CAHYA MATA SARAWAK BERHAD

(Company No: 21076-T)

(Incorporated in Malaysia)

Interim Financial Report

Condensed consolidated statements of comprehensive income for the period ended 31 December 2017

	Note	3 months ended 31.12.2017 RM'000	3 months ended 31.12.2016 RM'000	Changes (%)	12 months ended 31.12.2017 RM'000	12 months ended 31.12.2016 RM'000	Changes (%)
Revenue	A8	588,186	449,536	31%	1,606,724	1,551,319	4%
Cost of sales		(474,271)	(326,748)		(1,246,618)	(1,192,743)	
Gross profit		113,915	122,788	-7%	360,106	358,576	0%
Other income		10,850	32,041		25,664	44,458	
Administrative expenses		(19,288)	(21,134)		(52,942)	(52,295)	
Selling and marketing expenses		(4,053)	(4,008)		(14,460)	(13,712)	
Other expenses		(28,277)	(5,332)		(37,022)	(12,394)	
Operating profit		73,147	124,355	-41%	281,346	324,633	-13%
Finance costs		(8,027)	(3,186)		(23,679)	(10,600)	
Share of results of associates		30,872	5,317		43,498	(35,169)	
Share of results of joint ventures		5,771	15,240		31,621	23,275	
Profit before taxation		101,763	141,726	-28%	332,786	302,139	10%
Income tax expense	B5	(24,531)	(26,332)		(83,767)	(84,828)	
Profit for the period		77,232	115,394	-33%	249,019	217,311	15%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Foreign currency translation, net of tax		(1)	4		(5)	1	
Share of other comprehensive income of associates, net of tax		(4,020)	18,486		(8,094)	58,236	
Share of other comprehensive income of joint ventures, net of tax		152	280		(432)	280	
Other comprehensive income for the period, net of tax		(3,869)	18,770		(8,531)	58,517	
Total comprehensive income for the period, net of tax		73,363	134,164	-45%	240,488	275,828	-13%
Profit attributable to:							
Owners of the Company		65,802	101,513	-35%	215,236	169,177	27%
Non-controlling interests		11,430	13,881		33,783	48,134	
		77,232	115,394		249,019	217,311	
Total comprehensive income attributable to:							
Owners of the Company		61,938	120,243		206,752	227,566	
Non-controlling interests		11,425	13,921		33,736	48,262	
		73,363	134,164		240,488	275,828	
Earnings per share attributable to owners of the Company:		sen	sen		sen	sen	
Basic/diluted	B13	6.12	9.45		20.03	15.75	

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 31 December 2017

	Note	Unaudited As at 31.12.2017 RM'000	Audited As at 31.12.2016 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		727,960	721,567
Prepaid land lease payments		14,448	15,210
Land held for property development		241,516	234,333
Investment properties		5,274	5,390
Intangible assets		2,200	3,823
Goodwill		62,954	61,709
Investments in associates		900,453	869,179
Investments in joint ventures		26,980	46,611
Deferred tax assets		22,621	34,989
Other receivables		52,313	86,242
Investment securities		0	300
		2,056,719	2,079,353
Current assets			
Property development costs		251,852	354,748
Inventories		289,911	185,361
Trade and other receivables		280,089	289,145
Other current assets		92,580	37,442
Investment securities		96,520	9,662
Derivative financial asset		35,414	35,414
Tax recoverable		4,039	3,142
Cash and bank balances		977,835	457,070
		2,028,240	1,371,984
TOTAL ASSETS		**4,084,959**	**3,451,337**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		867,902	537,188
Share premium		0	330,716
Other reserves		9,119	40,090
Retained earnings		1,474,878	1,304,842
		2,351,899	2,212,836
Non-controlling interests		332,527	321,903
Total equity		2,684,426	2,534,739
Non-current liabilites			
Deferred tax liabilities		36,835	39,292
Loans and borrowings	**B7**	584,633	105,076
Trade and other payables		81,269	84,363
		702,737	228,731
Current liabilities			
Income tax payable		20,559	23,147
Loans and borrowings	**B7**	51,731	142,880
Trade and other payables		533,633	395,057
Other current liabilities		91,873	126,783
		697,796	687,867
Total liabilities		1,400,533	916,598
TOTAL EQUITY AND LIABILITIES		**4,084,959**	**3,451,337**
Net assets per share attributable to ordinary owners of the Company (RM)		**2.19**	**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 2017 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 31 December 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	249,019	215,236	0	0	0	215,236	33,783
Other comprehensive income, net of tax	(8,532)	(8,485)	0	0	(8,485)	0	(47)
Total comprehensive income	240,487	206,751	0	0	(8,485)	215,236	33,736
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	145	0	0	0	0	0	145
Share of associates' reserves	(2)	(2)	0	(2)	(22,487)	22,487	0
Transfer pursuant to Companies Act 2016	0	0	330,714	(330,714)	0	0	0
At 31 December 2017	**2,684,426**	**2,351,899**	**867,902**	**0**	**9,119**	**1,474,878**	**332,527**

