CAHYA MATA SARAWAK

Annual Report 2010

CAHYA MATA SARAWAK

CMS at a Glance

Cahya Mata Sarawak (CMS) is a leading conglomerate listed on the Main Market of the Malaysian stock exchange, Bursa Malaysia. With most of its operations based in Sarawak, CMS is the biggest private sector player in the largest state in Malaysia. From humble beginnings dating back to 1974 as a manufacturer of a single product, CMS' portfolio today spans construction materials, trading, construction, road maintenance, property development, financial services and education.

OUR Vision

To be the Pride of Sarawak

OUR Mission

- Driven by Profit
- Proactive & Synergized in Business
- Delivering On Spec & On Time
- Integrity & Respect
- Safe & Healthy Workplace

OUR Stakeholders

Shareholders, Staff, Customers, our Community

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Financial Highlights 2010

Revenue

↑ **7.88%**

PBT

↑ **20.57%**

PATMI

↑ **60.48%**

EPS	ROE
↑ **60.53%**	**5.08%**

	2006	*2007*	*2008*	*2009*	**2010**
Revenue (RM'000)	6,210,644	2,552,466	893,033	874,600	**943,476**
Profit before taxation (RM'000)	517,807	887,441	150,570	98,526	**118,796**
Profit attributable to owners of the parent (RM'000)	6,865	388,166	95,770	40,989	**65,781**
Weighted average no. of shares ('000)	329,446	329,446	329,446	329,446	**329,446**
Basic earnings per share (sen)	2.08	117.82	29.07	12.44	**19.97**
Gross dividends per share (sen)	5	15	5	5	**10**
Total shareholders' funds (RM'000)	851,478	1,238,248	1,248,825	1,277,970	**1,312,667**
Total assets (RM'000)	103,410,293	2,790,777	2,327,136	2,289,302	**2,114,822**
Net tangible assets per share (RM)	(0.59)	3.54	3.56	3.65	**3.79**
Net assets per share (RM)	2.58	3.76	3.79	3.88	**3.98**
Return on average shareholders' equity (%)	0.81	37.15	7.70	3.24	**5.08**
Return on total assets (after tax) (%)	0.01	13.91	4.12	1.79	**3.11**
Total borrowings (RM'000)	4,574,719	678,303	649,767	534,236	**394,586**
Gearings (times)	5.37	0.55	0.52	0.42	**0.30**
Current assets (RM'000)	81,459,806	2,021,426	890,595	1,515,346	**1,338,175**
Current liabilities (RM'000)	98,049,742	664,731	509,145	528,523	**449,919**
Current ratio (times)	0.83	3.04	1.75	2.87	**2.97**

CMS share price information (RM)					
Low	0.88	1.44	1.02	1.06	**1.45**
High	1.58	3.20	2.48	1.84	**3.14**
Closing	1.46	2.29	1.14	1.48	**2.66**

Lowest price in 2010 was **RM 1.45** on **4 January 2010**
Highest price in 2010 was **RM 3.14** on **15 April 2010**
Highest volume in 2010 was **68,777** shares traded on **18 March 2010**

CMS share price information (RM)

Y A M TAN SRI DATO' SERI
SYED ANWAR JAMALULLAIL
Group Chairman

Group Chairman's Statement to Shareholders

Dear Shareholders,

As Group Chairman, it gives me great pleasure to present to you a report on how your company, Cahya Mata Sarawak Berhad, performed in 2010.

The Group's operations reported a Profit Before Tax (PBT) of RM118.80 million for the twelve months ended 31 December 2010, compared to a PBT of RM98.53 million for the twelve months ended 31 December 2009. Profit After Tax and Minority Interests for the financial year ended 31 December 2010 was RM65.78 million, equivalent to a 60% increase from the previous year. This translated to a Basic Earnings per share of 19.97 sen for the twelve months ended 31 December 2010 against 12.44 sen in the previous corresponding period.

In line with our policy of prudent dividend payout, the Board of Directors is proposing to reward Shareholders with a first and final dividend of 5 sen per share less 25% tax for 2010. In addition, a Special Dividend of 5 sen per share less 25% tax is also proposed to be given following the successful divestment of UBG Berhad in 2010.

Overview

Our Group's continuing operations reported a revenue of RM943.48 million for the twelve months ended 31 December 2010 reflecting an 8% increase.

The Manufacturing Division comprising cement, clinker, and concrete products reported a marginally lower profit compared to the previous year due to higher material costs in the current year. This Division continued to be the largest contributor to the Group's profit.

The Construction Materials Division comprising quarrying, premix and wires manufacturing recorded a significantly higher profit in 2010 compared to the previous year. With the Government's development initiatives under the National Key Result Areas (NKRA), specifically in improving rural basic infrastructure, the commencement of new road projects in 2010 led to greater demand for our construction materials.

