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 2018

	Note	3 months ended 30.06.2018 RM'000	3 months ended 30.06.2017 (Restated) RM'000	Changes (%)	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 (Restated) RM'000	Changes (%)
Revenue	A8	395,278	342,547	15%	750,265	650,226	15%
Cost of sales		(298,018)	(246,652)		(606,019)	(497,756)	
Gross profit		97,260	95,895	1%	144,246	152,470	-5%
Other income		2,661	9,506		6,002	12,186	
Administrative expenses		(12,151)	(11,247)		(25,599)	(24,461)	
Selling and marketing expenses		(3,784)	(2,935)		(8,195)	(6,915)	
Other expenses		2,701	(3,479)		(2,623)	(5,757)	
Operating profit		86,687	87,740	-1%	113,831	127,523	-11%
Finance costs		(7,656)	(5,444)		(15,296)	(7,676)	
Share of results of associates		38,829	(3,349)		74,879	(7,483)	
Share of results of joint ventures		1,122	9,111		2,526	20,546	
Profit before taxation		118,982	88,058	35%	175,940	132,910	32%
Income tax expense	B5	(18,559)	(19,878)		(31,963)	(32,615)	
Profit for the period		100,423	68,180	47%	143,977	100,295	44%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Foreign currency translation		0	0		(4)	0	
Share of other comprehensive income of associates		4,776	9,531		(279)	(72)	
Share of other comprehensive income of joint ventures		0	0		(23)	(584)	
Other comprehensive income for the period		4,776	9,531		(306)	(656)	
Total comprehensive income for the period		105,199	77,711	35%	143,671	99,639	44%
Profit attributable to:							
Owners of the Company		91,626	57,434	60%	130,603	83,298	57%
Non-controlling interests		8,797	10,746		13,374	16,997	
		100,423	68,180		143,977	100,295	
Total comprehensive income attributable to:							
Owners of the Company		96,407	66,970		130,334	82,673	
Non-controlling interests		8,792	10,741		13,337	16,966	
		105,199	77,711		143,671	99,639	
		sen	sen		sen	sen	
Earnings per share attributable to owners of the Company:							
Basic/diluted	B13	8.53	5.35		12.16	7.75	

The condensed consolidated statements of comprehensive income should be read in conjunction with 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 June 2018

	Note	Unaudited As at 30.06.2018 RM'000	Unaudited As at 31.12.2017 (Restated) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		732,458	727,960
Prepaid land lease payments		14,066	14,448
Land held for property development		228,371	241,516
Investment properties		5,215	5,274
Intangible assets		1,457	2,201
Goodwill		62,954	62,954
Investments in associates		1,009,112	897,565
Investments in joint ventures		24,812	27,197
Deferred tax assets		18,388	21,376
Other receivables		53,359	52,312
Investment securities		1,013	70
		2,151,205	2,052,873
Current assets			
Property development costs		214,897	216,690
Inventories		300,042	294,020
Trade and other receivables		336,556	270,737
Other current assets		107,003	102,927
Investment securities		97,497	96,520
Derivative financial asset		35,414	35,414
Tax recoverable		7,292	4,030
Cash and bank balances		730,922	977,835
		1,829,623	1,998,173
TOTAL ASSETS		**3,980,828**	**4,051,046**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		867,902	867,902
Treasury shares		(6,634)	0
Other reserves		9,018	9,092
Retained earnings		1,521,055	1,476,662
		2,391,341	2,353,656
Non-controlling interests		330,437	332,677
Total equity		2,721,778	2,686,333
Non-current liabilites			
Deferred tax liabilities		36,757	36,835
Loans and borrowings	**B7**	573,614	584,633
Trade and other payables		64,577	93,719
		674,948	715,187
Current liabilities			
Income tax payable		25,410	20,549
Loans and borrowings	**B7**	68,240	51,731
Trade and other payables		442,553	525,371
Other current liabilities		47,899	51,875
		584,102	649,526
Total liabilities		1,259,050	1,364,713
TOTAL EQUITY AND LIABILITIES		**3,980,828**	**4,051,046**
Net assets per share attributable to ordinary owners of the Company (RM)		**2.23**	**2.19**

