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 September 2017

	Note	3 months ended 30.09.2017 RM'000	3 months ended 30.09.2016 RM'000	Changes (%)	9 months ended 30.09.2017 RM'000	9 months ended 30.09.2016 RM'000	Changes (%)
Revenue	**A8**	347,968	356,060	-2%	1,018,538	1,101,783	-8%
Cost of sales		(256,647)	(268,047)		(772,347)	(865,995)	
Gross profit		91,321	88,013	4%	246,191	235,788	4%
Other income		2,817	3,631		14,814	12,417	
Administrative expenses		(9,764)	(7,625)		(33,653)	(31,161)	
Selling and marketing expenses		(3,242)	(2,789)		(10,407)	(9,704)	
Other expenses		(2,988)	2,355		(8,745)	(7,062)	
Operating profit		78,144	83,585	-7%	208,200	200,278	4%
Finance costs		(7,976)	(2,953)		(15,652)	(7,414)	
Share of results of associates		20,108	8,415		12,625	(40,486)	
Share of results of joint ventures		5,304	5,697		25,850	8,035	
Profit before taxation		95,580	94,744	1%	231,023	160,413	44%
Income tax expense	**B5**	(25,920)	(23,165)		(59,236)	(58,496)	
Profit for the period		69,660	71,579	-3%	171,787	101,917	69%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Foreign currency translation, net of tax		(4)	2		(4)	(3)	
Share of other comprehensive income of associates, net of tax		(4,002)	1,192		(4,074)	39,750	
Share of other comprehensive income of joint ventures, net of tax		0	0		(584)	0	
Other comprehensive income for the period, net of tax		(4,006)	1,194		(4,662)	39,747	
Total comprehensive income for the period, net of tax		65,654	72,773	-10%	167,125	141,664	18%
Profit attributable to:							
Owners of the Company		62,040	58,715	6%	149,434	67,664	121%
Non-controlling interests		7,620	12,864		22,353	34,253	
		69,660	71,579		171,787	101,917	
Total comprehensive income attributable to:							
Owners of the Company		58,045	59,875		144,814	107,323	
Non-controlling interests		7,609	12,898		22,311	34,341	
		65,654	72,773		167,125	141,664	
Earnings per share attributable to owners of the Company:		sen	sen		sen	sen	
Basic/diluted	**B13**	5.78	5.47		13.91	6.30	

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.

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of financial position as at 30 September 2017

	Note	Unaudited As at 30.09.2017 RM'000	Audited As at 31.12.2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		729,568	721,567
Prepaid land lease payments		14,638	15,210
Land held for property development		234,416	234,333
Investment properties		5,303	5,390
Intangible assets		2,626	3,823
Goodwill		62,829	61,709
Investments in associates		873,601	869,179
Investments in joint ventures		21,124	46,611
Deferred tax assets		23,650	34,989
Other receivables		84,854	86,242
Investment securities		300	300
		2,052,909	2,079,353
Current assets			
Property development costs		287,512	354,748
Inventories		265,637	185,361
Trade and other receivables		355,196	289,145
Other current assets		54,898	37,442
Investment securities		96,249	9,662
Derivative financial asset		35,414	35,414
Tax recoverable		4,641	3,142
Cash and bank balances		738,955	457,070
		1,838,502	1,371,984
TOTAL ASSETS		**3,891,411**	**3,451,337**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		867,901	537,188
Share premium		0	330,716
Other reserves		12,950	40,090
Retained earnings		1,398,984	1,304,842
		2,279,835	2,212,836
Non-controlling interests		320,623	321,903
Total equity		2,600,458	2,534,739
Non-current liabilites			
Deferred tax liabilities		38,395	39,292
Loans and borrowings	**B7**	590,484	105,076
Trade and other payables		84,100	84,363
		712,979	228,731
Current liabilities			
Income tax payable		16,279	23,147
Loans and borrowings	**B7**	83,929	142,880
Trade and other payables		356,644	395,057
Other current liabilities		121,122	126,783
		577,974	687,867
Total liabilities		1,290,953	916,598
TOTAL EQUITY AND LIABILITIES		**3,891,411**	**3,451,337**
Net assets per share attributable to ordinary owners of the Company (RM)		**2.12**	**2.06**

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.