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 31 December 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	217,311	169,177	0	0	0	169,177	48,134
Other comprehensive income, net of tax	58,517	58,389	0	0	58,389	0	128
Total comprehensive income	275,828	227,566	0	0	58,389	169,177	48,262
Transactions with owners:-							
Dividends on ordinary shares	(32,231)	(32,231)	0	0	0	(32,231)	0
Dividends paid to non-controlling interests	(24,585)	0	0	0	0	0	(24,585)
Issuance of shares to a non-controlling interest	3,000	0	0	0	0	0	3,000
Total transactions with owners	(53,816)	(32,231)	0	0	0	(32,231)	(21,585)
Share of associate's reserves	0	0	0	0	461	(461)	0
At 31 December 2016	**2,534,739**	**2,212,836**	**537,188**	**330,716**	**40,090**	**1,304,842**	**321,903**

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the period ended 31 December 2017

	12 months ended 31.12.2017 RM'000	12 months ended 31.12.2016 RM'000
Profit before taxation	332,786	302,139
Adjustments for non-cash items:		
Non-cash items	(19,731)	37,061
Operating cash flows before changes in working capital	313,055	339,200
Changes in working capital		
(Decrease)/increase in current assets	(46,698)	1,436
(Decrease)/increase in land held for development	(7,183)	67,775
Increase/(decrease) in current liabilities	102,202	(144)
Decrease in non-current liabilities	(3,094)	(85,750)
Cash flows from operations	358,282	322,517
Interest received	24,352	7,217
Interest paid	(22,252)	(21,188)
Income tax paid, net of refund	(77,237)	(83,350)
Net cash flows from/(used in) operating activities	283,145	225,196
Investing activities		
Acquisition of property, plant and equipment	(61,679)	(55,795)
Acquisition of investment securities	(92,038)	(19,239)
Acquisition of additional interests in associates	0	(176,900)
Additional costs incurred on intangible assets	(110)	(1,080)
Additional investments in joint ventures	(3,390)	(3,601)
Dividends received from associates	4,128	2,068
Dividends received from investments	3,427	9,599
Distribution of profits from joint ventures	26,065	9,834
Net cash outflow arising from acquisition of a subsidiary	(1,692)	0
Proceeds from disposal of property, plant and equipment	1,156	2,724
Proceeds from disposal of investment securities	5,790	108,735
Proceeds from redemption of investments in redeemable preference shares	37,458	0
Proceeds from repayment of shareholder’s loan	24,244	0
Net cash used in investing activities	(56,641)	(123,655)
Financing activities		
(Repayment)/drawdown of borrowings	(114,796)	84,278
Deposits pledged to licensed banks	(57)	67
Proceeds from issuance of Islamic medium term notes	500,000	0
Proceeds from issuance of shares to a non-controlling interest	0	3,000
Dividends paid to owners of the Company	(67,686)	(32,231)
Dividends paid to non-controlling interests	(23,257)	(24,585)
Net cash from financing activities	294,204	30,529
Net increase in cash and cash equivalents	520,708	132,070
Cash and cash equivalents as at 1 January	455,073	323,003
Cash and cash equivalents as at 31 December	975,781	455,073
Cash and cash equivalents as at 31 December comprised the following:		
Cash and short term deposits	977,835	457,070
Less: Deposits pledged to licensed banks	(2,054)	(1,997)
	975,781	455,073