The condensed consolidated statement of financial position should be read in conjunction with 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 June 2018

		< Attributable to Owners of the Company >					
			< Non-distributable		>	Distributable	
	Total equity	**Total**	**Share capital**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Non-controlling interests**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2018	2,682,387	2,349,846	867,902	0	9,092	1,472,852	332,541
Effect of adoption of MFRS 15	3,946	3,810	0	0	0	3,810	136
As restated	2,686,333	2,353,656	867,902	0	9,092	1,476,662	332,677
Profit net of tax	143,977	130,603	0	0	0	130,603	13,374
Other comprehensive income, net of tax	(306)	(269)	0	0	(269)	0	(37)
Total comprehensive income	143,671	130,334	0	0	(269)	130,603	13,337
Transactions with owners:-							
Purchase of treasury shares	(6,634)	(6,634)	0	(6,634)	0	0	0
Dividends on ordinary shares	(85,950)	(85,950)	0	0	0	(85,950)	0
Dividends paid to non-controlling interests	(15,574)	0	0	0	0	0	(15,574)
Total transactions with owners	(108,158)	(92,584)	0	(6,634)	0	(85,950)	(15,574)
Share of associates' reserves	(68)	(65)	0	0	195	(260)	(3)
Share of joint ventures' reserves	0	0	0	0	0	0	0
At 30 June 2018	2,721,778	2,391,341	867,902	(6,634)	9,018	1,521,055	330,437

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 30 June 2018

		< ---- Attributable to Owners of the Company ---- >					
			< ---- Non-distributable ---- >			Distributable	
	Total equity	**Total**	**Share capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Non-controlling interests**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2017	2,534,739	2,212,836	537,188	330,716	40,090	1,304,842	321,903
Effect of adoption of MFRS 15	10,777	9,887	0	0	0	9,887	890
As restated	2,545,516	2,222,723	537,188	330,716	40,090	1,314,729	322,793
Profit net of tax	100,295	83,298	0	0	0	83,298	16,997
Other comprehensive income, net of tax	(656)	(625)	0	0	(625)	0	(31)
Total comprehensive income	99,639	82,673	0	0	(625)	83,298	16,966
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)
Share of associates' reserves	(3)	(3)	0	(3)	(22,557)	22,557	0
Share of joint ventures' reserves	(10,637)	(10,637)	0	0	0	(10,637)	0
At 30 June 2017 (Restated)	2,543,572	2,227,070	537,188	330,713	16,908	1,342,261	316,502

Cahya Mata Sarawak Berhad
(Company No: 21076-T)
Condensed consolidated statement of cash flows for the period ended 30 June 2018

	6 months ended 30.06.2018 RM'000	6 months ended 30.06.2017 (Restated) RM'000
Profit before taxation	175,940	132,910
Adjustments for non-cash items:		
Non-cash items	(50,098)	(2,806)
Operating cash flows before changes in working capital	125,842	130,104
Changes in working capital		
Increase in current assets	(74,139)	(103,729)
Decrease/(increase) in non-current assets	13,145	(56)
Decrease in current liabilities	(84,774)	(49,620)
Decrease in non-current liabilities	(29,141)	(265)
Cash flows used in operations	(49,067)	(23,566)
Interest received	15,566	7,406
Interest paid	(16,254)	(11,056)
Income tax paid, net of refund	(27,454)	(32,788)
Net cash flows used in operating activities	(77,209)	(60,004)
Investing activities		
Acquisition of investment securities	(1,766)	(80,602)
Acquisition of investment properties	(392)	(409)
Acquisition of property, plant and equipment	(33,887)	(25,188)
Additional investment in associates	(43,550)	0
Additional investment in joint ventures	(30)	0
Distribution of profits from joint ventures	4,918	15,503
Dividends from associates	6,537	4,129
Dividends from investments	961	1,854
Proceeds from disposal of property, plant and equipment	349	52
Redemption of redeemable preference shares	0	37,459
Others	0	(54)
Net cash used in investing activities	(66,860)	(47,256)
Financing activities		
Acquisition of treasury shares	(6,634)	0
Deposit pledged to a licensed bank	(43)	0
Drawdown of borrowings	19,200	(61,391)
Repayments of borrowings	(13,710)	0
Dividends paid to shareholders of the Company	(85,950)	(67,687)
Dividends paid to non-controlling interests	(15,574)	(23,256)
Proceeds from issuance of Islamic medium term notes	0	500,000
Net cash (used in)/from financing activities	(102,711)	347,666
Net (decrease)/increase in cash and cash equivalents	(246,780)	240,406
Effect of foreign exchange changes in cash and cash equivalents	(176)	0
Cash and cash equivalents as at 1 January	975,781	455,073
Cash and cash equivalents as at 30 June	728,825	695,479
Cash and cash equivalents as at 30 June comprised the following:		
Cash and short term deposits	730,922	697,476
Less: Deposits pledged to licensed banks	(2,097)	(1,997)
	728,825	695,479

