

# CAHYA MATA SARAWAK BERHAD

(Company No: 21076-T)

(Incorporated in Malaysia)

## Interim Financial Report

Condensed consolidated statements of comprehensive income for the period ended 30 September 2014

	Note	3 months ended		9 months ended	
		30.9.2014 RM'000	30.9.2013 RM'000	30.9.2014 RM'000	30.9.2013 RM'000
Revenue	A8	413,067	335,400	1,169,668	984,091
Cost of sales		(314,223)	(264,718)	(875,493)	(761,064)
<b>Gross profit</b>		98,844	70,682	294,175	223,027
Other income		15,946	6,702	25,831	15,105
Administrative expenses		(13,284)	(12,461)	(47,618)	(41,478)
Selling and marketing expenses		(2,415)	(2,525)	(8,299)	(8,145)
Other expenses		(2,190)	(16)	(5,257)	(2,086)
<b>Operating profit</b>		96,901	62,382	258,832	186,423
Finance costs		(981)	(1,104)	(2,784)	(3,326)
Share of results of associates		7,950	1,248	11,221	3,028
Share of results of joint ventures		309	0	1,749	27
<b>Profit before taxation</b>		104,179	62,526	269,018	186,152
Income tax expense	B5	(18,483)	(13,404)	(59,348)	(49,697)
<b>Profit for the period</b>		85,696	49,122	209,670	136,455
<b>Other comprehensive income</b>					
Exchange fluctuation from translation of subsidiary's net asset		4	22	(156)	22
Share of associate's total comprehensive income		2,871	(904)	1,738	(1,987)
<b>Other comprehensive income for the period, net of tax</b>		2,875	(882)	1,582	(1,965)
<b>Total comprehensive income for the period, net of tax</b>		88,571	48,240	211,252	134,490
Profit attributable to:					
Owners of the Company		72,379	40,992	177,392	109,733
Non-controlling interests		13,317	8,130	32,278	26,722
		85,696	49,122	209,670	136,455
Total comprehensive income attributable to:					
Owners of the Company		75,139	40,153	178,904	107,863
Non-controlling interests		13,432	8,087	32,348	26,627
		88,571	48,240	211,252	134,490
		sen	sen (Restated)	sen	sen (Restated)
<b>Earnings per share attributable to owners of the Company:</b>					
Basic	B13	6.97	4.03	17.20	11.04
Diluted		6.95	4.01	17.09	10.96

The condensed consolidated statements of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

**Cahaya Mata Sarawak Berhad**

(Company No: 21076-T)

**Condensed consolidated statement of financial position as at 30 September 2014**

	Note	Unaudited As at 30.9.2014 RM'000	Audited As at 31.12.2013 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		570,001	499,673
Prepaid land lease payments		16,928	17,501
Land held for property development		72,086	65,954
Investment properties		5,655	5,743
Intangible assets		1,983	230
Goodwill		61,709	61,709
Investments in associates		418,471	380,528
Investments in joint ventures		2,683	3,945
Deferred tax assets		15,715	23,007
Other receivables		9,677	9,379
Investment securities		7,358	7,169
		<u>1,182,266</u>	<u>1,074,838</u>
<b>Current assets</b>			
Property development costs		160,438	147,546
Inventories		114,906	130,546
Trade and other receivables		353,903	267,398
Other current assets		67,861	25,362
Investment securities		131,988	127,068
Tax recoverable		871	3,196
Cash and bank balances		520,882	613,708
		<u>1,350,849</u>	<u>1,314,824</u>
Assets classified as held for sale		34,230	34,230
		<u>1,385,079</u>	<u>1,349,054</u>
<b>TOTAL ASSETS</b>		<b><u>2,567,345</u></b>	<b><u>2,423,892</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		519,624	339,704
Treasury shares		0	(3,629)
Share premium		289,168	448,663
Other reserves		(798)	14,286
Retained earnings		977,302	855,093
		<u>1,785,296</u>	<u>1,654,117</u>
<b>Non-controlling interests</b>		<u>250,736</u>	<u>233,589</u>
<b>Total equity</b>		<b><u>2,036,032</u></b>	<b><u>1,887,706</u></b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		33,552	33,712
Loans and borrowings	<b>B7</b>	5,453	27,089
Other payables		25,126	24,072
		<u>64,131</u>	<u>84,873</u>
<b>Current liabilities</b>			
Income tax payable		16,480	23,395
Loans and borrowings	<b>B7</b>	72,914	73,013
Trade and other payables		338,448	340,106
Dividends payable	<b>B12</b>	15,589	0
Other current liabilities		23,751	14,799
		<u>467,182</u>	<u>451,313</u>
<b>Total liabilities</b>		<b><u>531,313</u></b>	<b><u>536,186</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>2,567,345</u></b>	<b><u>2,423,892</u></b>
<b>Net assets per share attributable to ordinary owners of the Company (RM)</b>		<b><u>1.72</u></b>	<b><u>4.88</u></b>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

