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 March 2018

	Note	3 months ended 31.03.2018 RM'000	3 months ended 31.03.2017 (Restated) RM'000	Changes (%)	3 months ended 31.03.2018 RM'000	3 months ended 31.03.2017 (Restated) RM'000	Changes (%)
Revenue	A8	354,987	307,679	15%	354,987	307,679	15%
Cost of sales		(308,001)	(251,104)		(308,001)	(251,104)	
Gross profit		46,986	56,575	-17%	46,986	56,575	-17%
Other income		3,341	2,680		3,341	2,680	
Administrative expenses		(13,448)	(13,214)		(13,448)	(13,214)	
Selling and marketing expenses		(4,411)	(3,980)		(4,411)	(3,980)	
Other expenses		(5,324)	(2,278)		(5,324)	(2,278)	
Operating profit		27,144	39,783	-32%	27,144	39,783	-32%
Finance costs		(7,640)	(2,232)		(7,640)	(2,232)	
Share of results of associates		36,050	(4,134)		36,050	(4,134)	
Share of results of joint ventures		1,404	11,435		1,404	11,435	
Profit before taxation		56,958	44,852	27%	56,958	44,852	27%
Income tax expense	B5	(13,404)	(12,737)		(13,404)	(12,737)	
Profit for the period		43,554	32,115	36%	43,554	32,115	36%
Other comprehensive income							
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:							
Foreign currency translation		(4)	0		(4)	0	
Share of other comprehensive income of associates		(5,055)	(9,603)		(5,055)	(9,603)	
Share of other comprehensive income of joint ventures		(23)	(584)		(23)	(584)	
Other comprehensive income for the period		(5,082)	(10,187)		(5,082)	(10,187)	
Total comprehensive income for the period		38,472	21,928	75%	38,472	21,928	75%
Profit attributable to:							
Owners of the Company		38,977	25,864	51%	38,977	25,864	51%
Non-controlling interests		4,577	6,251		4,577	6,251	
		43,554	32,115		43,554	32,115	
Total comprehensive income attributable to:							
Owners of the Company		33,927	15,703		33,927	15,703	
Non-controlling interests		4,545	6,225		4,545	6,225	
		38,472	21,928		38,472	21,928	
		sen	sen		sen	sen	
Earnings per share attributable to owners of the Company:							
Basic/diluted	B13	3.63	2.41		3.63	2.41	

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 31 March 2018

	Note	Unaudited As at 31.03.2018 RM'000	Unaudited As at 31.12.2017 (Restated) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		719,573	727,960
Prepaid land lease payments		14,257	14,448
Land held for property development		228,131	241,516
Investment properties		5,244	5,274
Intangible assets		1,828	2,201
Goodwill		62,954	62,954
Investments in associates		946,561	897,565
Investments in joint ventures		24,832	27,197
Deferred tax assets		21,376	21,376
Other receivables		51,015	52,312
Investment securities		789	70
		2,076,560	2,052,873
Current assets			
Property development costs		218,267	216,690
Inventories		284,433	294,020
Trade and other receivables		319,315	270,737
Other current assets		85,630	102,927
Investment securities		97,013	96,520
Derivative financial asset		35,414	35,414
Tax recoverable		6,173	4,030
Cash and bank balances		835,511	977,835
		1,881,756	1,998,173
TOTAL ASSETS		**3,958,316**	**4,051,046**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		867,902	867,902
Other reserves		5,277	9,092
Retained earnings		1,514,404	1,476,662
		2,387,583	2,353,656
Non-controlling interests		337,222	332,677
Total equity		2,724,805	2,686,333
Non-current liabilites			
Deferred tax liabilities		36,898	36,835
Loans and borrowings	**B7**	579,123	584,633
Trade and other payables		95,278	93,719
		711,299	715,187
Current liabilities			
Income tax payable		20,617	20,549
Loans and borrowings	**B7**	49,376	51,731
Trade and other payables		404,767	525,371
Other current liabilities		47,452	51,875
		522,212	649,526
Total liabilities		1,233,511	1,364,713
TOTAL EQUITY AND LIABILITIES		**3,958,316**	**4,051,046**
Net assets per share attributable to ordinary owners of the Company (RM)		**2.22**	**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 31 March 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 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	43,554	38,977	0	0	0	38,977	4,577
Other comprehensive income, net of tax	(5,082)	(5,050)	0	0	(5,050)	0	(32)
Total comprehensive income	38,472	33,927	0	0	(5,050)	38,977	4,545
Share of associate's reserves	0	0	0	0	1,235	(1,235)	0
At 31 March 2018	2,724,805	2,387,583	867,902	0	5,277	1,514,404	337,222