The condensed consolidated statement of cash flows should be read in conjunction with 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 June 2018 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.

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 2017.

In preparing its opening Statement of Financial Position as at 1 January 2018, the Group has adjusted the amounts previously reported in financial statements due to the adoption of MFRS 15: Revenue from Contracts with Customers. The Group has adopted the new standard on the required effective date using the full retrospective method. An explanation of how the adoption of MFRS 15 has affected the Group's financial statements is set out in Note A2 below. These include reconciliations of equity for comparative periods as well as the statement of profit or loss and other comprehensive income.

A2. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2018, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2018.

- Annual Improvements to MFRS Standards 2014 - 2016 Cycle:
  (i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards
  (ii) Amendments to MFRS 128: Investments in Associates and Joint Ventures
- Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 140: Transfers of Investment Property
- MFRS 9: Financial Instruments
- MFRS 15: Revenue from Contracts with Customers
- IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

(a) Annual Improvements to MFRS Standards 2014 - 2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 Cycle include a number of amendments to various MFRSs, which are summarised below. These amendments do not have a significant impact on the Group's and the Company's financial statements.

A2. Changes in accounting policies (contd.)

(a) Annual Improvements to MFRS Standards 2014 - 2016 Cycle (contd.)

Amendments to MFRS 128: Investments in Associates and Joint Ventures

The amendments clarify that:

- an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

- if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at a later date on which:

  (i) the investment entity associate or joint venture is initially recognised;
  (ii) the associate or joint venture becomes an investment entity; and
  (iii) the investment entity associate or joint venture first becomes a parent.

(b) Amendments to MFRS 140: Transfers of Investment Property

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. Since the Group's current practice is in line with the clarifications issued, there is no effect on its consolidated financial statements.

(c) MFRS 9: Financial Instruments

On the adoption of MFRS 9, the Group has assessed all the three aspects of the accounting for the financial assets and liabilities for classification and measurement, impairment and hedge accounting. In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments. During the current financial quarter ended, there is no requirement for any reclassification for loans and receivables nor any significant impact on the statement of financial position on fair value measurement on the financial assets and quoted equity shares held as available-for-sale (AFS) and there is no expectation of any impairment on trade receivables.

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Upon adoption of MFRS 15, the Group recognises the revenue from contracts with customers when or as the Group transfers goods or services to a customer, measured at the amount to which the Group expects to be entitled, according to the term and condition stipulated in the contracts with customers. Depending on whether certain criteria are met, revenue is recognised over time, in a manner that depicts the Group's performance; or at a point in time, when control of the goods or services is transferred to the customers. The adoption of this new MFRS 15 have not resulted in any material impact on the financial statements of the Group except for the following areas:

(i) Property development

The Group is in the business developing residential and commercial properties. The Group used to recognise revenue from the sale of development properties under construction using the completion method. Under MFRS 15, performance obligations for the sale of development properties are satisfied over time where the Group is restricted contractually from directing the properties for alternative use as they are being developed and has an enforceable right to payment for performance completed to date. Accordingly, the revenue used to recognise using the completed contract method is adjusted upon adoption of MFRS 15 to recognised the revenue over time.