**Cahya Mata Sarawak Berhad**

(Company No: 21076-T)

**Condensed consolidated statement of changes in equity for the period ended 30 September 2014**

	Equity, total  RM'000	< ----- Attributable to Owners of the Company ----- >						Non-controlling interests  RM'000
		Equity attributable to owners of the Company  RM'000	< ----- Non-distributable ----- >				Distributable	
			Share capital  RM'000	Treasury shares  RM'000	Share premium  RM'000	Other reserves  RM'000	Retained earnings  RM'000	
<b>At 1 January 2014</b>	1,887,706	1,654,117	339,704	(3,629)	448,663	14,286	855,093	233,589
Total comprehensive income for the period	211,252	178,904	0	0	0	1,512	177,392	32,348
Transaction with owners:-								
Grant of equity-settled share options to employees	5,041	5,041	0	0	0	5,041	0	0
Exercise of employee share options	14,843	14,843	7,210	0	13,215	(5,582)	0	0
Bonus issue	0	0	172,710	0	(172,710)	0	0	0
Acquisition of non-controlling interests	(40)	(871)	0	0	0	(871)	0	831
Liquidation of subsidiaries	(15,458)	(15,458)	0	0	0	(15,184)	(274)	0
Sale of treasury shares	5,743	5,743	0	3,629	0	0	2,114	0
Dividends payable	(15,589)	(15,589)	0	0	0	0	(15,589)	0
Dividends on ordinary shares	(41,434)	(41,434)	0	0	0	0	(41,434)	0
Dividends paid to non-controlling interests	(16,032)	0	0	0	0	0	0	(16,032)
Total transactions with owners	(62,926)	(47,725)	179,920	3,629	(159,495)	(16,596)	(55,183)	(15,201)
<b>At 30 September 2014</b>	2,036,032	1,785,296	519,624	0	289,168	(798)	977,302	250,736

**Cahya Mata Sarawak Berhad**

(Company No: 21076-T)

**Condensed consolidated statement of changes in equity for the period ended 30 September 2013**

	Equity, total  RM'000	< ----- Attributable to Owners of the Company ----- >						Non- controlling interests  RM'000
		Equity attributable to owners of the Company  RM'000	< ----- Non-distributable ----- >				Distributable	
			Share capital  RM'000	Treasury shares  RM'000	Share premium  RM'000	Other reserves  RM'000	Retained earnings  RM'000	
<b>At 1 January 2013</b>	1,686,923	1,480,923	332,436	(23,319)	433,821	19,302	718,683	206,000
Total comprehensive income for the period	134,101	107,474	0	0	0	(2,259)	109,733	26,627
Transaction with owners:-								
Grant of equity-settled share options to employees	2,499	2,499	0	0	0	2,499	0	0
Exercise of employee share options	15,017	15,017	6,804	0	13,879	(5,666)	0	0
Acquisition of non-controlling interests	0	231	0	0	0	231	0	(231)
Purchase of treasury shares	(19,102)	(19,102)	0	(19,102)	0	0	0	0
Sale of treasury shares	45,161	45,161	0	38,792	6,369	0	0	0
Dividends payable	(12,692)	(12,692)	0	0	0	0	(12,692)	0
Dividends on ordinary shares	(30,278)	(30,278)	0	0	0	0	(30,278)	0
Dividends paid to non-controlling interests	(12,463)	0	0	0	0	0	0	(12,463)
Total transactions with owners	(11,858)	836	6,804	19,690	20,248	(2,936)	(42,970)	(12,694)
<b>At 30 September 2013</b>	1,809,166	1,589,233	339,240	(3,629)	454,069	14,107	785,446	219,933