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of changes in equity for the period ended 31 March 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	32,115	25,864	0	0	0	25,864	6,251
Other comprehensive income, net of tax	(10,187)	(10,161)	0	0	(10,161)	0	(26)
Total comprehensive income	21,928	15,703	0	0	(10,161)	25,864	6,225
Share of associate's reserves	0	0	0	0	159	(159)	0
At 31 March 2017 (Restated)	2,567,444	2,238,426	537,188	330,716	30,088	1,340,434	329,018

Cahya Mata Sarawak Berhad

(Company No: 21076-T)

Condensed consolidated statement of cash flows for the period ended 31 March 2018

	3 months ended 31.03.2018 RM'000	3 months ended 31.03.2017 (Restated) RM'000
Profit before taxation	56,958	44,852
Adjustments for non-cash items:		
Non-cash items	(20,312)	4,172
Operating cash flows before changes in working capital	36,646	49,024
Changes in working capital		
Increase in current assets	(41,239)	(57,815)
Decrease/(increase) in land held for development	13,385	(56)
Decrease in current liabilities	(125,862)	(74,650)
Increase in non-current liabilities	1,559	0
Cash flows used in operations	(115,511)	(83,497)
Interest received	8,227	3,530
Interest paid	(7,678)	(4,127)
Income tax paid, net of refund	(15,416)	(21,746)
Net cash flows used in operating activities	(130,378)	(105,840)
Investing activities		
Purchases of investment securities	(719)	(10)
Dividends from investments	70	1,262
Acquisition of investment properties	(196)	0
Acquisition of property, plant and equipment	(6,399)	(11,647)
Proceeds from disposal of property, plant and equipment	283	52
Distribution of profits from joint ventures	3,746	3,110
Redemption of redeemable preference shares	0	34,844
Others	0	(54)
Net cash (used in)/from investing activities	(3,215)	27,557
Financing activities		
Repayments of borrowings	(7,865)	(52,558)
Net cash used in financing activities	(7,865)	(52,558)
Net decrease in cash and cash equivalents	(141,458)	(130,841)
Effect of foreign exchange changes in cash and cash equivalents	(866)	0
Cash and cash equivalents as at 1 January	975,781	455,074
Cash and cash equivalents as at 31 March	833,457	324,233
Cash and cash equivalents as at 31 March comprised the following:		
Cash and short term deposits	835,511	326,230
Less: Deposits pledged to licensed banks	(2,054)	(1,997)
	833,457	324,233

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 31 March 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 and the statement of cash flows.

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 31 March 2017

	As at 31.3.2017 RM'000	Impact of MFRS 15 RM'000	As at 31.3.2017 RM'000
Assets			
Non-current assets			
Deferred tax assets	35,261	(2,738)	32,523
Others	2,006,934		2,006,934
	2,042,195		2,039,457
Current assets			
Property development costs	374,310	(71,916)	302,394
Other current assets	47,811	13,476	61,287
Others	885,137		885,137
	1,307,258		1,248,818
Total assets	**3,349,453**		**3,288,275**
Equity and liabilities			
Equity			
Share capital	537,188		537,188
Share premium	330,716		330,716
Other reserves	30,088		30,088
Retained earnings	1,327,339	13,095	1,340,434
	2,225,331		2,238,426
Non-controlling interests	326,471	2,547	329,018
	2,551,802		2,567,444
Non-current liabilities			
Deferred taxation	38,299	2,111	40,410
Others	184,082		184,082
	222,381		224,492
Current liabilities			
Other payables	116,036	1,189	117,225
Other current liabilities	136,334	(80,120)	56,214
Others	322,900		322,900
	575,270		496,339
Total liabilities	797,651		720,831
Total equity and liabilities	3,349,453		3,288,275