(ii) Costs incurred in obtaining a contract

Prior to adoption of MFRS 15, sales commissions incurred were taken to profit or loss because they do not qualify for recognition as an asset under any of the other accounting standards. Upon the adoption of MFRS 15, the Group capitalises such commissions as incremental costs to obtain a contract if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue.

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(iii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgments made, i.e. when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation and the assumptions made to estimate the stand-alone selling prices of each performance obligation. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

In summary, the impact of MFRS 15 adoption is as follows:

(i) Reconciliation of equity as at 1 January 2017

	As at 1.1.2017 RM'000	Impact of MFRS 15 RM'000	As at 1.1.2017 RM'000
Assets			
Non-current assets			
Deferred tax assets	34,989	(2,296)	32,693
Others	2,044,364		2,044,364
	2,079,353		2,077,057
Current assets			
Property development costs	354,748	(52,471)	302,277
Other current assets	37,442	4,950	42,392
Others	979,794		979,794
	1,371,984		1,324,463
Total assets	**3,451,337**		**3,401,520**

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(i) Reconciliation of equity as at 1 January 2017 (contd.)

	As at 1.1.2017 RM'000	Impact of MFRS 15 RM'000	As at 1.1.2017 RM'000
Equity and liabilities			
Equity			
Share capital	537,188		537,188
Share premium	330,716		330,716
Other reserves	40,090		40,090
Retained earnings	1,304,842	9,887	1,314,729
	2,212,836		2,222,723
Non-controlling interests	321,903	890	322,793
	2,534,739		2,545,516
Non-current liabilities			
Deferred taxation	39,292	1,107	40,399
Others	189,439		189,439
	228,731		229,838
Current liabilities			
Trade payables	289,204	1,161	290,365
Other current liabilities	126,783	(62,862)	63,921
Others	271,880		271,880
	687,867		626,166
Total liabilities	**916,598**		**856,004**
Total equity and liabilities	**3,451,337**		**3,401,520**

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(ii) Reconciliation of equity as at 30 June 2017

	As at 30.6.2017 RM’000	Impact of MFRS 15 RM’000	As at 30.6.2017 RM’000
Assets			
Non-current assets			
Deferred tax assets	29,777	(766)	29,011
Others	2,003,070		2,003,070
	2,032,847		2,032,081
Current assets			
Property development costs	328,306	(35,864)	292,442
Inventories	218,154	(325)	217,829
Other current assets	49,333	13,964	63,297
Others	1,179,153		1,179,153
	1,774,946		1,752,721
Total assets	**3,807,793**		**3,784,802**
Equity and liabilities			
Equity			
Share capital	537,188		537,188
Share premium	330,713		330,713
Other reserves	16,908		16,908
Retained earnings	1,336,469	5,792	1,342,261
	2,221,278		2,227,070
Non-controlling interests	313,349	3,153	316,502
	2,534,627		2,543,572
Non-current liabilities			
Deferred taxation	37,930	1,936	39,866
Others	678,186		678,186
	716,116		718,052
Current liabilities			
Other payables	112,117	(147)	111,970
Other current liabilities	92,589	(33,725)	58,864
Others	352,344		352,344
	557,050		523,178
Total liabilities	**1,273,166**		**1,241,230**
Total equity and liabilities	**3,807,793**		**3,784,802**

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(iii) Reconciliation of equity as at 31 December 2017

	As at 31.12.2017 RM'000	Impact of MFRS 15 RM'000	As at 31.12.2017 RM'000
Assets			
Non-current assets			
Deferred tax assets	22,621	(1,245)	21,376
Others	2,031,497		2,031,497
	2,054,118		2,052,873
Current assets			
Property development costs	251,866	(35,176)	216,690
Inventories	294,310	(290)	294,020
Other current assets	102,372	555	102,927
Others	1,384,536		1,384,536
	2,033,084		1,998,173
Total assets	**4,087,202**		**4,051,046**
Equity and liabilities			
Equity			
Share capital	867,902		867,902
Other reserves	9,092		9,092
Retained earnings	1,472,852	3,810	1,476,662
	2,349,846		2,353,656
Non-controlling interests	332,541	136	332,677
	2,682,387		2,686,333
Non-current liabilities	715,187		715,187
Current liabilities			
Trade payables	406,337	806	407,143
Other payables	119,138	(910)	118,228
Other current liabilities	91,873	(39,998)	51,875
Others	72,280		72,280
	689,628		649,526
Total liabilities	**1,404,815**		**1,364,713**
Total equity and liabilities	**4,087,202**		**4,051,046**

A2. Changes in accounting policies (contd.)