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

**Cahya Mata Sarawak Berhad**

(Company No: 21076-T)

**Condensed consolidated statement of cash flows for the period ended 30 September 2014**

	9 months ended 30.9.2014 RM'000	9 months ended 30.9.2013 RM'000
<b>Profit before taxation</b>	269,018	186,152
Adjustments for non-cash items:		
Non-cash items	(3,809)	41,373
<b>Operating cash flows before changes in working capital</b>	265,209	227,525
Changes in working capital		
Increase in current assets	(134,593)	(24,318)
Increase/(decrease) in current liabilities	8,350	(48,131)
<b>Cash flows from operations</b>	138,966	155,076
Interest received	2,606	4,293
Interest paid	(2,767)	(3,246)
Income tax paid, net of refund	(56,807)	(48,485)
<b>Net cash flows from operating activities</b>	81,998	107,638
<b>Investing activities</b>		
Purchases of investment securities	(15,462)	(50,690)
Dividends from investments	15,506	10,259
Dividends from associates	2,584	1,938
Additional investment in associates	(29,394)	(36,411)
Acquisition of property, plant and equipment	(104,917)	(42,157)
Proceeds from disposal of property, plant and equipment	605	690
Proceeds from disposal of investments	11,264	39,403
Redemption of redeemable preference shares	2,400	2,667
Others	1,205	225
<b>Net cash used in investing activities</b>	(116,209)	(74,076)
<b>Financing activities</b>		
(Net repayments)/drawdown of borrowings	(21,735)	1,000
Dividends paid to shareholders of the Company	(41,434)	(30,279)
Dividends paid to non-controlling interests in subsidiary companies	(16,032)	(12,463)
Advancement of shareholder's loan	0	(8,909)
Purchase of treasury shares	0	(19,103)
Proceeds from disposal of treasury shares	5,743	45,161
Proceeds from exercise of employee share options	14,843	15,017
<b>Net cash used in financing activities</b>	(58,615)	(9,576)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(92,826)	23,986
<b>Cash and cash equivalents as at 1 January</b>	613,708	524,015
<b>Cash and cash equivalents as at 30 September</b>	520,882	548,001
Cash and cash equivalents as at 30 September comprised the following:		
Cash and short term funds	520,882	548,001
Bank overdrafts	0	0
	520,882	548,001

The condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial report.

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014**

**Part A – Explanatory notes pursuant to MFRS 134**

**A1. Basis of preparation**

These condensed consolidated interim financial statements, for the period ended 30 September 2014 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 2013. 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 2013.

**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 2013, except with the adoption of the following Malaysian Financial Reporting Standards (“MFRS”), IC interpretations and Amendments to MFRSs and interpretations.

- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities
- Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies
- Amendments to MFRS 2, MFRS 3, MFRS 8, MFRS 116, MFRS 124 and MFRS 138, Annual Improvements 2010-2012 Cycle
- Amendments to MFRS 3, MFRS 13 and MFRS 140, Annual Improvements 2011-2013 Cycle
- Amendments to MFRS 119, Defined Benefit Plans: Employee Contributions

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.

**CAHYA MATA SARAWAK BERHAD**

(Company No. 21076-T)

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014**

**A4. Unusual items due to their nature, size and incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the period ended 30 September 2014 except for the gain on liquidation of subsidiaries amounting to RM15.6 million.

**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**

During the financial quarter ended 30 September 2014, the Company issued 2,988,100 ordinary shares of RM0.50 each for cash pursuant to the Company's Employee Share Option Scheme at exercise prices of RM0.74 and RM0.75 per ordinary share.