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 31 March 2017

	As at 31.3.2017	Impact of MFRS 15	As at 31.3.2017
	RM'000	RM'000	RM'000
Revenue	282,297	25,382	307,679
Cost of sales	(232,127)	(18,977)	(251,104)
Gross profit	50,170		56,575
Other income	2,680		2,680
Administrative expenses	(13,119)	(95)	(13,214)
Other expenses	(6,258)		(6,258)
Operating profit	33,473		39,783
Finance costs	(2,232)		(2,232)
Share of results of associates	(4,134)		(4,134)
Share of results of joint ventures	11,435		11,435
Profit before tax	38,542		44,852
Income tax expense	(11,292)	(1,445)	(12,737)
Profit for the period	27,250		32,115
Other comprehensive income for the period	(10,187)		(10,187)
Total comprehensive income for the period	17,063		21,928
Profit attributable to:			
Owners of the Company	22,657		25,864
Non-controlling interests	4,593		6,251
	27,250		32,115
Total comprehensive income attributable to:			
Owners of the Company	12,495		15,703
Non-controlling interests	4,568		6,225
	17,063		21,928
Earnings per share attributable to owners of the Company:			
Basic/diluted	2.11		2.41

A3. Seasonal or cyclical factors

The business operations of the Group are generally non-cyclical or seasonal. Ordinarily, however, there is a lower level of activity during the 1st quarter of the year.

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 31 March 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

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

A7. Dividends paid

There was no dividend paid during the quarter ended 31 March 2018.

A8. Segmental information

	3 months ended	
	31.3.2018	31.03.2017 (Restated)
	RM'000	RM'000
Segment Revenue		
Cement	131,826	123,142
Construction materials & trading	93,928	71,237
Construction & road maintenance	111,361	78,843
Property development	26,278	41,968
Strategic investments *	2,531	2,772
Others	16,900	13,748
Total revenue including inter-segment sales	382,824	331,710
Elimination of inter-segment sales	(27,837)	(24,031)
	354,987	307,679
Segment Results		
Operating profit/(loss):		
Cement	6,571	14,460
Construction materials & trading	9,187	8,467
Construction & road maintenance	18,130	17,856
Property development	2,001	8,449
Strategic investments *	(573)	(691)
Others	(3,552)	(4,006)
	31,764	44,535
Unallocated corporate expenses	(12,260)	(6,984)
Share of results of associates	36,050	(4,134)
Share of results of joint ventures	1,404	11,435
Profit before tax	56,958	44,852
Income tax expenses	(13,404)	(12,737)
Profit for the year	43,554	32,115

* *Financial services and education.*

A9. Changes in composition of the Group

There have been no changes in the composition of the Group for the quarter ended 31 March 2018 except that on 27 February 2018, the Company announced that CMS Education Sdn Bhd ("CMSE"), its wholly-owned subsidiary company, had, on 27 February 2018, incorporated a joint venture company, HELP IBRACO CMS Sdn Bhd ("HICMS") with an initial paid-up capital of RM100,000 represented by 100,000 ordinary shares.

HICMS is incorporated for the purpose of joint venture with IBRACO HELP Education Sdn Bhd ("IHE"), an associate company of Ibraco Berhad, with shareholding structure of 70% owned by IHE and 30% owned by CMSE. The intended principal activity of HICMS is to provide education at primary, secondary and pre-university levels alone or in conjunction with either local or foreign institutions.