The Trading Division was able to sustain its profitability, largely attributed to strong sales in the pipes business. Meanwhile, our Construction Division closed the year with limited new contracts in hand but with many tenders submitted and still in evaluation stage. All the same, the Division registered a notable profit in the year ended 31 December 2010 mainly due to a recognition of arrears for road maintenance works and profit recognition from several completed projects which saw the final costs to be lower than those estimated earlier.

The Property Development Division registered a slight profit for the year ended 31 December 2010 mainly due to the recognition of profit from a major development contract which included the sale of land.

The Group's performance was also helped by greater interest income earned by the Company from higher cash reserves and higher deposit rates.

In terms of our associate investments, the Group's 20% associate in steel fabrication and the manufacture of steel pipes industry, namely KKB Engineering Bhd's, excellent performance in the year ended 31 December 2010 contributed significantly to the Group's results. However, the Group's other 25% associate in investment banking, namely K&N Kenanga Holdings Berhad, suffered a significant loss due to impairments made in respect of the investment bank's loans and advances, and in an overseas associate company.

Outlook and Prospects

Going forward, we expect the operating environment for the Group to be challenging but on the other hand, an environment with opportunities arising from Sarawak's accelerated growth potential largely through the Sarawak

Corridor of Renewable Energy (SCORE). Given the steps we have taken over the recent years to continuously relook at the appropriateness of our business strategy and to stay focused on strengthening our core, both in the businesses we operate and in our organizational processes, I believe CMS will be able to face up to the challenges presented.

Around us, the economic environment is primed for growth. Sarawak is well on its way in the implementation of SCORE. The first heavy industrial project at Samalaju, one of the three growth nodes of SCORE, held its ground-breaking ceremony in mid-February 2011, signaling the start of greater things to come. With the Bakun hydroelectric power dam completed and more power coming on-stream within the next 18 months, Sarawak is poised for greater growth. Already in 2010, the State's economy recorded 5.4% growth exceeding earlier predictions of 4.5%. This growth is attributed to several major infrastructure projects related to SCORE in addition to impressive growth in the manufacturing, construction, mining/quarrying, agriculture and services sectors.

Beyond Sarawak, the national economy is also enjoying growth. The past year 2010 was a good one for Malaysia which saw a strong rebound from the global economic crises to register growth of 7.2% over the last one year. Whilst Malaysia's growth in 2010 was its strongest since 2000, the overall picture is one of a downward trend reflecting weaker growth in external demand which impacts our country as a largely export-driven economy. Fortunately, these were mitigated by stronger domestic demand through higher private and public sector spending. Going forward, Bank Negara Malaysia expects the country's economic growth to be moderate with a general improvement later in the year driven by strong expansion in domestic demand. Private consumption will continue to be an important driver of growth, supported by sustained employment and income growth. Private investment is also projected to strengthen.

Globally, we can expect to see more turbulence in the world economies. The Middle East is witnessing unprecedented turmoil which is resulting in wide-reaching impacts on prices of oil, food and other key commodities as well as foreign investments. The March 2011 quake and tsunami disaster of Japan is another source of instability in the global economy. As an export-driven economy, Malaysia has to maintain a cautious stance in view of these external global factors which will impact domestic inflation and overall growth.

Despite this, our Government remains focused on wanting to progress to a developed nation status. Various strategic programmes are in place, some of which have already had a positive impact on CMS' businesses such as the higher demand for our stone aggregates for the building of more roads in Sarawak. Similarly, the opening up of new areas in Kuching and Samalaju for urban development driven by SCORE and growing local demand will benefit the private sector. With the Overnight Policy Rate (OPR) unchanged at 2.75% since July 2010, the Government continues to set an accommodative environment for growth.

CMS is in an excellent position to ride this growth and tap opportunities from SCORE, the Government Transformation Programme (GTP) and the Economic Transformation Programme (ETP) – all of which will be drivers for CMS' future growth. Again, it is so important that we continue to challenge our teams to keep focused on generating long-term sustainable returns and building strong business fundamentals. These will enable CMS to play its part in profitable nation-building and be a true value-creating partner to its stakeholders.

Appreciation

In ending, I wish to take this opportunity to thank you, Shareholders of CMS, for your continued trust and confidence in us throughout 2010. I thank the 1,300 direct CMS employees, members of Management, and the Boards of the Group-level and subsidiaries, for the continuous commitment and hard work. Thank you also to the many external parties that work with CMS, alongside us and support us in our dealings with them. These are the various Government departments and agencies, vendors and suppliers, business partners, clients and our valued customers.

In closing, I seek your continued support towards our efforts to build Cahya Mata Sarawak into a respected and preferred Malaysian company, and most of all, the Pride of Sarawak.

Sincerely yours,

Y A M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
Group Chairman
Cahya Mata Sarawak Berhad

Looking Back at 2010

Strengthening our Group for Sustainable Growth

REALISING VALUE IN OUR INVESTMENT - DISPOSAL OF UBG BERHAD

8 JAN

CMS announced receipt of an offer from PetroSaudi International Ltd to acquire all Ordinary shares held by CMS subsidiaries, Concordance Holdings Sdn Bhd and PPES Works (Sarawak) Sdn Bhd, in UBG Berhad for RM465.53 million.