**A7. Dividends paid**

The final tax exempt (single-tier) dividend of 12 sen per ordinary share of RM1.00 each for the financial year ended 31 December 2013 amounting to RM41,433,665 was paid on 20 June 2014.

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**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014**

**A8. Segmental information**

	3 months ended		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
Cement	146,057	133,547	424,357	398,152
Construction materials & trading	175,930	105,680	436,949	314,492
Construction & road maintenance	88,242	76,851	251,054	197,870
Property development	18,772	11,081	91,938	27,388
Samalaju development <sup>#</sup>	2,879	23,450	7,656	90,447
Strategic investments <sup>*</sup>	3,757	2,565	9,149	7,711
Others	6,846	6,668	47,338	19,031
Total revenue including inter-segment	442,483	359,842	1,268,441	1,055,091
Elimination of inter-segment sales	(29,416)	(24,442)	(98,773)	(71,000)
	<u>413,067</u>	<u>335,400</u>	<u>1,169,668</u>	<u>984,091</u>
<b>Segment Results</b>				
Operating profit/(loss):				
Cement	33,650	29,673	92,417	74,867
Construction materials & trading	21,679	13,478	50,602	38,109
Construction & road maintenance	21,170	20,209	58,478	53,480
Property development	6,860	461	46,054	(124)
Samalaju development <sup>#</sup>	769	981	7,008	26,732
Strategic investments <sup>*</sup>	(508)	158	(1,456)	(610)
Others	15,378	10	15,423	939
	<u>98,998</u>	<u>64,970</u>	<u>268,526</u>	<u>193,393</u>
Unallocated corporate expenses	(3,078)	(3,692)	(12,478)	(10,296)
Share of results of associates	7,950	1,248	11,221	3,028
Share of results of joint ventures	309	0	1,749	27
Profit before tax	<u>104,179</u>	<u>62,526</u>	<u>269,018</u>	<u>186,152</u>
Income tax expenses	(18,483)	(13,404)	(59,348)	(49,697)
Profit for the year	<u>85,696</u>	<u>49,122</u>	<u>209,670</u>	<u>136,455</u>

<sup>#</sup> Lodging and catering services.

<sup>\*</sup> Financial services and education.

**A9. Changes in composition of the Group**

There have been no changes in the composition of the Group for the quarter ended 30 September 2014.



**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014**

**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:

	<b>30 September 2014</b>		<b>31 December 2013</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets:</b>				
Available-for-sale financial assets:				
- Equity instruments	300	300	300	300
- Redeemable participating shares	7,058	7,058	6,869	6,869
	<u>7,358</u>	<u>7,358</u>	<u>7,169</u>	<u>7,169</u>
<b>Financial liabilities:</b>				
Interest-bearing loans and borrowings				
- Bankers' acceptances	37,000	37,000	36,006	36,006
- Term loan	21,360	21,422	42,800	43,340
- Finance lease liabilities	3	3	16	16
- Revolving credits	14,000	14,000	15,000	15,000
- Loans from corporate shareholders	6,004	6,822	6,280	7,532
	<u>78,367</u>	<u>79,247</u>	<u>100,102</u>	<u>101,894</u>

**(b) Fair value hierarchy**

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices in active markets for identical assets or liabilities,

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014**

**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:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	RM'000	RM'000	RM'000	RM'000
<b>30 September 2014</b>				
<b>Financial assets</b>				
Income debt securities fund	-	61,046	-	61,046
Equity instruments	41,120	-	-	41,120
Unit trust funds	28,148	-	-	28,148
Wholesale fund	-	1,674	-	1,674
	<u>69,268</u>	<u>62,720</u>	<u>-</u>	<u>131,988</u>
<b>31 December 2013</b>				
<b>Financial assets</b>				
Income debt securities fund	-	58,904	-	58,904
Equity instruments	38,413	-	-	38,413
Unit trust funds	28,695	-	-	28,695
Wholesale fund	-	1,056	-	1,056
	<u>67,108</u>	<u>59,960</u>	<u>-</u>	<u>127,068</u>