Cahya Mata Sarawak Berhad
(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 30 September 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	171,787	149,434	0	0	0	149,434	22,353
Other comprehensive income, net of tax	(4,662)	(4,620)	0	0	(4,620)	0	(42)
Total comprehensive income	167,125	144,814	0	0	(4,620)	149,434	22,311
Transactions with owners:-							
Dividends on ordinary shares	(67,686)	(67,686)	0	0	0	(67,686)	0
Dividends paid to non-controlling interests	(23,257)	0	0	0	0	0	(23,257)
Total transactions with owners	(90,943)	(67,686)	0	0	0	(67,686)	(23,257)
Acquisition of a subsidiary	177	0	0	0	0	0	177
Share of associates' reserves	(3)	(3)	0	(3)	(22,521)	22,521	0
Share of joint ventures' reserves	(10,637)	(10,126)	0	0	0	(10,126)	(511)
Transfer pursuant to Companies Act 2016	0	0	330,713	(330,713)	0	0	0
At 30 September 2017	**2,600,458**	**2,279,835**	**867,901**	**0**	**12,950**	**1,398,984**	**320,623**

Note: In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. As at 30th September 2017, share premium amounted to RM 330,713,721 has been transferred to share capital and the number of shares remain unchanged at 1,074,375,720.

Cahya Mata Sarawak Berhad
(Company No: 21076-T)
Condensed consolidated statement of changes in equity for the period ended 30 September 2016

		< --- 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 2016	**2,312,727**	**2,017,501**	**537,188**	**330,716**	**(18,760)**	**1,168,357**	**295,226**
Profit net of tax	101,917	67,664	0	0	0	67,664	34,253
Other comprehensive income, net of tax	39,747	39,659	0	0	39,659	0	88
Total comprehensive income	141,664	107,323	0	0	39,659	67,664	34,341
Transactions with owners:-							
Issuance of shares to a non-controlling interest	3,000	0	0	0	0	0	3,000
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	(53,815)	(32,231)	0	0	0	(32,231)	(21,584)
Share of associate's reserves	0	0	0	0	173	(173)	0
At 30 September 2016	**2,400,576**	**2,092,593**	**537,188**	**330,716**	**21,072**	**1,203,617**	**307,983**

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

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

	9 months ended 30.09.2017 RM'000	9 months ended 30.09.2016 RM'000
Profit before taxation	231,023	160,413
Adjustments for non-cash items:		
Non-cash items	(7,601)	74,208
Operating cash flows before changes in working capital	223,422	234,621
Changes in working capital		
Increase in current assets	(94,857)	(100,893)
Increase in land held for development	(84)	(11,125)
Decrease in current liabilities	(46,800)	(76,837)
Decrease in non-current liabilities	(265)	(263)
Cash flows from operations	81,416	45,503
Interest received	13,767	4,018
Interest paid	(20,004)	(7,414)
Income tax paid, net of refund	(57,055)	(59,616)
Net cash flows from/(used in) operating activities	18,124	(17,509)
Investing activities		
Purchase of investment securities	(91,049)	(19,239)
Dividends from investments	2,372	7,321
Dividends from associates	4,128	2,067
Additional investments in associates	0	(156,900)
Additional investments in joint ventures	0	(1,333)
Acquisition of property, plant and equipment	(46,109)	(35,431)
Acquisition of a subsidiary	(1,692)	0
Proceeds from disposal of property, plant and equipment	133	258
Proceeds from disposal of investment securities	5,790	108,735
Distribution of profits from joint ventures	20,523	9,002
Redemption of redeemable preference shares	37,458	0
Others	(103)	(916)
Net cash used in investing activities	(68,549)	(86,436)
Financing activities		
(Repayments)/drawdown of borrowings	(76,748)	90,924
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	(67,686)	(32,231)
Dividends paid to non-controlling interests in subsidiary companies	(23,256)	(24,584)
Proceeds from issuance of share to a non-controlling interest	0	3,000
Net cash from financing activities	332,310	37,189
Net increase/(decrease) in cash and cash equivalents	281,885	(66,756)
Cash and cash equivalents as at 1 January	455,073	323,003
Cash and cash equivalents as at 30 September	736,958	256,247
Cash and cash equivalents as at 30 September comprised the following:		
Cash and short term deposits	738,955	258,231
Less: Deposits pledged to licensed banks	(1,997)	(1,984)
	736,958	256,247

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.