11 JAN

CMS informed UBG Berhad of its intention to accept offers from PetroSaudi International Ltd to acquire its stake held through Concordance Holdings and PPES Works.

30 APR

Shareholders of CMS Berhad gave their approval at an Extraordinary General Meeting (EGM) for the disposal of UBG Berhad shares to PetroSaudi International Ltd.

30 SEP

The disposal exercise of CMS' entire equity stake in UBG Berhad was completed, generating an immediate return in cash of RM465.53 million.

DISPOSAL OF CMS TRUST MANAGEMENT BERHAD

9 APR

Kenanga Investment Bank Berhad acquired 100% equity interest in CMS Trust Management Berhad for RM23 million cash. With this, CMS Trust Management ceased to be a subsidiary of CMS, and was later renamed Kenanga Investors Berhad.

DISPOSAL OF CMS ASSET MANAGEMENT

2 SEP

CMS completed the disposal of its entire equity interest in CMS Asset Management Sdn Bhd.

PLANNING FOR BUSINESS CONTINUITY

23 NOV

After outlining on paper a Business Continuity Plan (BCP) for several key CMS operations in case of disaster, the Group ran a simulation test of a fire at CMS Cement to gauge our level of preparedness.

CMS I-SYSTEMS WINDS DOWN

DEC

In the face of continuous financial losses in a highly competitive industry, the painful decision to wind down operations of technology outfit CMS I-Systems Berhad was made. Business operations ceased, employees were retrenched in 2 stages, and parts of the business group were sold off.

STRENGTHENING OUR MARKET POSITION

13 SEP

CMS increased its stake in the local premix sector by acquiring the remaining 40% equity interest in CMS Premix and another 20% equity interest in CMS Premix (Miri).

30 NOV

CMS acquired EPF's 40% share in Projek Bandar Samariang Sdn Bhd (PBS) making PBS a wholly-owned subsidiary of CMS.

EMPLOYEES' SHARE OPTION SCHEME

14 APR

CMS announced the proposal to implement an Employees' Share Option Scheme (ESOS) of up to 10% of the issued and paid-up capital of CMS Berhad for eligible Executive Directors and employees of the Company and/or eligible subsidiaries.

15 JUL

993 eligible employees received Letters of Offer to participate in the ESOS which will be effective for 5 years from June 2010 to June 2015.

INCREASING OUR POOL OF QUALITY HUMAN RESOURCES

1 NOV

CMS Group welcomed the in-take of the first batch of sixteen graduates under a year-long pilot CMS Management Trainee Development Programme (MTDP).

Engaging with Stakeholders

DIALOGUE

15 JAN

The Committee of the Sarawak Housing & Real Estate Developers Association (SHEDA) held a dialogue with CMS on issues related to the local construction industry.

16 APR

CMS Opus Private Equity held its annual Investors Conference in Kuantan, Pahang, as a platform for investors of the COPE-KPF Opportunities 1 Fund to meet with investee companies.

24 MAY

CMS welcomed a visit by an 11-member trade delegation from Australia led by Senior Trade and Investment Commissioner, Paul Martins. The group included representatives from Worley Parsons, Leighton, GHD and Rio Tinto Alcan.

27 MAY

CMS Berhad shareholders attended the Group's 35th Annual General Meeting (AGM) in Kuching. The meeting was followed by an EGM in which shareholders approved the ESOS proposal.

28 JUL

CMS Cement held a face-to-face dialogue with SHEDA to address concerns on the continuous and adequate supply of cement in the Kuching area.

12 NOV

CMS' Annual Report 2009 was named Runner-up in the Sarawak Chamber of Commerce & Industry's (SCCI) Overall Excellence Award for corporate reports. The win adds to CMS' record of continuously being recognised for its highest corporate governance and reporting standards.

EXHIBITIONS

29 MAR

SALCO put up an exhibition on its planned aluminium smelter at Samalaju during the 3rd International Conference on Water Resources and Renewable Energy Development in Asia event held at the Borneo Convention Centre Kuching.

7 MAY

CMS Property Development, CMS Cement, CMS Concrete Products and CMS Infra Trading took part in SARBEX 2010, Sarawak's No.1 property and home exhibition, held from 7 - 9 May.

FINANCIALS

24 FEB

CMS Group's continuing operations reported a Profit Before Tax (PBT) of RM124.29 million for the twelve months ended 31 December 2009, an increase of 10% from the previous year's results in the corresponding period. A first and final dividend of 5 sen per share less 25% tax was proposed. For details on the quarterly announcements made on the Group's unaudited consolidated financial results of 2010, please turn to the Financial Calendar on page 65.

12 MAR

Rating Agency Malaysia (RAM) announced reaffirmation of its A2 rating on the CMS Income Securities comprising RM399.6 million serial bonds and its conditional payment obligations.