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 31 December 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 year ended 31 December 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 first and 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		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	146,529	148,571	520,911	563,071
Construction materials & trading	187,520	172,856	493,663	581,058
Construction & road maintenance	206,991	97,152	458,810	367,884
Property development	72,644	45,566	200,265	104,663
Strategic investments	2,092	2,014	10,410	9,594
Others	19,999	14,201	63,932	45,000
Total including inter-segment sales	635,775	480,360	1,747,991	1,671,270
Elimination of inter-segment sales	(47,589)	(30,824)	(141,267)	(119,951)
	588,186	449,536	1,606,724	1,551,319
Segment Results				
Operating profit/(loss):				
Cement	19,178	28,024	101,338	105,003
Construction materials & trading	7,566	32,097	59,705	106,751
Construction & road maintenance	35,083	27,797	90,200	85,405
Property development	17,941	13,400	47,220	23,507
Strategic investments	(429)	43	6,084	(2,475)
Others	(573)	28,875	(7,956)	19,177
	78,766	130,236	296,591	337,368
Unallocated corporate expenses	(13,646)	(9,068)	(38,924)	(23,335)
Share of results of associates	30,872	5,317	43,498	(35,169)
Share of results of joint ventures	5,771	15,240	31,621	23,275
Profit before tax	101,763	141,726	332,786	302,139
Income tax expenses	(24,531)	(26,332)	(83,767)	(84,828)
Profit for the period/year	77,232	115,394	249,019	217,311

A9. Changes in composition of the Group

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

	31 Dec 2017		**31 Dec 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
Financial liabilities:				
Interest-bearing loans and borrowings				
- Bankers' acceptances	2,300	2,300	50,300	50,300
- Term loan	104,800	104,800	126,229	126,229
- Hire purchase	1,988	1,988	-	-
- Revolving credits	27,000	27,000	70,600	70,600
- Loans from corporate shareholders	276	287	827	868
- Islamic medium term notes	500,000	508,133	-	-
	636,365	644,508	247,956	247,997

(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 2017				
Financial assets				
Income debt securities fund	-	91,970	-	91,970
REIT	4,550	-	-	4,550
	4,550	91,970	-	96,520
31 December 2016				
Financial assets				
Income debt securities fund	-	5,062	-	5,062
REIT	4,600	-	-	4,600
	4,600	5,062	-	9,662

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 31 December 2017 was as follows:

Capital commitments

	RM'000
Approved and contracted for:	
- Property, plant and equipment	70,739
- Investment in joint ventures	53,030
	123,769
Approved but not contracted for:	
- Property, plant and equipment	280,805
- Intangible assets	4,015
- Investment in associates	334,000
	618,820
	742,589

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 31 December 2017 and 31 December 2016 as well as the balances with the related parties as at 31 December 2017 and 31 December 2016:

		Interest/fee/ rental 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	2017	1,638	150	-	-
	2016	-	51	-	-
- KKB Engineering Bhd	2017	86	-	-	-
	2016	237	-	45	-
- Kenanga Investors Bhd	2017	1,109	-	-	-
	2016	8,602	69	-	-
- Sacofa Sdn Bhd	2017	1,676	139	3	3
	2016	1,256	12	1,366	1
- OM Materials (Sarawak) Sdn	2017	5,767	-	2,550	-
	2016	5,554	-	4,204	-
Joint Ventures:					
- PPES Works Wibawa	2017	2	-	-	-
	2016	128	-	12	-
- PPES Works Naim Land	2017	12	-	13	-
	2016	132	-	25	-
- PPES Works Larico	2017	196	-	203	-
	2016	550	-	111	-
- PPES Works PCSB	2017	157	-	169	-
	2016	1,925	-	279	-
Key management personnel of the Group:					
- Directors' interest	2017	4,513	2,145	-	83
	2016	6,885	2,163	518	2
- Subsidiary directors' interest	2017	-	-	-	-
	2016	-	1,200	-	-

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 ("YE2017") vs Year-to-date, 2016 ("YE2016")

Revenue increased by 4% while profit before tax (PBT) and profit after tax and non-controlling interest (PATNCI) increased by 10% and 27% respectively in comparison to preceding year.