Part A – Explanatory notes pursuant to MFRS 134

A1. Basis of preparation

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

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

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities for the financial period under review.

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		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	132,202	139,345	374,382	414,500
Construction materials & trading	124,010	131,693	306,143	408,202
Construction & road maintenance	92,655	83,183	251,819	270,732
Property development	17,700	17,893	127,621	59,097
Strategic investments *	2,791	2,530	8,318	7,580
Others	15,960	12,111	43,933	30,799
Total including inter-segment sales	385,318	386,755	1,112,216	1,190,910
Elimination of inter-segment sales	(37,350)	(30,695)	(93,678)	(89,127)
	347,968	356,060	1,018,538	1,101,783
Segment Results				
Operating profit/(loss):				
Cement	35,123	35,290	82,160	76,979
Construction materials & trading	22,641	26,433	52,139	74,654
Construction & road maintenance	19,007	19,179	55,117	57,607
Property development	3,178	3,075	29,279	10,108
Strategic investments *	61	(828)	6,513	(2,518)
Others	(1,678)	1,726	(7,383)	(9,698)
	78,332	84,875	217,824	207,132
Unallocated corporate expenses	(8,165)	(4,243)	(25,277)	(14,268)
Share of results of associates	20,108	8,415	12,625	(40,486)
Share of results of joint ventures	5,305	5,697	25,851	8,035
Profit before tax	95,580	94,744	231,023	160,413
Income tax expenses	(25,920)	(23,165)	(59,236)	(58,496)
Profit for the year	69,660	71,579	171,787	101,917

* *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 30 September 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 Sept 2017		30 Sept 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	33,757	33,757	46,600	46,600
- Term loan	110,920	110,920	121,300	121,300
- Hire purchase	2,185	2,185	-	-
- Revolving credits	27,000	27,000	85,600	85,600
- Loans from corporate shareholders	551	572	1,102	1,171
- Islamic medium term notes	500,000	508,284	-	-
	674,413	682,718	254,602	254,671

(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
30 September 2017				
Financial assets				
Income debt securities fund	-	91,524	-	91,524
Equity instruments	4,725	-	-	4,725
	4,725	91,524	-	96,249
30 September 2016				
Financial assets				
Income debt securities fund	-	5,155	-	5,155
Equity instruments	4,675	-	-	4,675
	4,675	5,155	-	9,830

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 September 2017 was as follows:

Capital commitments

	RM’000
Approved and contracted for:	
- Property, plant and equipment	40,325
- Others	40,000
	80,325
Approved but not contracted for:	
- Property, plant and equipment	226,216
- Intangible assets	360
- Investment in associates	352,000
- Others	5,823
	584,399
	664,724

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.

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 September 2017 and 30 September 2016 as well as the balances with the related parties as at 30 September 2017 and 30 September 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	622	-	-	-
	2016	-	44	-	-
- KKB Engineering Bhd	2017	86	-	27	-
	2016	184	-	45	-
- Kenanga Investors Bhd	2017	1,109	-	-	-
	2016	6,398	69	-	-
- Sacofa Sdn Bhd	2017	1,265	26	4	-
	2016	709	82	1,366	-
- OM Materials (Sarawak) Sdn Bhd	2017	4,325	-	4,647	-
	2016	4,112	-	4,204	-
Joint Ventures:					
- PPES Works Wibawa	2017	2	-	-	-
	2016	111	-	12	-
- PPES Works Naim Land	2017	60	-	6	-
	2016	78	-	25	-
- PPES Works Larico	2017	196	-	273	-
	2016	394	-	111	-
- PPES Works PCSB	2017	892	-	100	-
	2016	984	-	279	-
Key management personnel of the Group:					
- Directors' interest	2017	10,009	1,629	882	-
	2016	5,353	1,652	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.

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 8% or RM83.25 million but profit before tax (PBT) and profit after non-controlling interests (PATNCI) increased by 44% or RM70.61 million and 121% or RM81.77 million respectively in comparison to preceding year corresponding period.

All core Divisions recorded lower revenue in PE2017 other than the Property Development Division.

The improvement in the PBT and PATNCI was mainly attributable to the increase in the share of profits in associates & joint ventures as well as higher earnings by the Property Development and Cement Divisions.