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

**A11. Capital commitments**

The amount of commitments not provided for in the interim financial statements as at 30 September 2014 was as follows:

	RM'000
Approved and contracted for:	
- Property, plant and equipment	210,139
- Intangible assets	705
- Others	<u>7,836</u>
	<u>218,680</u>
Approved and not contracted for:	
- Property, plant and equipment	103,774
- Investment properties	37,500
- Investment in associates	114,608
- Others	<u>6,667</u>
	<u>262,549</u>
	<u>481,229</u>

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014**

**A12. Changes in contingent liabilities and contingent assets**

There were no 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 nine-month period ended 30 September 2014 and 30 September 2013 as well as the balances with the related parties as at 30 September 2014 and 31 December 2013:

		Interest/ fee 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
<b>Associates:</b>					
- Kenanga Investment Bank Bhd	2014	349	155	-	-
	2013	141	1,000	-	-
- COPE-KPF Opportunities 1 Sdn	2014	1,250	-	-	-
	2013	1,551	-	-	-
- KKB Engineering Bhd	2014	61	-	-	-
	2013	-	-	-	-
- Harum Bidang Sdn Bhd	2014	-	131,679	-	57,380
	2013	-	20,767	-	18,429
- Kenanga Investors Bhd	2014	12,647	773	-	-
	2013	9,223	127	-	-
<b>Joint Venture Entity</b>					
- PPES Works Wibawa	2014	124	-	-	-
	2013	-	-	-	-
<b>Key management personnel of the Group:</b>					
- Directors' interest	2014	4,030	1,419	370	3
	2013	1,513	2,073	-	156

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

**A14. Subsequent event**

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

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014**

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

**B1. Review of performance**

**Quarter 3, 2014 (“3Q14”) vs Quarter 3, 2013 (“3Q13”)**

Current year’s third quarter profit before tax (“PBT”) was 67% higher than that of last year’s third quarter. This was mainly attributable to:-

- (a) Cement Division – PBT was higher by 13% due to higher cement prices (increase effective 17 February 2014) and higher cement sales volume;
- (b) Construction Materials & Trading Division – PBT was up by 61% mainly due to the supply of mild steel polyurethane (“MSPU”) pipes to Jabatan Kerja Raya (“JKR”) by the trading business and the higher premix sales volume contributed by the state road maintenance, which benefited from JKR’s 2014 Malaysian Road Records Information System (“MARRIS”) fund programme and the federal road maintenance;
- (c) Property Development Division – PBT increased significantly by RM6.40 million due to the recognition of profit for a sale of land in the current year’s third quarter.
- (d) Dormant/Inactive Division – Gain on liquidation of subsidiaries.

**Year-to-date, 2014 (“PE2014”) vs Year-to-date, 2013 (“PE2013”)**

The 19% rise in Group revenue was mainly attributable to higher revenue from the Construction Material & Trading Division which contributed 63% to the increase in PE2014. The main contributors to the Group revenue were the Cement, Construction Materials & Trading and Construction & Road Maintenance Divisions. Together, these three Divisions contributed 89% to the Group revenue.

The 45% rise in PBT was driven by higher earnings from the Property Development Division which contributed 56% to this increase in PE2014. The main contributors to the Group’s PBT were the Cement, Construction & Road Maintenance and Construction Materials & Trading Divisions. These three Divisions made a combined contribution of 77% to the Group’s PBT.

The Cement Division recorded a 23% increase in PBT of RM92.42 million in PE2014 over PE2013’s PBT of RM74.87 million, attributed mainly to an upward revision in cement selling price effective 17 February 2014, higher cement sale volume from own production, higher volume of clinker produced and receipts of insurance claims amounting to RM2.35 million.

The Construction Materials & Trading Division reported a higher PBT of RM50.60 million for PE2014, exceeding PE2013’s PBT of RM38.11 million by 33%. This was primarily due to the supply of MSPU pipes to JKR by the trading business, the first batch of which was delivered in December 2013. The recovery of RM2.72 million bad debts by the wires business had also boosted the performance of the Division. The premix business maintained its profitability despite lower revenue as its production cost has lowered due to decreased bitumen and diesel prices. The quarrying business also reported comparably impressive profits as in PE2013.

