic Investments Division** - reported a PBT of RM6.45 in PE2017 as compared to a loss of RM1.69 million in PE2016. This was attributable to lower loss registered by the education subsidiary and a higher profit reported by the investment holding subsidiary in the financial services.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

B1. Review of performance (contd.)

Year-to-date, 2017 (“PE2017”) vs Year-to-date, 2016 (“PE2016”) (contd.)

- (f) **Others** – reported a lower loss of RM5.71 million in PE2017 (PE2016: loss of RM11.42 million). The management services company recorded a profit in PE2017 from a loss in PE2016. The investment holding subsidiary in the Samalaju Development Division reported a lower loss.
- (g) **Share of results in associates** – The Group recorded share of loss of RM7.48 million for PE2017, an improvement of 85% from PE2016’s share of loss of RM48.90 million. The significant reduction was due to the lower loss reported by the Group’s 25% associate, OM Materials (Sarawak) Sdn Bhd.
- (h) **Share of results in joint-ventures** - recorded a higher share of profit of RM20.55 million (PE2016: RM2.34 million). This was mainly attributable to the excellent performances by the private equity management company and two private equity funds. However, the Construction & Road Maintenance Division’s share of profits in its joint-ventures in PE2017 was RM558k, lower by 75% from PE2016’s of RM2.24 million.

Quarter 2, 2017 (“2Q17”) vs Quarter 2, 2016 (“2Q16”)

The Group’s PBT for 2Q17 was up by 127% in comparison to 2Q16. This was due mainly to the lower share of losses in OM Materials (Sarawak) Sdn Bhd, a 25% associate of the Group. 2Q17 revenue was 3% lower than 2Q16, caused by lower revenue reported by all core Divisions except for the Property Development Division.

The Property Development Division reported good performance in 2Q17 due to the revenue recognition of its high-end semi-detached houses and the rental received from a hypermarket.

Cement Division’s current quarter’s PBT of RM32.58 million was comparable to that of 2Q16’s of RM32.07 million despite lower cement sale volume. The main reason for the slightly better profit in 2Q17 was the lower clinker production cost per Mt which in turn was contributed by cheaper coal price and higher clinker production volume. The purchased clinker price was also lower in 2Q17 compared to 2Q16. This lower clinker cost was translated to lower cement production cost per MT. This had mitigated the lower cement sales volume.

Construction Materials and Trading Division posted a 33% lower PBT in 2Q17 compared to 2Q16 due to the substantially lower revenue which was caused by the slow start for the JKR MARRIS program for 2017.

CAHYA MATA SARAWAK BERHAD

(Company No. 21076-T)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

B2. Material changes in profit before tax for the quarter (Quarter 2, 2017 vs Quarter 1, 2017)

The Group's PBT for 2Q17 was up by 151% compared to 1Q17 on the back of higher revenue. Construction Materials & Trading and Property Development Divisions recorded higher revenue in 2Q17 as compared to 1Q17.

The Cement Division's PBT was significantly better than 1Q17 despite slightly lower cement sale volume. This was mainly due to the smooth running of its clinker plant after the long maintenance in March 2017. The higher clinker production volume had reduced the cement production cost per Mt.

The Construction Materials & Trading Division reported improved PBT of RM21.03 million in 2Q17, which was 148% higher than 1Q17's RM8.47 million. This was due to higher revenue and higher gross profit margin.

The Construction & Road Maintenance Division reported slightly higher PBT in 2Q17 than in 1Q17 with revenue unchanged at RM76 million.

The Property Division reported an impressive PBT of RM23.96 million in 2Q17, up by RM21.82 million from 1Q17. This was due to the completion of the Rivervale semi-detached houses project, whereby revenue and profit for 60 units of the houses sold were all recognized in 2Q17.

B3. Prospects for the year ending 31 December 2017

Whilst the operating environment is expected to remain challenging, the Group's healthy financial position through our diversified portfolio of Sarawak-based businesses is positioned to weather this challenging environment.