29 DEC

CMS Berhad redeemed 80 Non-Convertible Redeemable Preference Shares (NCRPS) of the earlier issued RM400 million CMS Income Securities.

Business Highlights

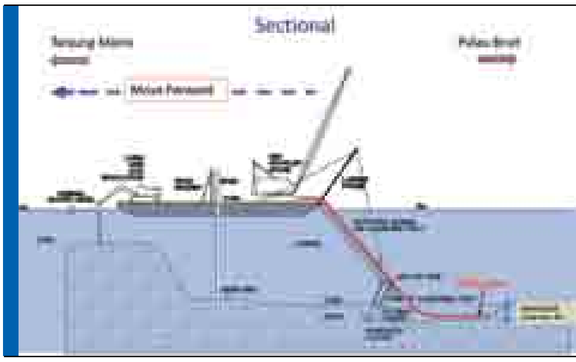
CONSTRUCTION

19 JAN

Sarawak Chief Minister, YAB Pehin Sri Haji Abdul Taib Mahmud, attended the ground-breaking of construction works of Batang Strap bridge at Pantu, Sri Aman Division. Construction of the bridge is by PPES Works.

13 AUG

PPES Works secured a RM101.30 million contract for the upgrading of the access road to the future Baram Dam in Miri Division. The new 35.7 km Beluru-Lapok road is expected to be completed in thirty-six months by 2013.



24 AUG

Major disruption occurred in construction works to lay a 1.2 km submarine pipeline across Batang Sadong to transfer piped water from Sarawak mainland to Pulau Bruit. Days of heavy rain in Sibu area and upstream Rajang River resulted in floods and a strong river current which led to the floating of the entire submerged pipeline to the river's surface, delaying the project's delivery and completion.

2 MAR

The Borneo Convention Centre Kuching (BCCK) developed by CMS was officially opened by the Prime Minister of Malaysia after construction was completed on time in September 2009.

11 NOV

CMS announced that BCCK had won the Best Business Centre recognition at MIPIM Asia Awards 2010 presented in Hong Kong. CMS submitted its BCCK project for judging by the 1,727 delegates who attended MIPIM Asia, the leading business-to-business real estate market and conference in Asia Pacific. Pitched as an architecturally unique rainforest-themed, environmentally sustainable, world-class and functional convention centre located in Sarawak, the BCCK's giant leaf-shaped roof attracted much interest from the voting delegates. Many agreed that using the local rainforest as the BCCK's central architectural inspiration was the correct choice to enhance the 'sense of place' within Sarawak and its ample greenery. Christophe Chupot, Real Estate Director of Reed MIDEM, organizer of the MIPIM events, shared insight into the BCCK's short-listing as a Finalist and eventually winner of the Award. "As a world-class building, you expect all the standard features to be included. However, to go further into bringing innovation in design that enhances your project and ensures its sustainability in a place such as Sarawak on the island of Borneo sends a very positive message on the future of real estate", said Mr Chupot.

PROPERTY

26 MAY

A Development Agreement was signed and sealed between Sarawak Energy Berhad (SEB) and CMS Land for the new SEB headquarters located on The Isthmus.

EARLY SEP

CMS Property Development acquired 3.20 hectares of river frontage land at Jalan Kwong Lee Bank, Kuching, from Zecon Berhad group for RM22 million.

1 DEC

CMS Land entered into a joint venture (JV) with Premier Cottage Sdn Bhd, Boulevard Jaya Corporation Sdn Bhd, Hikmat Majusama Sdn Bhd and Isthmus Developments Sdn Bhd to build, own and manage a 4-star hotel and serviced apartments at The Isthmus in Kuching.

SUPPORTING SCORE

10 MAY

CMS, Naim Holdings Berhad and Sarawak State Government agency, Bintulu Development Authority (BDA), signed a Memorandum of Understanding (MoU) to propose a masterplan development for Samalaju new township.

17 DEC

Samalaju Industries (formerly known as Similajau Industries) signed a JV agreement with Naim Cendera and Bintulu Development Authority to undertake development of the new township and other properties at Samalaju. Samalaju Industries will have 51%, Naim 39% and BDA 10% equity interest in the JV. Work on site began immediately on construction of a temporary workers camp for the first industry to be sited at Samalaju Industrial Park, Tokuyama Corporation of Japan.

IMPROVING OUR PRODUCTS

23 JUN

CMS Agrotech and Universiti Malaysia Sarawak (UNIMAS) signed an MoU to undertake research to improve composting technology for the production of value-added compost or bio-fertilisers used in the palm oil industry and others. CMS Agrotech's new compost plant in Kuching was also completed during 2010.