(d) MFRS 15: Revenue from Contracts with Customers (contd.)

(iv) Reconciliation of total comprehensive income for the period ended 30 June 2017

	As at 31.6.2017	Impact of MFRS 15	As at 31.6.2017
	RM'000	RM'000	RM'000
Revenue	670,570	(20,344)	650,226
Cost of sales	(515,700)	17,944	(497,756)
Gross profit	154,870		152,470
Other income	11,997	189	12,186
Administrative expenses	(23,889)	(572)	(24,461)
Other expenses	(12,922)	250	(12,672)
Operating profit	130,056		127,523
Finance costs	(7,676)		(7,676)
Share of results of associates	(7,483)		(7,483)
Share of results of joint ventures	20,546		20,546
Profit before tax	135,443		132,910
Income tax expense	(33,316)	701	(32,615)
Profit for the period	102,127		100,295
Other comprehensive income for the period	(656)		(656)
Total comprehensive income for the period	101.471		99,639
Profit attributable to:			
Owners of the Company	87,394		83,298
Non-controlling interests	14,733		16,997
	102,127		100,295
Total comprehensive income attributable to:			
Owners of the Company	86,769		82,673
Non-controlling interests	14,702		16,966
	101,471		99,639
Earnings per share attributable to owners of the Company:			
Basic/diluted	8.13		7.75

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 2018.

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

On 25 April 2018, the shareholders of the Company renewed their approval for the Company to buy-back its own shares. The Company initiated its share buy-back programme on 23 May 2018.

During the current quarter ended 30 June 2018, the Company repurchased 2,778,200 of its issued ordinary shares from the open market at an average price of RM2.39 per share. The total consideration paid for the repurchase including transaction costs was RM6,633,585 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 (16) of the Companies Act 2016.

A7. Dividends paid

The final tax exempt (single-tier) dividend of 8.0 sen per share for the financial year ended 31 December 2017 amounting to RM85,950,058 was paid on 23 May 2018.

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A8. Segmental information

	3 months ended		6 months ended	
	30.6.2018	30.6.2017 (Restated)	30.6.2018	30.6.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Cement	130,468	119,038	262,294	242,180
Construction materials & trading	106,605	110,896	200,533	182,133
Construction & road maintenance	153,894	80,321	265,255	159,164
Property development	28,083	47,609	54,361	89,577
Strategic investments *	2,310	2,756	4,841	5,528
Others	18,343	14,224	35,243	27,972
Total revenue including inter-segment sales	439,703	374,844	822,527	706,554
Elimination of inter-segment sales	(44,425)	(32,297)	(72,262)	(56,328)
	395,278	342,547	750,265	650,226
Segment Results				
Operating profit/(loss):				
Cement	32,620	32,577	39,191	47,037
Construction materials & trading	14,225	21,031	23,412	29,498
Construction & road maintenance	26,625	18,254	44,755	36,111
Property development	9,299	15,118	11,300	23,566
Strategic investments *	(406)	7,143	(979)	6,452
Others	3,162	(1,699)	(390)	(5,705)
	85,525	92,424	117,289	136,959
Unallocated corporate expenses	(6,494)	(10,128)	(18,754)	(17,112)
Share of results of associates	38,829	(3,349)	74,879	(7,483)
Share of results of joint ventures	1,122	9,111	2,526	20,546
Profit before tax	118,982	88,058	175,940	132,910
Income tax expenses	(18,559)	(19,878)	(31,963)	(32,615)
Profit for the year	100,423	68,180	143,977	100,295

* *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 June 2018.