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 March 2018		31 March 2017	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	RM'000	RM'000	RM'000	RM'000
Financial asset:				
Available-for-sale financial assets:				
- Equity instruments	-	-	300	300
	-	-	300	300
Financial liabilities:				
Interest-bearing loans and borrowings				
- Bankers' acceptances	-	-	43,100	43,100
- Term loans	99,443	99,443	120,872	136,794
- Obligation under finance lease	1,780	1,780	-	-
- Revolving credits	27,000	27,000	30,600	30,600
- Loans from corporate shareholders	276	287	827	868
- Islamic medium term notes	500,000	517,090	-	-
	628,499	645,600	195,399	211,362

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
31 March 2018				
Financial assets				
Investment securities				
- Income debt securities fund	-	92,813	-	92,813
- Real Estate Investment Trust	4,200	-	-	4,200
	4,200	92,813	-	97,013
31 March 2017				
Financial assets				
Investment securities				
- Income debt securities fund	-	5,130	-	5,130
- Real Estate Investment Trust	4,700	-	-	4,700
	4,700	5,130	-	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 31 March 2018 was as follows:

Capital commitments

	RM'000
Approved and contracted for:	
- Property, plant and equipment	12,303
- Investments in joint ventures	52,592
	64,895
Approved but not contracted for:	
- Property, plant and equipment	313,354
- Intangible assets	400
- Investments in associates	334,000
	647,754
	712,649

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 March 2018 and 31 March 2017 as well as the balances with the related parties as at 31 March 2018 and 31 March 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	1,704	-	-	-
	2017	151	-	-	-
- KKB Engineering Bhd	2018	-	4,284	-	5,648
	2017	-	-	-	-
- Kenanga Investors Bhd	2018	-	-	-	-
	2017	1,109	-	-	-
- Sacofa Sdn Bhd	2018	434	5	2	2
	2017	420	-	4	2
- OM Materials (Sarawak) Sdn Bhd	2018	1,446	-	1,022	-
	2017	1.449	-	4,653	-
Joint Ventures:					
- PPES Works Wibawa	2018	-	-	-	-
	2017	2	-	-	-
- PPES Works Naim Land	2018	9	-	3	-
	2017	57	-	25	-
- PPES Works Larico	2018	92	-	135	-
	2017	152	-	276	-
- PPES Works PCSB	2018	77	-	54	-
	2017	874	-	94	-
Key management personnel of the Group:					
- Directors' interest	2018	26	538	-	1
	2017	7,903	533	767	4

All outstanding balances with these related parties are unsecured and are to be settled in cash within the financial year.

A14. Subsequent event

There was no material event subsequent to the statement of financial position date that has not been reflected in the quarterly financial statements.

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

B1. Review of performance

Quarter 1, 2018 ("1Q18") vs Quarter 1, 2017 ("1Q17")

Revenue increased by 15% while profit before tax (PBT) and profit after tax and non-controlling interests (PATNCI) increased by 27% and 51% 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 the PBT and PATNCI was mainly attributable to the increase in the share of profits in associates coupled with the slightly higher earnings by the Construction Materials & Trading and Construction & Road maintenance Divisions.

Gross profit margin was lower at 13% in 1Q18 as compared to 18% in 1Q17 (restated). Nevertheless, PBT and PATNCI margins were higher due to substantial higher share of results of associates.

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

(a) **Cement Division -** recorded a 55% lower PBT of RM6.57 million in 1Q18 over 1Q17's PBT of RM14.46 million mainly due to the higher repair costs on the long maintenance shutdown for its clinker plant in January and February 2018. The Division's sales volume has improved in the current quarter and a 7% increase in revenue was recorded.

(b) **Construction Materials & Trading Division** - reported a slightly higher PBT of RM9.19 million for 1Q18, which was 9% higher than the PBT of RM8.47 million for 1Q17. This was mainly contributed by the higher earnings by quarries and trading operations but offset by the premix operations. Premix works were hampered by inclement weather and higher bitumen and diesel price, higher diesel consumption due to wet materials and low production volume.

(c) **Construction & Road Maintenance Division -** posted a PBT of RM18.13 million in 1Q18, representing an increase of 2% over 1Q17's profit of RM17.86 million on the back of higher revenue from the construction of Pan Borneo Highway project and the Miri-Marudi road rehabilitation project. There was an increase of State road length maintained in 1Q18 as compared to 1Q17. 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.