The increase in revenue was contributed by the Construction & Road Maintenance and Property Development Divisions. The improvement in the PBT and PATNCI was mainly attributable to the increase in the share of profits in associates & joint ventures coupled with the higher earnings by the Construction & Road maintenance and the Property Development Divisions.

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

(a) **Cement Division** - recorded a 3% lower PBT of RM101.34 million in YE2017 over YE2016's PBT of RM105.00 million due to lower sales volume of cement and concrete products. Nevertheless, the average production cost per MT of cement in YE2017 was lowered by 4% which in turn was contributed by cheaper coal prices and cheaper imported clinker.

(b) **Construction Materials & Trading Division** - reported a reduced PBT of RM59.71 million for YE2017, 44% lower than the PBT of RM106.75 million for YE2016. 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 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 YE2017.

(c) **Construction & Road Maintenance Division** - posted a PBT of RM90.20 million in YE2017, representing an increase of 6% over YE2016's profit of RM85.41 million on the back of higher revenue. Road maintenance revenue was 2% higher in YE2017 due to increase in the State road length maintained but partially negated by reduction in Federal road maintained due to the construction of Pan Borneo Highway project. Construction revenue was 65% higher in YE2017 which was mainly by two new road construction projects namely the Pan Borneo Highway project and the Miri-Marudi road rehabilitation project.

(d) **Property Development Division** - PBT soared to RM47.22 million in YE2017 from a PBT of RM23.51 million in YE2016, an increase of 101%. This was attributable to profit recognition from the Rivervale semi-detached homes and Raintree Square shoplots projects in the current year. 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 ("YE2017") vs Year-to-date, 2016 ("YE2016") (contd.)

(e) **Property Development Division** - PBT soared to RM47.22 million in YE2017 from a PBT of RM23.51 million in YE2016, an increase of 101%. This was attributable to profit recognition from the Rivervale semi-detached homes and Raintree Square shoplots projects in the current year. 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.

(f) **Strategic Investments Division -** reported a PBT of RM6.08million in YE2017 as compared to a loss of RM2.48 million in YE2016. This was attributable to the higher profit reported by the investment holding subsidiary and a lower loss posted by the Education subsidiary.

(g) **Others** – reported a loss of RM7.96 million in YE2017 (YE2016: profit of RM19.18 million) mainly due to the loss reported by an investment holding company for the investments in Samalaju Industrial Park, Bintulu. This company recognised a profit of RM25 million from a land sale in last year but made a forex loss of RM6.44 million in the current year.

(h) **Unallocated corporate expenses** – CMSB recorded a higher loss in YE2017 compared to YE2016 mainly due to higher net interest expenses and overhead expenses.

(i) **Share of results in associates** – The Group recorded a higher share of profit of RM43.50 million for YE2017, an improvement of 224% from YE2016's share of loss of RM35.17 million. The improvement was due to a lower loss reported by the Group's 25% associate, OM Materials (Sarawak) Sdn. Bhd.

(j) **Share of results in joint-ventures -** recorded a higher share of profit of RM31.62 million (YE2016: RM23.28 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 YE2017 was RM3.15, lower by 62% from YE2016's of RM8.39 million.

Quarter 4, 2017 ("4Q17") v Quarter 4, 2016 ("4Q16")

The Group reported lower PBT in 4Q17 compared to 4Q16 despite higher revenue and share of results of associates. This was mainly due to higher production cost of cement, provision for soil erosion remedial works and lower share of results of joint ventures.