Corporate Information

Company Name
Cahya Mata Sarawak Berhad

Company Number
21076-T

Country of Incorporation
Malaysia

Directors
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail
Y Bhg Dato Sri Mahmud Abu Bekir Taib
Y Bhg Datuk Syed Ahmad Alwee Alsree
Y Bhg Dato' Richard Alexandar John Curtis
Y Bhg Dato Sri Liang Kim Bang
Y Bhg General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin
Y Bhg Datuk Wan Ali Tuanku Yubi
Y Bhg Datu Michael Ting Kuok Ngie
Mr Kevin How Kow

Company Secretary
Denise Koo Swee Pheng

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93100 Kuching
Sarawak
Malaysia
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Website
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Registrar
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
T +603 7841 8000
F +603 7841 8008

Auditors
Ernst & Young

Principal Bankers
RHB Bank Berhad
EON Bank Berhad
Citibank Berhand
Bank Muamalat Malaysia Berhad
Public Bank Berhad
OCBC Bank (Malaysia) Berhad
Kenanga Investment Bank Berhad
Ambank (M) Berhad
Bank Kerjasama Rakyat Malaysia Berhad
CIMB Bank Berhad

Stock Exchange Listing
Main Market, Bursa Malaysia Securities Berhad
Sector: Industrial Products
Stock code: CMSB
Stock number: 2852

Group Corporate Structure

As at April 2011

CAHYA MATA SARAWAK *

Cement

- CMS Cement Sdn Bhd 100%
  - CMS Clinker Sdn Bhd 100%
  - CMS Concrete Products Sdn Bhd 100%

Construction Materials

- CMS Modular Housing Sdn Bhd 100%
- CMS Steel Berhad 100%
  - CMS Wires Sdn Bhd 69%
- KKB Engineering Bhd * 20%
- CMS Resources Sdn Bhd 51%
  - PPES Concrete Product Sdn Bhd 100%
  - CMS Quarries Sdn Bhd 100%
  - CMS Premix (Miri) Sdn Bhd@ 60%
  - CMS Premix Sdn Bhd# 60%
  - CMS Penkuari Sdn Bhd^ 60%

Construction & Road Maintenance

- CMS Works Sdn Bhd 100%
  - PPES Works (Sarawak) Sdn Bhd 51%
- Concordance Holdings Sdn Bhd 100%

Property Development

- CMS Property Development Sdn Bhd 100%
  - CMS Development Services Sdn Bhd 100%
  - CMS Land Sdn Bhd 51%
  - CMS Property Management Sdn Bhd 51%
  - CMS Hotels Sdn Bhd 100%
- Projek Bandar Samariang Sdn Bhd 100%

Samalaju Development

- Samalaju Industries Sdn Bhd** 100%
  - Samalaju Aluminium Industries Sdn Bhd** 100%
    - Sarawak Aluminium Company Sdn Bhd 100%

Services

- CMS Infra Trading Sdn Bhd 51%
  - CMS Agrotech Sdn Bhd 100%
- CMS Education Sdn Bhd 93%
- CMS River Bus Sdn Bhd 100%
- CMS Energy Sdn Bhd 100%
- CMS Global (BVI) Ltd 100%
- CMS I-Systems Berhad 69%
  - CMS I-Systems (India) Pte Ltd 100%
  - I-Systems (Guangzhou) Co Ltd 100%
  - ETA CMS I-Solutions Pte Ltd 80%
  - Interventure Capital Sdn Bhd 100%

Financial Services

- CMS Capital Sdn Bhd 95%
  - CMS Opus Private Equity Sdn Bhd 51%
  - CMS Mezzanine Sdn Bhd 100%
  - K&N Kenanga Holdings Bhd* 25%

Notes:

* *Listed on Bursa Malaysia*

** *Samalaju Industries Sdn Bhd was formerly known as Similajau Industries Sdn Bhd, whilst Samalaju Aluminium Industries Sdn Bhd was formerly known as Similajau Aluminium Industries Sdn Bhd*