We remain focused on growing our portfolio of businesses by taking advantage of the opportunities in Sarawak. Our strong fundamentals and resilience will enable us to perform and to deliver a satisfactory financial performance for the year 2017 and, coupled with other measures Management are taking, the Group is positioning itself for long term sustainable revenue and profitability growth.

B4. Profit forecast or profit guarantee

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

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

B5. Income tax expense

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	23,762	23,084	36,418	36,050
- Under/(over) provision in respect of previous years	(1,997)	91	(1,997)	91
Deferred tax	259	(810)	(1,105)	(810)
Total income tax expense	22,024	22,365	33,316	35,331

The effective tax rates for the quarter and period ended 30 June 2016 were higher than the statutory tax rate principally due to the losses of certain subsidiaries and share of associates' losses which cannot be set off against taxable profits made by other subsidiaries.

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	As at
	30.6.2017	31.12.2016
	RM'000	RM'000
Secured		
Revolving credits	15,600	20,600
Unsecured		
Revolving credits	10,000	50,000
Bankers' acceptances	44,900	50,300
Term loan	115,515	126,229
Loan from corporate shareholder	551	827
Islamic medium term notes	500,000	0
Total	686,566	247,956
Maturity		
Repayable within one year	92,480	142,880
More than one year	594,086	105,076
	686,566	247,956

All borrowings were denominated in Ringgit Malaysia.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

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 2016.

B12. Dividend payable

No interim dividend has been declared for the financial period ended 30 June 2017 (30 June 2016: Nil).

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

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.

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

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	64,737	7,900	87,394	8,949
Weighted average number of ordinary shares in issue ('000)	1,074,376	1,074,376	1,074,376	1,074,376
Basic earnings per share (sen)	6.03	0.74	8.13	0.83
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	N/A	N/A	N/A	N/A
Diluted earnings per share (sen)	N/A	N/A	N/A	N/A

Diluted earnings per share for the quarter and period ended 30 June 2016 were not applicable as the Company's Employee Share Option Scheme ("ESOS") had expired in June 2015.

B14. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2016 was not subject to any qualification.

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

B15. Additional disclosure on profit for the period

	Quarter ended 30.6.2017 RM'000	Financial period ended 30.6.2017 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	434	868
Amortisation of prepaid land lease payments	207	398
Bad debt written off	-	-
Property, plant and equipment written off	-	-
Depreciation of property, plant and equipment	13,341	26,563
Depreciation of investment properties	439	467
(Gain)/loss on foreign exchange	-	-
Gain on disposal of property, plant and equipment	(22)	-
(Gain)/loss on disposal of investments	-	-
(Gain)/loss on fair value changes of derivatives	-	-
Impairment loss on trade receivables	-	-
Interest expense	5,405	7,675
Interest income	(4,799)	(9,255)
Inventory written off	-	-
Net fair value changes in investment securities	(168)	(326)
Reversal of allowance for impairment loss on trade receivables	-	-
Reversal of allowance for obsolete inventory	-	-
Write down of inventory	-	-

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CAHYA MATA SARAWAK BERHAD
(Company No. 21076-T)

NOTES TO THE QUARTERLY REPORT – 30 JUNE 2017

B16. Realised and unrealised profits/losses

	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	1,219,509	1,276,418
- Unrealised	80,590	8,051
	<u>1,300,099</u>	<u>1,284,469</u>
Total retained earnings from associates:		
- Realised	74,835	96,016
- Unrealised	(39,296)	(39,267)
	<u>35,539</u>	<u>56,749</u>
Total retained earnings from jointly controlled entities:		
- Realised	34,225	8,015
- Unrealised	-	16,497
	<u>1,369,863</u>	<u>1,365,730</u>
Add: consolidation adjustments	(33,394)	(60,888)
Total Group retained earnings as per consolidated accounts	<u><u>1,336,469</u></u>	<u><u>1,304,842</u></u>