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014**

**B1. Review of performance (contd.)**

**Year-to-date, 2014 (“PE2014”) vs Year-to-date, 2013 (“PE2013”) (contd.)**

The Construction & Road Maintenance Division posted a PBT of RM60.23 million which included the share of profit of joint ventures in PE2014, representing an increase of 13% over PE2013’s profit of RM53.51 million. The higher PBT was due to more works undertaken and longer road length maintained.

The Property Development Division’s PBT grew to RM46.05 million in PE2014 from a loss before tax of RM124,000 in PE2013. This was mainly attributed to the recognition of profit from the sale of two parcels of land in Samariang and one parcel of land in the Isthmus in PE2014.

The Samalaju Division registered a sharp 74% drop in PBT (excluding the associates) to RM7.01 million in PE2014 as compared to RM26.73 million in PE2013, on the back of lower revenue as a result of lower occupancy and rates.

The Strategic Investments Division (excluding the listed associates) reported a slightly higher loss of RM1.46 million from RM610,000 in PE2013.

In the Dormant/inactive companies Division, a gain of RM15.41 million was recorded which arose mainly from the liquidation of CMS Steel Bhd.

**B2. Material changes in profit before tax for the quarter (Quarter 3, 2014 vs Quarter 2, 2014)**

The Group’s PBT for 3Q14 was 6% higher than 2Q14.

The Cement Division reported a 12% lower PBT in 3Q14 compared to 2Q14 due to lower production volumes for clinker and cement as a result of planned shutdown of plants for major maintenance. In addition, cement sales volume in the current quarter was also lower due to Hari Raya festival whereby most construction works slowed down. Moreover, a higher volume of cement sales was made from imported cement in the current quarter on the back of lower production from planned shutdown.

The Property Development Division’s current quarter PBT was 66% lower than 2Q14. The previous quarter’s high profit was mainly due to the profit recognized for the sale of one parcel of land and more shophouse sales concluded. In the current quarter, a lower profit was recognised on a parcel of land in the Isthmus.

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014**

**B2. Material changes in profit before tax for the quarter (Quarter 3, 2014 vs Quarter 2, 2014) (contd.)**

However, the Construction Materials & Trading performance was significantly better in 3Q14 than in 2Q14. The Division recorded a 31% higher PBT which was attributable to:

- (a) Quarrying and premix businesses – JKR's MARRIS fund programme was approved and rolled out at end of May and works under this program only commenced in July 2014;
- (b) Trading businesses – Constant sales of MSPU pipes in the 3Q14 whereas there was a no sales in April due to the change in schedule by JKR. More sales from other products were also recorded in the current quarter.

The gain on liquidation of subsidiaries had also helped pulled up the overall Group results.

**B3. Prospects for the year ending 31 December 2014**

Whilst the operating environment faced by the Group will remain challenging, the Board expects that the Group's financial performance to be good for year ending 31 December 2014. The Group's strong financial position will enable the Group to invest in new business opportunities especially in Sarawak.

**B4. Profit forecast or profit guarantee**

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

**B5. Income tax expense**

	3 months ended		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Malaysian income tax	20,997	17,520	59,870	53,802
- (Over)/under provision in respect of previous years	(417)	(4,116)	(1,756)	(4,104)
Deferred tax	(2,097)	0	1,234	(1)
Total income tax expense	18,483	13,404	59,348	49,697

The effective tax rate for the quarter and period ended 30 September 2014 was lower than the statutory tax rate principally due to non-taxable gain on liquidation of subsidiaries.

The effective tax rate for the quarter ended 30 September 2013 was lower than the statutory tax rate principally due to the reversal of tax provision in respect of prior years.

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014**

**B5. Income tax expense (contd.)**

The effective tax rate for the period ended 30 September 2013 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 and certain expenses which are not deductible for tax purposes.