@ *20% equity is held by Cahya Mata Sarawak Berhad*

40% equity is held by Cahya Mata Sarawak Berhad

^ *40% equity is held by CMS Premix Sdn Bhd*

Board of Directors

Y A M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Group Chairman

Y BHG DATO SRI MAHMUD ABU BEKIR TAIB

Deputy Group Chairman

Y BHG DATUK SYED AHMAD ALWEE ALSREE

Group Executive Director

Y BHG DATO' RICHARD ALEXANDER JOHN CURTIS

Group Managing Director

Y BHG GENERAL (RETIRED) TAN SRI DATO' SERI MOHD ZAHIDI BIN HJ ZAINUDDIN

Independent,
Non-Executive Director

Y BHG DATU MICHAEL TING KUOK NGIE

Independent,
Non-Executive
Director

Y BHG DATO SRI LIANG KIM BANG

Senior Independent,
Non-Executive
Director

Y BHG DATUK WAN ALI TUANKU YUBI

Independent,
Non-Executive
Director

MR KEVIN HOW KOW

Independent,
Non-Executive Director

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail

Malaysian
Age: 59 years

Group Chairman

Independent,
Non-Executive Director

Chairman – Nomination & Remuneration Committee

Chairman – Employees' Share Option Scheme (ESOS) Committee

Member – Group Audit Committee

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail is the Group Chairman of CMS, having been appointed to the Board on 10 May 2006. He holds a Bachelor of Arts in Accounting degree from Macquarie University, Australia, and is a Chartered Accountant and Certified Practising Accountant of Australia. He began his career as a financial accountant with Malaysia Airlines System Berhad in 1975 and has worked for Price Waterhouse (Australia), Amanah Merchant Bank Berhad and Amanah Capital Partners Berhad as its Group Managing Director. Tan Sri Syed Anwar has also served as Chairman of Malaysian Resources Corporation Berhad, Media Prima Berhad, DRB-HICOM Berhad and EON Capital Berhad, as well as a director of Maxis Communications Berhad. Tan Sri Syed Anwar was the former Chairman of the Investment Panel of Lembaga Urusan Tabung Haji. Apart from CMS, Tan Sri Syed Anwar is currently Chairman of Nestle (M) Berhad. Tan Sri Syed Anwar has no family relationship with any director and/or major shareholder of the Company.

Y Bhg Dato Sri Mahmud Abu Bekir Taib

Malaysian
Age: 47 years

Deputy Group Chairman

Non-Independent,
Non-Executive Director

Member – Nomination & Remuneration Committee

Member – ESOS Committee

Dato Sri Mahmud Abu Bekir Taib is Deputy Group Chairman of CMS. He was appointed to the Board of CMS as Group Executive Director in January 1995. Having pursued his tertiary education in USA and Canada, Dato Sri Mahmud has extensive experience in the stock-broking and corporate sectors. He was a founding member of Sarawak Securities Sdn Bhd, Sarawak's first stock-broking company which is now merged with K&N Kenanga Holdings Berhad. Dato Sri Mahmud is currently Chairman of Sarawak Cable Berhad and director of CMS subsidiaries in construction, construction materials and property development. He is also director of several other private companies. Dato Sri Mahmud is the brother of Datin Hanifah Hajar Taib, YB Dato Sri Sulaiman Abdul Rahman Taib and Jamilah Hamidah Taib (all major shareholders of CMS), and brother-in-law of Datuk Syed Ahmad Alwee Alsree (Group Executive Director of CMS). Dato Sri Mahmud is a son of the late Lejla Taib (a major shareholder of CMS) and is a director of Majaharta Sdn Bhd (a major shareholder of CMS).

Y Bhg Datuk Syed Ahmad Alwee Alsree

Singaporean
Age: 45 years

Group Executive Director

Chairman – Group Risk Committee

Member – Nomination & Remuneration Committee

Member – ESOS Committee

Datuk Syed Ahmad Alwee Alsree is Group Executive Director of CMS, having been appointed to the Board on 4 September 2006. He joined CMS in February 2004 as Group General Manager - Human Resources, was appointed as Deputy Group Managing Director in September 2006, and subsequently re-designated as Group Executive Director in August 2008. Datuk Syed Ahmad is a director of KKB Engineering Berhad, K&N Kenanga Holdings Berhad, Kenanga Investment Bank Berhad and SIG Gases Berhad. He is Chairman of Samalaju Aluminium Industries Sdn Bhd (formerly known as Similajau Aluminium Industries Sdn Bhd) and Kenanga Investors Berhad (formerly known as CMS Trust Management Berhad) and a director of several CMS subsidiaries in financial services, property development and education.

Datuk Syed Ahmad graduated with a Bachelor of Law (LL.B.) from the National University of Singapore, and practised law in Singapore for over 10 years prior to joining CMS. Datuk Syed Ahmad is the brother-in-law of Dato Sri Mahmud Abu Bekir Taib (a director and a major shareholder of CMS), Jamilah Hamidah Taib and YB Dato Sri Sulaiman Abdul Rahman Taib (major shareholders of CMS). He is a son-in-law of the late Lejla Taib (major shareholder of CMS) and is the spouse of Datin Hanifah Hajar Taib (a major shareholder of CMS).

Y Bhg Dato' Richard Alexander John Curtis

British
Malaysian Permanent Resident
Age: 59 years

Group Managing Director

Member – Group Risk Committee

Dato' Richard Curtis is the Group Managing Director of CMS having been appointed to the Board on 4 September 2006. He graduated with a Bachelor of Law (LL.B.) (Honours) degree from University of Bristol, United Kingdom, and is a Sloan Fellow of the London Business School. He began his career in legal practice as a solicitor in Norton Rose (1974-1979) in London and then joined Jardine Matheson & Co. (1979-1983) in Hong Kong after which he joined the Jardine Offshore Group (1983-1986) in postings to Singapore and Indonesia. Dato' Richard also pursued his own businesses (1988-1997) in retail, consultancy and construction. He was Chief Executive Officer of The Melium Group from 1997 – 2000, a leading Malaysian retail company and F&B chain operator. Dato' Richard is a director of K&N Kenanga Holdings Berhad and Kenanga Investment Bank Berhad, and a number of CMS subsidiaries. Dato' Richard is a Trustee of Yayasan Raja Muda Selangor. Dato' Richard has no family relationship with any director and/or major shareholder of the Company.