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 2018		31 December 2017	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	RM'000	RM'000	RM'000	RM'000
Financial liabilities:				
Interest-bearing loans and borrowings				
- Bankers' acceptances	19,200	19,200	2,300	2,300
- Term loans	94,086	94,086	104,800	104,800
- Obligation under finance lease	1,568	1,568	1,988	1,988
- Revolving credits	27,000	27,000	27,000	27,000
- Loans from corporate shareholders	-	-	276	287
- Islamic medium term notes	500,000	513,131	500,000	508,133
	641,854	654,985	636,364	644,508

A10. Fair value of instruments (contd.)

(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).

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 2018				
Financial assets				
Investment securities				
- Income debt securities fund	-	93,197	-	93,197
- Real Estate Investment Trust	4,300	-	-	4,300
- Financial derivatives	-	-	35,414	35,414
	4,300	93,197	35,414	132,911
31 December 2017				
Financial assets				
Investment securities				
- Income debt securities fund	-	91,970	-	91,970
- Real Estate Investment Trust	4,550	-	-	4,550
	4,550	91,970	-	96,520

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 2018 and 31 December 2017 was as follows:

Capital commitments

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Approved and contracted for:		
- Property, plant and equipment	23,857	70,739
- Investments in joint ventures	52,087	53,030
	75,944	123,769
Approved but not contracted for:		
- Property, plant and equipment	170,993	280,805
- Intangible assets	430	4,015
- Investments in associates	306,458	334,000
	477,881	618,820
	553,825	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 30 June 2018 and 30 June 2017 as well as the balances with the related parties as at 30 June 2018 and 31 December 2017:

		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	2018	2,922	-	-	-
	2017	301	-	-	-
- KKB Engineering Bhd	2018	-	14,845	-	-
	2017	-	652	-	-
- Kenanga Investors Bhd	2018	-	-	-	-
	2017	1,109	-	-	-
- Sacofa Sdn Bhd	2018	909	279	333	-
	2017	861	-	3	3
- OM Materials (Sarawak) Sdn Bhd	2018	2,876	-	466	-
	2017	2,876	-	2,550	-
Joint Ventures:					
- PPES Works Wibawa	2018	-	-	-	-
	2017	2	-	-	-
- PPES Works Naim Land	2018	18	-	7	-
	2017	18	-	13	-
- PPES Works Larico	2018	177	-	124	-
	2017	279	-	203	-
- PPES Works PCSB	2018	240	-	194	-
	2017	119	-	169	-
Key management personnel of the Group:					
- Directors' interest	2018	-	2,024	-	161
	2017	3,030	1,067	-	83

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, 2018 ("PE2018") vs Year-to-date, 2017 Restated ("PE2017")

Revenue increased by 15% while profit before tax (PBT) and profit after tax and non-controlling interest (PATNCI) increased by 32% and 57% respectively in comparison to preceding year.

The increase in revenue was contributed by the Construction & Road Maintenance, Construction Materials & Trading and Cement Divisions.

The improvement in PBT and PATNCI was mainly attributable to the increase in the share of profits in associates.

Gross profit margin was lower at 19% in PE2018 as compared to 23% in PE2017 (restated). Nevertheless, PBT and PATNCI margins were higher due to higher share of associates' profits.

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

(a) **Cement Division -** recorded a 17% lower PBT of RM39.19 million in PE2018 over PE2017's PBT of RM47.04 million, despite a 8% increase in its revenue. The lower PBT was mainly due to repair costs from the planned maintenance shutdown exercise carried at its clinker plant during the month of January and February this year. The increase in its imported clinker prices has also negatively affected the PBT in PE2018.

(b) **Construction Materials & Trading Division -** reported a lower PBT of RM23.41 million for PE2018, which was 21% lower than the PBT of RM29.50 million for PE2017, despite a 10% increase in its revenue. The increase in revenue was contributed by its trading and wires operations which recorded RM32.32 million higher revenue. However, there was a 10% or RM13.92 million decrease in revenue from premix operation in comparison to PE2017. The lower PBT was mainly attributable to drop in revenue and gross profit margin from premix operation as a result of an unprecedented shortage of quarry aggregates and quarry sand due to a steep spike in demand from the Pan Borneo Highway project. Premix operation also experienced drop in gross profit margin as a result of increases in raw materials prices of bitumen and aggregates and heating cost from diesel price increases.