The Cement Division's 4Q17 revenue was slightly lower than the revenue reported for 4Q16. This was mainly due to lower sales volumes of cement and concrete products. On top of that, the average production cost per MT for both cement and clinker were higher in 4Q17 compared to 4Q16 which was contributed by higher repair and staff costs. Foreign exchange losses were recorded in 4Q17 compared to foreign exchange gain in corresponding quarter in 2016. Hence, 4Q17 saw lower PBT of RM19.18 million (4Q16: RM28.02 million).

B1. Review of performance (contd.)

Quarter 4, 2017 ("4Q17") vs Quarter 4, 2016 ("4Q16") (contd.)

The Construction Materials and Trading Division reported lower PBT of RM7.57 million (4Q16: RM32.10 million) in 4Q17 despite slightly higher revenue. This was mainly due to provision for soil erosion remedial works in the current quarter.

The Construction and Road Maintenance Division's 4Q17 PBT of RM35.08 million (4Q16: RM27.80 million) was higher than previous year's corresponding period. This was mainly contributed by longer State road length maintained. In addition, both Pan Borneo Highway and the Miri-Marudi road rehabilitation projects were not available in 4Q16.

The Property Development Division's PBT improved to RM17.94 million (4Q16: RM13.40 million) in the current quarter compared to fourth quarter of 2016. This was contributed by higher construction activities and profit recognition from sale of Raintree Square shoplots project. In 4Q16, profit was recognised from a land sale which was not available in the current quarter.

The "Others" Division recorded losses of RM573k in 4Q17 versus PBT of RM28.87 million 4Q16. The good result in 4Q16 was from profit recognition from a land sale.

B2. Material changes in profit before tax for the quarter (Quarter 4, 2017 vs Quarter 3, 2017)

	4th Qtr 2017	3rd Qtr 2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue	588,186	347,968	240,218	69%
Gross profit (GP)	113,915	91,321	22,594	25%
Share of results of associates	30,873	20,108	10,765	54%
Profit before tax	101,763	95,580	6,183	6%

4Q17 saw higher revenue by 69% compared to 3Q17, which was contributed by all the Divisions. However, despite higher revenue and higher share of results of associates in 4Q17, PBT only increased by 6%. This was mainly due to higher costs of raw materials, labour and repair & maintenance and a provision for soil erosion remedial works.

The Cement Division reported lower PBT of RM19.18 million (3Q17: RM35.12 million) in 4Q17 despite higher revenue. The overall production cost per MT for cement and clinker were higher in the current quarter mainly due to higher clinker cost, labour and repair costs as well as discharging costs.

The Construction Materials & Trading Division reported lower PBT of RM7.57 million (3Q17: RM22.64 million) in 4Q17 despite higher revenue. The main reason being a provision for soil erosion remedial works amounting to RM20 million was made in 4Q17.

B2. Material changes in profit before tax for the quarter (Quarter 4, 2017 vs Quarter 3, 2017) (contd.)

The Construction & Road Maintenance Division reported higher PBT of RM35.08 million (3Q17: RM19.01 million) in 4Q17, in tandem with higher revenue. This was mainly contributed by the State roads routine maintenance works, Federal roads periodic maintenance works as well as the Miri-Marudi road rehabilitation project.

The Property Development Division reported higher PBT of RM17.94 million (3Q17: RM3.18 million) in 4Q17, on the back of revenue and profit recognition of commercial shoplots completed in 4Q17 as well as higher revenue from construction activities.

All the operating associates recorded higher profits in 4Q17 compared to 3Q17.

B3. Prospects for the year ending 31 December 2018

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 2018 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 next financial year are as follows:

The Cement Division expects the trend in 2017 to continue in 2018. Not many projects in the State and expected cement sales volume is comparable to previous year. The prices of the main raw material for cement production i.e. clinker has increased which means production cost would be higher. The Mambong clinker plant had its long maintenance shutdown of 34 days in January and February 2018 and the performance of the clinker plant is expected to improve with higher production volume. No change in cement price unless there is competition from West Malaysia.