Y Bhg Dato Sri Liang Kim Bang

Malaysian
Age: 74 years

Senior Independent,
Non-Executive Director

Dato Sri Liang Kim Bang was appointed to the Board of CMS on 26 June 1986. He studied at University of Malaya, Singapore (1957 – 1961) graduating with B.A. and B.A. (Honours) degrees and at University of Cambridge (Trinity College), England (1962 – 1963) in Public Administration. He joined the Sarawak Civil Service in 1961, served in various capacities, including as chairman and director of several statutory bodies and Government-linked companies, both listed and non-listed. He was Sarawak State Financial Secretary from 1984 – 1994. At present, Dato Sri Liang is Non-Executive Chairman of CMS Cement Sdn Bhd and CMS Clinker Sdn Bhd and a Non-Executive Director of PPB Group Berhad. Dato Sri Liang has no family relationship with any director and/or major shareholder of the Company.

Y Bhg General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin

Malaysian
Age: 63 years

Independent,
Non-Executive Director

Member – Nomination & Remuneration Committee

Member – ESOS Committee

General (R) Tan Sri Dato' Seri Mohd Zahidi was appointed to the Board of CMS on 8 July 2005. He has 39 years experience as a professional military officer with his last appointment as Chief of Defence Forces Malaysia from January 1999 until his retirement at the end of April 2005. General (R) Tan Sri Zahidi is currently Chairman of Affin Holdings Berhad and director of Genting Plantations Berhad, Bandar Raya Developments Berhad, Bintulu Port Holdings Berhad, Defence Technologies Berhad, Genting Malaysia Berhad and Wah Seong Corporation Berhad. Since 2006, General (R) Tan Sri Zahidi has been a Member of Dewan Negara Perak, and is currently a director of Yayasan Sultan Azlan Shah. He is also a member of the Malaysian-Indonesian Eminent Persons Group elected by the Prime Minister (since July 2008).

General (R) Tan Sri Zahidi holds a Master of Science degree in Defence and Strategic Studies from Quaid-I-Azam University of Islamabad, Pakistan. He has attended the Senior Executive Programme in National and International Security at Harvard University, USA, and courses at the Command and General Staff College in the Philippines, Joint Warfare Centre in Australia, Joint Services Staff College in Australia and the National Defence College in Pakistan. General (R) Tan Sri Zahidi has no family relationship with any director and/or major shareholder of the Company.

Y Bhg Datuk Wan Ali Tuanku Yubi

Malaysian
Age: 61 years

Independent, Non-Executive Director

Member – Nomination & Remuneration Committee

Member – Group Risk Committee

Member – ESOS Committee

Datuk Wan Ali was appointed to the Board of CMS on 23 June 1995. A former Sarawak State Financial Secretary (1995 - 2000) and Director/Chief Executive Officer of Sarawak Energy Berhad (2000 - 2005), Datuk Wan Ali had a long career in public service. He also served as Permanent Secretary in the Ministry of Land Development, Sarawak, and as General Manager of Land Custody and Development Authority, Sarawak. He holds a Bachelor of Economics degree and Graduate Diploma in Education from University of Malaya. He also holds a Master of Education degree from Birmingham University, United Kingdom. Datuk Wan Ali has no family relationship with any director and/or major shareholder of the Company.

Y Bhg Datu Michael Ting Kuok Ngie

Malaysian
Age: 70 years

Independent, Non-Executive Director

Member – Nomination & Remuneration Committee

Member – Group Audit Committee

Member – ESOS Committee

Datu Michael Ting was appointed to the Board of CMS on 24 March 1999. A civil engineer by profession, Datu Michael served in the Public Works Department (PWD) for 32 years. His last appointment was Director of PWD prior to retiring in 1998. Datu Michael continued to serve as Technical Advisor to Sarawak's State Planning Unit for a further two years. Datu Michael holds a Bachelor of Engineering (Honours) and Master of Engineering degrees in Civil Engineering, both from the Technical University of Nova Scotia, Canada. Datu Michael is director of several CMS subsidiaries and other private companies. Datu Michael has no family relationship with any director and/or major shareholder of the Company.

Mr Kevin How Kow

Malaysian
Age: 62 years

Independent, Non-Executive Director

Chairman – Group Audit Committee

Member – Group Risk Committee

Kevin How Kow was appointed to the Board of CMS on 12 March 2004. Kevin is a Fellow of the Institute of Chartered Accountants in England & Wales and the Institute of Certified Public Accountants of Singapore. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He was made a partner of Ernst & Young, Malaysia in 1984 and served as Partner-in-charge of its offices in Sabah and Sarawak. From 1996 onwards, Kevin was Partner-in-charge of the firm's practice in Sabah and Labuan until his retirement at the end of 2003. Kevin's directorships in public companies include K&N Kenanga Holdings Berhad, Kenanga Investment Bank Berhad, Sarawak Cable Berhad, Sabah Development Bank Berhad and Saham Sabah Berhad. He is also a director of CMS Opus Private Equity Sdn Bhd and other private limited companies. Kevin has no family relationship with any director and/or major shareholder of the Company.