**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 30.09.2014 RM'000	As at 31.12.2013 RM'000
<b>Secured</b>		
Revolving credits	14,000	15,000
Finance lease liabilities	3	16
<b>Unsecured</b>		
Bankers' acceptances	37,000	36,006
Term loan	21,360	42,800
Loan from corporate shareholder	6,004	6,280
<b>Total</b>	<u>78,367</u>	<u>100,102</u>
<b>Maturity</b>		
Repayable within one year	72,914	73,013
One year to five years	5,453	21,911
5 years or more	-	5,178
	<u>78,367</u>	<u>100,102</u>

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.

**CAHYA MATA SARAWAK BERHAD**

(Company No. 21076-T)

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014**

**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 2013.

**B12. Dividend payable**

The first interim tax exempt (single-tier) dividend of 1.5 sen per ordinary share of RM0.50 each for the financial year ending 31 December 2014 amounting to RM15,588,728 was paid on 24 October 2014.

The total dividend for the current financial year ending 31 December 2014 is 1.5 sen per ordinary share RM0.50 each (2013: 5.0 sen per ordinary share of RM1.00 each).

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**CAHYA MATA SARAWAK BERHAD**

(Company No. 21076-T)

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014****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.

Diluted 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 plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	3 months ended		9 months ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
		(Restated)		(Restated)
Profit net of tax attributable to owners of the Company used in the computation of earnings per share (RM'000)	72,379	40,992	177,392	109,733
Weighted average number of ordinary shares in issue ('000)	1,038,509	1,016,622	1,031,341	993,752
Basic earnings per share (sen)	6.97	4.03	17.20	11.04
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	1,041,955	1,022,006	1,037,885	1,001,417
Diluted earnings per share (sen)	6.95	4.01	17.09	10.96

The comparative basic and diluted earnings per share have been adjusted to take into account the effect of the share split involving the subdivision of every one existing shares of RM1.00 each into two subdivided shares of RM0.50 each and the bonus issue of one share for every two subdivided shares resulting in the increase in the number of ordinary shares in June 2014.

**B14. Auditor's report on preceding annual financial statements**

The auditors' report on the financial statements for the year ended 31 December 2013 was not subject to any qualification.

**CAHYA MATA SARAWAK BERHAD**

(Company No. 21076-T)

**NOTES TO THE QUARTERLY REPORT – 30 SEPTEMBER 2014****B15. Additional disclosure on profit for the period**

	Quarter ended 30.09.2014 RM'000	Financial period ended 30.09.2014 RM'000
Profit for the period is arrived at after charging/(crediting):		
Amortisation of intangible assets	29	52
Amortisation of prepaid land lease payments	191	572
Bad debt written off	-	-
Bad debts recovered	-	(2,721)
Property, plant and equipment written off	-	4
Depreciation of property, plant and equipment	11,747	34,318
Depreciation of investment properties	29	88
(Gain)/loss on foreign exchange	113	1,126
(Gain)/loss on disposal of property, plant and equipment	(265)	(338)
(Gain)/loss on disposal of investments	(99)	(977)
(Gain)/loss on fair value changes of derivatives	-	-
Impairment loss on trade receivables	-	60
Interest expense	964	2,767
Interest income	(776)	(2,606)
Inventory written off	3	15
Net fair value changes in investment securities	354	(65)
Reversal of allowance for impairment loss on trade receivables	-	-
Reversal of allowance for obsolete inventory	-	-
Write down of inventory	-	-

**B16. Realised and unrealised profits/losses**

	As at 30 September 2014 RM'000	As at 31 December 2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	1,040,684	826,620
- Unrealised	(14,435)	(7,724)
	1,026,249	818,896
Total retained earnings from associates:		
- Realised	13,118	10,184
- Unrealised	6,844	(597)
	19,962	9,587
Total retained earnings from jointly controlled entities:		
- Realised	2,683	3,945
	1,048,894	832,428
Add: consolidation adjustments	(71,592)	22,665
Total Group retained earnings as per consolidated accounts	977,302	855,093