

BOARD OF DIRECTORS' ANNUAL REPORT

Dear Shareholders,

On behalf of the Board of Directors and myself, I welcome you to the 40th Annual General Meeting of your Company.

Global economy has shown signs of revival in 2017 from the historic lows of the past. US economy continued to do better while other large economies of Europe, Japan and China have also shown signs of stability. Regionally, Saudi Arabia has announced a series of economic measures to revive its economy along with several social measures. Organization of Petroleum Exporting Countries (OPEC) has worked closely with other oil exporting countries to discipline the market and reduce the supply. This has shown stabilization and improvement in the oil prices during 2017. Construction activity in the Government's infrastructure projects has picked up momentum in view of upcoming EXPO 2020. Commodities prices like Coal and Slag, which we use in our process of production, have increased substantially during the second half of 2017.

Socio-political situation in the neighboring countries like Syria, Yemen, Iraq and Iran which have been the export market for UAE, have remained volatile. Worsened relations between Qatar and several GCC countries had a negative impact on the investor sentiments.

Dear Shareholders,

We have continued our journey of achieving higher sales volumes by developing new markets and new products. Cement prices in the UAE market witnessed steep decline during 2017 due to significant over-capacity which will remain challenge for a foreseeable future. The Paper Sacks Factory and Gulf Rope Factory have also shown continuous improvements in its sales and the bottom line.

Finance

Your company has attained sale of AED 650 Million and gross profit of AED 57 million compared to AED 613 Million and AED 69 Million respectively for 2016. As explained earlier, lower gross margins were due to steep decline in the selling price and increased cost of energy and raw materials. Decline in the gross margins was compensated by better investment income and net profit attained from all our activities was AED 65 Million, which was slightly better than 2016. In view of limited net profit and financial requirements for the upcoming capital projects of the company, the Board of Directors has recommended 8% Cash Dividend to the Shareholders.

Corporate Social and Environmental Responsibility

Your Company recognizes its responsibilities towards preservation of Environment and has worked actively towards reducing the dust and other emissions in and around the factory by working closely with Sharjah Municipality and Ministry of Environment. Your company also works with Sharjah Police to ensure safe and environment friendly disposal of hazardous waste and other contraband materials. We have planted more than 1,500 trees in the factory premises and we are proud to be one of the greenest factory in the UAE.

The Company supports many charitable organizations and social institutions to fulfill its corporate social responsibilities. For development of Emirati youth, Company organizes visits to the cement plant and provides regular training in association with various schools and universities.

Looking Ahead

Value Added Tax has been introduced in Saudi Arabia and UAE with effect from 1 January 2018. We have fully implemented accountability systems very successfully. Since the VAT is 5% only, it is unlikely to have a major impact on our economy.

As announced at the previous Annual General Meeting, the Board of directors has awarded contracts for the installation of a 40 MW coal based captive power plant at the factory which will reduce our electricity costs and the cost of production. Your company is working closely with Sharjah Electricity and Water Authority for installation of this project which is expected to be commissioned in the first half of 2019.

Your Board has also approved construction of two residential towers on its plot in Dubai Sports City after detailed due diligence. Construction work on these two towers has commenced and we expect a completion in the last quarter of 2019. Due to its proximity to the new airport, global village and the new theme parks, these towers will generate steady rental income and provide opportunity for capital gains.

While the above projects will help to sustain the company's profitability in longer term, economic drives like Expo 2020 and infrastructure spending by the local Governments are expected to improve the demand for our product in 2018. Stability in the oil price is also likely to play a major role in boosting the investor confidence.

Finally, it gives us the honour to express our sincere gratitude to H.H. Dr. Shaikh Sultan Bin Mohamed Al Qassimi, Ruler of Sharjah and Member of Supreme Council for his continuous guidance and support.

I would also like to thank the Fellow Board Members, Management and Employees of the company for their dedicated efforts and devotion in achieving the Company's objectives.

*Ahmed Abdulla Al Noman
Chairman*