Gross profit margin for PE2017 of 24.17% was higher than PE2016's of 21.40%.

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

(a) **Cement Division -** recorded a 7% higher PBT of RM82.16 million in PE2017 over PE2016's PBT of RM76.98 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 prices, cheaper imported clinker and lower fixed costs due to stable production.

(b) **Construction Materials & Trading Division -** reported a reduced PBT of RM52.14 million for PE2017, 30% lower than the PBT of RM74.65 million for PE2016. This was mainly attributable to lower sales volume due to slower implementation of JKR 2017 Malaysian Road Records Information System (MARRIS) program in some divisions in the first half of the year. The temporary closure of a quarry plant due to soil erosion and relocation of another premix plant had also affected sales volumes in PE2017.

(c) **Construction & Road Maintenance Division -** posted a PBT of RM55.12 million in PE2017, representing a decrease of 4% over PE2016's profit of RM57.61 million, on the back of lower revenue. Federal road maintenance revenue was lower in PE2017 as a result of reduction in road length maintained due to the Proposed Pan Borneo Highway project. Construction revenue in PE2017 was lower due to completion of two major projects in 2016. This revenue shortfall was mitigated by the Pan Borneo Highway Phase 1: WPC06 – Sg. Awik Bridge to Bintagor Junction project which contributed RM50.09 million in PE2017.

(d) **Property Development Division -** PBT soared to RM29.28 million in PE2017 from a PBT of RM10.11 million in PE2016, an increase of 190%. This was attributable to profit recognition from the Rivervale semi-detached homes project in the current period. In addition, the better sales of residential properties and the rental income from a hypermarket in Bandar Samariang had also contributed to the improved results. This was slightly negated by the higher loss recorded by the hotel operations in Samalaju Industrial Park, Bintulu.

B1. Review of performance (contd.)

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

(e) **Strategic Investments Division -** reported a PBT of RM6.51million in PE2017 as compared to a loss of RM2.52 million in PE2016. This was attributable to the higher profit reported by the investment holding subsidiary and a lower loss posted by the Education subsidiary.

(f) **Others** – reported a lower loss of RM7.38 million in PE2017 (PE2016: loss of RM9.70 million) mainly due to better results by the management services company. This was however partially negated by the higher loss recorded by the investment holding subsidiary due to a higher unrealised forex loss.

(g) **Unallocated corporate expenses** – CMSB recorded a higher loss in PE2017 compared to PE2016 mainly due to higher net interest expenses and overhead expenses.

(h) **Share of results in associates** – The Group recorded a share of profit of RM12.63 million for PE2017, an improvement of 131% from PE2016’s share of loss of RM40.49 million. The improvement was due to a lower loss reported by the Group’s 25% associate, OM Materials (Sarawak) Sdn. Bhd.

(i) **Share of results in joint-ventures -** recorded a higher share of profit of RM25.85 million (PE2016: RM8.04 million). This was mainly attributable to the excellent performances by the private equity management company and two private equity funds, which resulted from gains on the realisation of an investment in Serba Dinamik Holdings Bhd. On the other hand, the Construction & Road Maintenance Division’s share of profits in its joint-ventures in PE2017 was RM739k, lower by 75% from PE2016’s of RM8.00 million.

Quarter 3, 2017 (“3Q17”) vs Quarter 3, 2016 (“3Q16”)

Despite lower revenue, the Group reported higher gross profit in 3Q17 as compared to 3Q16. This was attributable to the Cement Division’s lower production costs.

The Cement Division’s clinker and cement operations’ combined PBT for 3Q17 was 2% ahead of 3Q16. This was attributable to cheaper imported clinker and lower clinker production cost which in turn was due to a lower coal price, stable production and lower depreciation charges. On the other hand, PBT from concrete products had declined 93% in 3Q17 in comparison to 3Q16. This was mainly due to higher raw materials’ (iron related products’) costs, reduction in sales volume and depressed selling prices arising from market competition.

The Construction Materials and Trading Division’s earnings had continued to pick up considerably in 3Q17 after sluggish demand in the first quarter of 2017. Nevertheless, the results were affected by the closure of its premix plant in Miri as the alternative supply from its Samalaju plant was too distant away from Miri which had caused the loss of sales to the city council and the private sector.

B1. Review of performance (contd.)