(c) **Construction & Road Maintenance Division -** posted a PBT of RM44.76 million in PE2018, representing an increase of 24% over PE2017's profit of RM36.11 million on the back of higher percentage of completion of Pan Borneo Highway, Miri-Marudi road rehabilitation and Museum projects. There was an increase of State road length maintained in PE2018 as compared to PE2017. However, better revenue was partially negated by a reduction of instructed works revenue and reduction in reduction in Federal road maintained due to the construction of Pan Borneo Highway project.

B1. Review of performance (contd.)

Year-to-date, 2018 ("PE2018") vs Year-to-date, 2017 Restated ("PE2017") (contd.)

(d) **Property Development Division -** PBT decreased to RM11.30 million in PQ2018 from a PBT of RM23.57 million in PE2017 (restated), a drop of 52%. This was attributable to lower sales of properties, lower construction activities and lower lodges & hotel revenues in the current period.

(e) **Strategic Investments Division -** reported a loss of RM979k in PE2018 as compared to a PBT of RM6.45 million in PE2017. This was attributable to a lower profit reported by the investment holding subsidiary and a higher loss posted by the Education subsidiary.

(f) **Others -** reported a lower loss of RM390k in PE2018 (PE2017: loss of RM5.71 million). The investment holding company for the investments in Samalaju Industrial Park, Bintulu made a lower unrealized forex loss in PE2018. The loss was further toned down by higher PBT reported by the management service company.

(g) **Unallocated corporate expenses -** CMSB recorded a higher loss in PE2018 compared to PE2017 mainly due to higher net interest expenses and overhead expenses.

(h) **Share of results in associates -** The Group recorded a significantly higher share of profit of RM74.88 million for PE2018, an improvement of 1101% from PE2017's share of loss of RM7.48 million. The improvement was due to the turnaround of the Group's 25% associate, OM Materials (Sarawak) Sdn. Bhd.

(i) **Share of results in joint-ventures -** recorded a significantly lower share of profit of RM2.55 million (PE2017: RM20.55 million). In PE2017, the private equity management company and two equity funds recorded excellent performances from the gains on the realisation of an investment in Serba Dinamik Holdings Bhd which was no longer available in PE2018.

Quarter 2, 2018 ("2Q18") vs Quarter 2, 2017 ("2Q17")

The Group's PBT for this year's second quarter was substantially higher than last year's same quarter. This was mainly attributable to the higher share of results of associates, due to the turnaround of OM Materials (Sarawak) Sdn. Bhd. since 3rd quarter of 2017.

B2. Material changes in profit before tax for the quarter (Quarter 2, 2018 vs Quarter 1, 2018)

The Group's gross profit was significantly higher in 2Q18 in comparison to 1Q18. This was mainly attributable to improved performance of the Cement Division. In 1Q18, the Cement Division incurred high repair costs on long maintenance shutdown of its clinker plant.

All the other core Divisions also reported higher PBT in the current quarter.

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 FY2018 and, coupled with other measures Management are taking, the Group is positioning itself for long term sustainable revenue and profitability growth.

The prospects for each Division for 2H2018 are as follows:

The Cement Division's PBT for 2Q18 was higher than 1Q18. The Management is optimistic that sales will remain healthy for 3Q18. The Division's clinker plant has however undergone another maintenance shutdown in August 2018 which will add to operating costs. Additionally, cement production costs have risen due to price increases of up to 15% since the beginning of the year in its key raw material namely clinker of which 60% of its requirements need to be imported. This increase in price has been fuelled by growing demand for clinker from the China and Bangladesh markets.