(d) **Property Development Division** - PBT decreased to RM2.00 million in 1Q18 from a PBT of RM8.45 million in 1Q17 (restated), a drop of 76%. This was attributable to lower sales of properties, lower construction activities and lower lodges revenue in the current quarter.

(e) **Strategic Investments Division -** reported a loss of RM573k in 1Q18 as compared to a loss of RM691k in 1Q17. This was attributable to the higher profit reported by the investment holding subsidiary but partially offset by a higher loss posted by the Education subsidiary.

B1. Review of performance (contd.)

Quarter 1, 2018 ("1Q18") vs Quarter 1, 2017 ("1Q17") (contd.)

(f) **Others -** reported a loss of RM3.55 million in 1Q18 (1Q17: loss of RM4.01 million). The investment holding company for the investments in Samalaju Industrial Park, Bintulu made a slightly higher loss but mitigated by the improved results recorded by the management service company.

(g) **Unallocated corporate expenses -** CMSB recorded a higher loss in 1Q18 compared to 1Q17 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 RM36.05 million for 1Q18, an improvement of 972% from 1Q17's share of loss of RM4.13 million. The improvement was mainly due to the turnaround of the Group's 25% associate, OM Materials (Sarawak) Sdn. Bhd as a result of demand growth and price improvements since 3rd quarter of 2017.

(i) **Share of results in joint-ventures -** recorded a significantly lower share of profit of RM1.40 million (1Q17: RM11.44 million). In 1Q17, 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 1Q18.

B2. Material changes in profit before tax for the quarter (Quarter 1, 2018 vs Quarter 4, 2017)

The Group's revenue and PBT were down compared to the immediate preceding quarter. Generally, first quarter's result is normally affected by the wet and festive seasons.

The Cement Division's PBT in 1Q18 was 66% lower than 4Q17's RM19.18 million. This was mainly resulted from the higher repair costs on long maintenance shutdown of clinker plant and lower sales volume by 11% from immediate preceding quarter.

The Construction Materials & Trading Division's PBT for 1Q18 was RM9.19 million which was RM1.62 million higher than 4Q17's of RM7.57 million. However, 4Q17 PBT was after a provision for soil erosion remedial works amounting to RM20 million was made. Otherwise, 1Q18 PBT would have been a bigger drop, attributable to lower revenue and lower gross profit margin. Bad weather and the closure of site works during Chinese New Year festive season caused the significant drop in the sales volume of the quarries and premix operations.

The Construction & Road Maintenance Division's PBT for 1Q18 was 48% lower than 4Q17 mainly due to lower construction activities and instructed works.

The Property Development Division's lower PBT in 1Q18 was on the back of lower revenue from construction activities and sales of properties.

The Group's 25% associate, OM Materials (Sarawak) Sdn Bhd contributed to the higher share of results in the current quarter compared to the immediate preceding quarter.

B3. Prospects for the year ending 31 December 2018

Whilst the operating environment is expected to remain challenging including the impact of potential cross border trade disputes and from the results of Malaysia's recently concluded General Election which has led to a change in Government, 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 for each Division's activities for the remaining period of the financial year are as follows:

The Cement Division's sales volume for 1Q18 was higher than the previous year's corresponding quarter, showing signs of improvement. For 2Q18, the Management is optimistic the sales will remain healthy for April and May 2018. However, the double festive celebrations (i.e. Gawai and Hari Raya) in June 2018 will bring the sales down. The Management do not foresee to exceed the budgeted sales significantly by first half 2018. Nevertheless, the Division's PBT will remain on the recovery. Cement production cost is expected to rise due to higher demand and prices for its raw material of clinker due to rising demand from China and Bangladesh cement manufacturers. Clinker suppliers are anticipated to increase prices by at least about 5%.