<u>Quarter 3, 2017 ("3Q17") vs Quarter 3, 2016 ("3Q16") (contd.)</u>

The Construction and Road Maintenance Division recorded 1% lower PBT in 3Q17, notwithstanding 11% higher revenue compared to 3Q16. This was due to a lower gross profit contribution from road maintenance as a result of undertaking additional road maintenance works to improve further the overall condition of the State's roads. The construction revenue and gross profit in 3Q17 were higher than in 3Q16, attributable to the construction of the Pan Borneo Highway project which were not available in 3Q16 and better gross profit margin from the Sarawak Museum project in 3Q17.

The Property Development Division's PBT for the two quarters were about the same at around RM3 million.

The unallocated expenses were higher for 3Q17 compared to 3Q16 mainly due to higher net interest expenses.

B2. Material changes in profit before tax for the quarter (Quarter 3, 2017 vs Quarter 2, 2017)

	3rd Qtr 2017	2nd Qtr 2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue	347,968	388,273	(40,305)	-10%
Gross profit (GP)	91,321	104,700	(13,379)	-13%
Share of results of associates	20,108	(3,349)	23,457	700%
Profit before tax	95,580	96,901	(1,321)	-1%

The Group's 25% associate, OM Materials (Sarawak) Sdn Bhd reported profits in the current quarter and hence the significant increase in the share of results of associates in 3Q17 as compared to 2Q17.

All Divisions reported higher revenue in 3Q17 except for the Property Development Division. The preceding quarter saw the Property Development Division recorded higher revenue of RM92.86 vs current quarter of RM17.41 million.

The Cement Division's PBT of RM35.12 million in 3Q17 was 8% higher than 2Q17 of RM32.58 million due to higher cement sales volume and revenue. The festive holidays of Gawai and Hari Raya fell in 2Q17 which customarily slow down construction activity and depress cement demand. However, PBT in 3Q17 was impacted by increased production costs of clinker and cement operations due to lower production volumes.

The Construction Materials & Trading Division reported higher PBT of RM22.64 million in 3Q17, which was 8% higher than 2Q17's RM21.03 million. The current quarter's performance improved with increased JKR works for Quarries and Premix. Trading sales from building materials and sales to Pan Borneo Highway project (Package 6) also increased in the current quarter.

B2. Material changes in profit before tax for the quarter (Quarter 3, 2017 vs Quarter 2, 2017) (contd.)

The Construction & Road Maintenance Division reported a slight increase of 3% in PBT of RM19.01 million in 3Q17 compared to 2Q17's RM18.52 million, despite 15% higher revenue. This was attributable to the management's commitment to continuously improve the overall State roads condition by doing additional road maintenance such as resurfacing, road shoulders, signage and etc in 3Q17. The Federal road periodic maintenance done in 3Q17 which was not available in 2Q17 secured a lower gross profit margin.

In tandem with the lower revenue in 3Q17, the Property Division's 3Q17 PBT was lower than 2Q17 (3Q17: RM3.18 million vs 2Q17: RM23.96 million). This was due to the completion of the Rivervale semi-detached homes project in the preceding quarter whereby the completion and sales of sixty (60) units of houses were all recognised. In addition, construction activities in the current quarter were also slower than the preceding quarter.

The Strategic Investments Division reported a lower PBT in the current period under review.

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.

The prospects on each Division activities for the remaining period of the financial year are as follows:

The Cement Division expects the trend to remain the same until the end of 2017. There is no anticipation of many private investments or projects in the State thus, cement sales volume is expected to decline in comparison to 2016. The price for the main raw material for cement production i.e. clinker is expected in increase in the last quarter of 2017. All other raw materials prices are expected to remain unchanged.

The Construction Materials and Trading Division expects to generate material revenue from its quarries and premix 2-year term contract with JKR which will expire in June 2018. In addition, the quarries and premix operations are expected to benefit from the Pan Borneo Highway project. To meet the demand for this, a mobile batch plant at a cost of RM5 million had been installed and an 80% equity interest in a company namely Betong Premix Sdn Bhd, which is involved in premix operations in the Betong Division in Sarawak was acquired by the Division's holding company for RM1.83 million in 3Q17. Nevertheless, the Division will continue to face potential supply constraints of DCR (Down Crusher Run) and aggregates in view of the temporary closure of a quarry and stop work orders by authorities on another quarry. In anticipation of that, the Division is actively pursuing ways to increase its production capacity.