The Construction Materials and Trading Division is expected to be resilient to face the challenging business environment in 2018 with sustainable revenue and profit. Its 2-year term contract with JKR will expire in June 2018 and five supply term contracts for pipes, fittings and water treatment chemicals with JKR will expire in August 2018. Nevertheless, the management is optimistic that these contracts will be extended. For the Pan Borneo Highway project, the Division takes a cautious and selective approach in lobbying for the supply of materials such as aggregates, steel bar, wire mesh and premix to the Works Package Contractors (WPCs) of this project. A materials supply matric committee within the CMS Group to closely monitor the credit exposure for the project. The Division is optimistic to be able to reap benefits from the Pan Borneo Highway project in view of the potential supply constraints of DCR (Down Crusher Run), aggregates and premix in the market within the next two to three years. In anticipation of that, the Division is actively pursuing ways to increase its production capacity as well as to replace the scheduled closures of its two quarries. In addition, there are plans to purchase more asphalt batch plants (on top of three new batch plans purchased in 2017) to cater for the Pan Borneo Highway project subject to securing supply from the project's WPCs.

B3. Prospects for the year ending 31 December 2018 (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 stiff competition in its sale of its Rivervale condominium as more developers are going into the construction of condominium and apartments. The continuing tight ruling for loan application by Bank Negara Malaysia has also affected our property development. 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. Contract with OM Materials (Sarawak) Sdn Bhd, the Division's main tenant, has been renewed up to December 2018.

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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	29,160	20,275	75,008	78,896
- (Over)/under provision in respect of previous years	(4,097)	359	(1,152)	1, 853
Deferred tax	(532)	2,826	9,911	1,207
Real Property Gain Tax	-	2,872	-	2,872
Total income tax expense	24,531	26,332	83,767	84,828

The effective tax rate for the quarter ended 31 December 2016 was lower than the statutory tax rate mainly due to recognition of deferred tax asset in relation to the reinvestment tax allowance for the new cement grinding plant.

The effective tax rates for year ended 31 December 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. Loans and borrowings

Group borrowings and debt securities are as follows:-

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
Short term – Secured		
Revolving credits	17,000	20,600
Hire purchase	727	-
Short term – Unsecured		
Bankers' acceptances	2,300	50,300
Term loan	21,428	21,428
Loan from corporate shareholder	276	551
Revolving credits	10,000	50,000
	51,731	142,879
Long term – Secured		
Hire purchase	1,261	-
Long term – Unsecured		
Term loan	83,372	104,800
Loan from corporate shareholder	-	276
Islamic medium term notes	500,000	-
	584,633	105,076
Total	636,364	247,955

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

The Board of Directors has proposed to declare a first and final tax exempt (single-tier) dividend at the coming Annual General Meeting of 8.0 sen per ordinary share (2016: 6.3 sen). 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 2017 is 8.0 sen (2016: 6.3 sen) per ordinary share.

B13. Earnings per share

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

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

	3 months ended		12 months ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	65,802	101,513	215,236	169,177
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)	6.12	9.45	20.03	15.75

There were no potential dilutive ordinary shares outstanding as at 31 December 2017 and 31 December 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.

B15. Additional disclosure on profit for the period

	Quarter ended 31.12.2017 RM'000	Financial period ended 31.12.2017 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	431	1,732
Amortisation of prepaid land lease payments	163	763
Property, plant and equipment written off	1,010	1,040
Depreciation of property, plant and equipment	14,824	56,038
Depreciation of investment properties	831	919
Loss on foreign exchange - realised	2,713	2,817
Loss on foreign exchange - unrealised	1,577	6,743
Gain on disposal of property, plant and equipment	(296)	(546)
Loss/(gain) on fair value changes of derivatives	718	(611)
Impairment loss on amount due from an associate	-	972
Impairment loss on trade receivables	55	368
Impairment loss for investment securities	300	300
Interest expense	8,027	23,679
Interest income	(7,734)	(24,352)
Inventory written off	6	6
Net fair value changes in investment securities	718	-
Reversal of allowance for impairment loss on trade receivables	(486)	(486)
Reversal of allowance for obsolete inventory	-	-
Reversal of impairment loss on amount due from an associate	-	(1,972)