The Construction Materials and Trading Division is expected to face a mixed market sentiment in 2018. The business of trading and quarries is expected to remain robust while market demand in the premix sector could remain slow and sluggish. The 2-year term contract with JKR for the supply and delivery of quarry aggregates will expire in June 2018 and four term contracts for pipes 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 (Project), the Construction Materials and Trading Division is taking 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 monitoring committee has been established within the CMS Group to closely monitor CMS' credit exposure to the Project. The Division is optimistic to be able to reap benefits from the 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 two of its quarries. The Division has purchased three additional premix batching plants, one had been installed in 2017 and the other two are expected to be installed and commissioned by June 2018 to cater for the supply to the Projects' WPCs.

In addition, the installation of a second quarry production line with a capacity of 1.3 million tons per annum at Sibanyis quarry is in progress and is expected to be fully commissioned and operational by March 2019. This additional production capacity will not only replace the production loss from the closure of Penkuari quarry since 2017 (400,000 tons per annum) but will also increase volume supply opportunities for the Project.

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 condominiums and apartments. The Sarawak Housing & Real Estate Developer's Association's data for 2017 indicates that in excess of 80% of new launches are in this category. The tighter borrowing rules from banks continue to put a damper on sales, with the loan approval rate dropping to the lowest percentage of 41.7% in the last 8 years (representing only 48,531 approved loans from a total of 116,421 applications as reported by CH Williams). Nevertheless, Management is confident that the Rivervale condominium would meet buyers' needs and would be a preferred choice due to its value-for-money proposition, strategic location and facilities.

The township development in Samalaju is a greenfield project and faces an uphill task of selling its residential and commercial developments considering that many public amenities are not in place and that demand remains limited pending further new industrial plants opening or existing ones expanding. The lodges' 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. The contract with OM Materials (Sarawak) Sdn Bhd, the Division's main tenant, has been renewed up to December 2018. Lodges' occupancy would however face a corresponding fall, as the tenants move to Samalaju Eco Park apartments and Samalaju Resort Hotel, in the absence of major new construction activities.

For the quarter ended 31 March 2018, a total of 15 furnaces of OM Materials (Sarawak) Sdn Bhd (OMS) were in operation. As a result of undertaking a full strategic review and considering its marketing strategy, the global price environment of various ferroalloys and the prevailing market conditions, OMS is maintaining its plan to fire the last furnace and commence production in the middle of 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	
	31.3.2018	31.3.2017 (Restated)
	RM'000	RM'000
Current income tax:		
- Malaysian income tax	13,341	12,656
Deferred tax	63	81
Total income tax expense	13,404	12,737

The effective tax rate for the quarter ended 31 March 2018 was lower than the statutory tax rate principally due to share of associates' profit which was not taxable.

The effective tax rate for the quarter ended 31 December 2017 was higher than the statutory tax rate principally due to the losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

B6. Corporate proposals

There were no other corporate proposals that have been announced but not completed as at the date of this announcement.

B7. Borrowings

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
Short term – Secured		
Revolving credits	17,000	17,000
Hire purchase	672	727
Short term – Unsecured		
Bankers' acceptances	-	2,300
Term loan	21,428	21,428
Loan from corporate shareholder	276	276
Revolving credits	10,000	10,000
	49,376	51,731
Long term – Secured		
Hire purchase	1,108	1,261
Long term – Unsecured		
Term loan	78,015	83,372
Islamic medium term notes	500,000	500,000
	579,123	584,633
Total	628,499	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 31 March 2018 (31 March 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	
	31.3.2018	31.12.2017
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	38,977	25,864
Weighted average number of ordinary shares in issue ('000)	1,074,376	1,074,376
Basic earnings per share (sen)	3.63	2.41

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 31.3.2018 RM'000	Financial year ended 31.3.2018 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	373	373
Amortisation of prepaid land lease payments	213	213
Property, plant and equipment written off	18	18
Depreciation of property, plant and equipment	14,514	14,514
Depreciation of investment properties	226	226
Loss on foreign exchange - realised	548	548
Loss on foreign exchange - unrealised	3,538	3,538
Gain on disposal of property, plant and equipment	(34)	(34)
Interest expense	7,642	7,642
Interest income	(8,227)	(8,227)
Net fair value changes in investment securities	(493)	(493)