B3. Prospects for the year ending 31 December 2017 (contd.)

The Construction & Road Maintenance Division will ensure it remains competitive in its bids for new projects. Even with the reduction of road length by the Federal Government due to the construction of the Pan Borneo Highway, the Division is targeting to sustain its earnings from on-going, as well as new longer-term construction projects and the remaining road maintenance concessions.

The Property Development Division expects property sales to be positively affected by the recent measures implemented by the Public Sector Home Financing Board. This will help Bandar Samariang housing projects where the majority of buyers are civil servants. However, the Division expects stiff competition in its sale of its Rivervale condominium as more developers are going into the construction of condominiums and apartments. The township development in Samalaju is a greenfield project and faces an uphill task of selling its residential and commercial developments considering that most public amenities are not in place and that demand remains limited pending further new industrial plants opening or existing ones expanding. The lodge occupancy is not expected to experience any significant increase as there is no major construction activity from existing or new industries at Samalaju Industrial Park.

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	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	9,430	22,571	45,848	58,621
- Under provision in respect of previous years	4,942	1,403	2,945	1,494
Deferred tax	11,548	(809)	10,443	(1,619)
Total income tax expense	25,920	23,165	59,236	58,496

The effective tax rates for the quarter and period ended 30 September 2017 were 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.

The effective tax rate for the period ended 30 September 2016 was 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. Loans and borrowings

Group borrowings and debt securities are as follows:-

	As at 30.9.2017 RM'000	As at 30.9.2016 RM'000
Short term – Secured		
Revolving credits	17,000	45,600
Hire purchase	947	-
Bankers' acceptances	257	-
Term Loan	246	-
Short term – Unsecured		
Bankers' acceptances	33,500	46,600
Term loan	21,428	19,643
Loan from corporate shareholder	551	1,102
Revolving credits	10,000	40,000
	83,929	152,945
Long term – Secured		
Hire purchase	1,238	-
Long term – Unsecured		
Term loan	89,246	101,657
Islamic medium term notes	500,000	-
	590,484	101,657
Total	674,413	254,602

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 2016.

B12. Dividend payable

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

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		9 months ended	
	30.09.2017	30.09.2016	30.09.2017	30.09.2016
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	62,040	58,715	149,434	67,664
Weighted average number of ordinary shares in issue ('000)	1,074,376	1,074,376	1,074,376	1,074,376
Basic/diluted earnings per share (sen)	5.78	5.47	13.91	6.30

There were no potential dilutive ordinary shares outstandings as at 30 September 2017 and 30 September 2016.

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.

THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

B15. Additional disclosure on profit for the period

	Quarter ended 30.9.2017 RM'000	Financial period ended 30.9.2017 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	432	1,300
Amortisation of prepaid land lease payments	202	600
Bad debt written off	-	-
Property, plant and equipment written off	(30)	(30)
Depreciation of property, plant and equipment	14,605	41,168
Depreciation of investment properties	29	88
(Gain)/loss on foreign exchange - realised	(25)	104
(Gain)/loss on foreign exchange - unrealised	1,560	5,166
Gain on disposal of property, plant and equipment	(31)	(250)
(Gain)/loss on disposal of investments	-	-
(Gain)/loss on fair value changes of derivatives	-	-
Impairment loss on trade receivables	-	-
Interest expense	7,950	15,652
Interest income	(7,363)	(16,618)
Inventory written off	-	-
Net fair value changes in investment securities	(1,002)	(1,329)
Reversal of allowance for impairment loss on trade receivables	-	-
Reversal of allowance for obsolete inventory	-	-
Write down of inventory	-	-

B16. Realised and unrealised profits/losses

	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	1,318,952	1,276,418
- Unrealised	(18,853)	8,051
	1,300,099	1,284,469
Total retained earnings from associates:		
- Realised	100,680	96,016
- Unrealised	(39,511)	(39,267)
	61,169	56,749
Total retained earnings from jointly controlled entities:		
- Realised	14,909	8,015
- Unrealised	3,709	16,497
	1,379,886	1,365,730
Add: consolidation adjustments	19,098	(60,888)
Total Group retained earnings as per consolidated accounts	1,398,984	1,304,842