The Construction Materials and Trading Division is facing an unprecedented shortage of quarry aggregates for its JKR works, the Pan Borneo Highway project and to support its premix production. The 2-year term contract with JKR for the supply and delivery of quarry aggregates which expired in June 2018 has been extended for another two years. This term contract shall enhance the sustainability of its quarry business. Its premix operations, on the other hand are facing an unprecedented shortage of quarry aggregates, particularly quarry sand thus reducing production and sales revenues. A total of 50,000MT of premix on order was unable to be supplied in 1H18 but it is anticipated during 2H2018 that additional quarry production capacity will be coming on stream that can mitigate this problem within the Division.

The Construction & Road Maintenance Division will ensure both that it remains competitive in its bids for new projects and that the profitability of its existing and future projects is sustained. 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 significant and longer term construction projects and its remaining road maintenance contract.

The Property Development Division expects steady sales from its Bandar Samariang township but increased competition in its Rivervale condominium project as more developers diversify into the construction of condominiums and apartments. The Sarawak Housing & Real Estate Developers' Association's data for 2017 indicates that in excess of 80% of new launches are from this category. Nevertheless, the Management is confident that its Rivervale condominium would meet buyers' needs, be the preferred choice due to its value-for-money proposition, strategic location and facilities and lastly would serve to definitively establish the Division's reputation as a quality urban housing developer.

B3. Prospects for the year ending 31 December 2018 (contd.)

The Division's other major project namely, its township development in Samalaju is a greenfield project and faces an uphill task in 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 occupancy levels at its Workers' and Executive Lodges in Samalaju are not expected to experience any significant increases until major construction activity starts from existing or new industries at Samalaju Industrial Park. In regard to its hotel in Samalaju, OM Materials (Sarawak) Sdn Bhd has entered into a long term contract which would increase the occupancy of the hotel by 32%.

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		6 months ended	
	30.6.2018	30.6.2017 (Restated)	30.6.2018	30.6.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	18,700	23,762	32,041	36,418
- Under/(over) provision in respect of previous years	1	(1,997)	1	(1,997)
Deferred tax	(142)	(1,887)	(79)	(1,806)
Total income tax expense	18,559	19,878	31,963	32,615

The effective tax rates for the quarter and period ended 30 June 2018 were lower than the statutory tax rate principally due to share of associates' profit which was net of tax.

The effective tax rate for the quarter ended 30 June 2017 was lower than the statutory tax rate principally due to share of joint ventures' profit which was net of tax. The effective tax rate for the period ended 30 June 2017 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. Borrowings

	As at 30.6.2018 RM'000	As at 31.12.2017 RM'000
Short term – Secured		
Revolving credits	17,000	17,000
Hire purchase	612	727
Short term – Unsecured		
Bankers' acceptances	19,200	2,300
Term loan	21,428	21,428
Loan from corporate shareholder	-	276
Revolving credits	10,000	10,000
	68,240	51,731
Long term – Secured		
Hire purchase	956	1,261
Long term – Unsecured		
Term loan	72,658	83,372
Islamic medium term notes	500,000	500,000
	573,614	584,633
Total	641,854	636,364

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 2017.

B12. Dividend payable

No interim dividend has been declared for the financial period ended 30 June 2018 (30 June 2017: 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		6 months ended	
	30.6.2018	30.6.2017	30.6.2018	30.06.2017
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	91,626	57,434	130,603	83,298
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)	8.53	5.35	12.16	7.75

The Group has no dilution in its earning per share in the current and the preceding financial period as there are no dilutive potential ordinary shares.

B14. Auditor's report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2017 was not subject to any qualification.

B15. Additional disclosure on profit for the period

	Quarter ended 30.6.2018 RM'000	Financial year ended 30.6.2018 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	372	745
Amortisation of prepaid land lease payments	200	413
Property, plant and equipment written off	-	18
Depreciation of property, plant and equipment	14,574	29,088
Depreciation of investment properties	225	451
Loss on foreign exchange - realised	293	841
Gain on foreign exchange - unrealised	(4,609)	(1,071)
Gain on disposal of property, plant and equipment	(23)	(57)
Interest expense	8,612	16,254
Interest income	(7,339)	(15,566)
Net fair value changes in investment securities	339	(154)