Save as disclosed, none of the Directors have any conflict of interest with CMS nor conviction for offences within the past 10 years other than traffic offences.

Management Team

1. **Tuan Syed Hizam Syed Mahmood Ezzularab Abdul-Moez Alsagoff**
   Group Chief Financial Officer
   Joined CMS in January 2005

2. **Isaac Lugun**
   Head, Samalaju Development SBU
   Chief Executive Officer,
   Samalaju Industries Sdn Bhd
   Joined CMS in January 1996

3. **Tuan Haji Othman Abdul Rani**
   Head, Cement SBU
   Executive Director,
   CMS Cement Sdn Bhd
   Joined CMS in April 1981

4. **Goh Chii Bing**
   Head, Construction Materials SBU
   Joined CMS in October 1992

5. **David Ling Koah Wi**
   Group General Counsel
   Joined CMS in August 2007

6. **Woo Yoke Meng**
   Group Internal Auditor
   Joined CMS in March 2000

7. **Danny Sim Wei Min**
   General Manager, Group Procurement
   Joined CMS in March 2001

8. **Eda Ahmad**
   General Manager, Group Corporate Communications
   Joined CMS in October 2001

9. **Tan Mei Fung**
   General Manager, Group Finance
   Joined CMS in August 1997

10. **Abdul Nasser Mohd Sanusi**
    General Manager - Special Projects
    Joined CMS in February 2004

11. **Abdul Rashid Daljit Abdullah**
    Head - Group Information Technology
    Joined CMS in July 2004

12. **Wendy Yong San San**
    (Photograph not included)
    General Manager – Group Human Resources
    Joined CMS in May 1994

Operations Review 2010

Segmental Revenue of Continuing Operations (RM million)

	Q1, 2010	Q1, 2009	Q2, 2010	Q2, 2009	Q3, 2010	Q3, 2009	Q4, 2010	Q4, 2009
Manufacturing	95.17	82.39	98.63	90.55	106.41	98.84	114.44	100.90
Construction Materials	33.28	28.18	42.31	31.49	49.71	44.25	67.66	39.82
Construction	4.30	35.77	14.22	49.27	17.26	30.67	42.78	89.41
Financial Services/Trading*	2.68	2.38	22.08	32.42	17.26	39.88	14.58	29.12
Property	2.74	3.89	72.05	5.98	43.74	5.90	47.13	5.12
Others**	47.36	33.05	6.08	8.20	5.70	11.12	9.54	6.62

Segmental Profit/(Loss) of Continuing Operations (RM million)

	Q1, 2010	Q1, 2009	Q2, 2010	Q2, 2009	Q3, 2010	Q3, 2009	Q4, 2010	Q4, 2009
Manufacturing	19.49	18.13	17.40	17.93	20.96	23.63	27.60	27.89
Construction Materials	4.80	2.77	7.26	4.69	8.80	8.43	10.89	5.85
Construction	2.31	5.55	3.20	3.59	4.00	3.55	33.72	22.31
Financial Services/Trading*	(0.35)	(0.22)	1.38	1.67	0.82	2.35	0.47	1.71
Property	(0.44)	0.22	0.67	(0.50)	2.24	(0.07)	1.72	(0.01)
Others**	(0.35)	0.06	(0.03)	(1.10)	(2.19)	(2.23)	(30.16)	(3.48)

* *Financial Services information is shown for Q1 2009 and Q1 2010 only. After this time, the information shown relates to the performance of Trading.*

** *Others for Q1 2009 and Q1 2010 includes Trading, Education and other businesses. The composition of 'Others' changed from Q2 (for both 2009 and 2010) onwards to include Financial Services, IT services, Education and other businesses. Trading was elaborated separately.*

CMS Cement (Kuching Plant).

Cement

CMS Cement Sdn Bhd, Sarawak's sole cement manufacturer, operates two plants in Kuching and Bintulu which produce Ordinary Portland Cement (OPC) and Cemplast masonry cement for the entire Sarawak market. Annual production capacity of the two plants stands at 1.75 million metric tones (MT) which is in excess of current local demand.

CMS Cement recorded a 9% higher sales volume and equivalent higher sales revenue in 2010. However, the operation registered a marginally lower Profit Before Tax (PBT) for the year of RM64.15 million compared to the previous year. This was due to higher raw material costs like coal and clinker, and higher costs arising from the need to import some cement whilst repairs to the Kuching Plant were undertaken so as to ensure no risk of supply disruption in the State. More was also spent on repair and maintenance particularly for the replacement of a polycom roller.

The local market continued to show acceptance of our Cemplast masonry cement as indicated by the healthy up-trend in sales over the course of 2010. Cemplast registered slightly over 41,000 MT in sales in 2010, a 64% increase from the previous year. Cemplast is also being sold to the Sabah market.

In an effort to better its supply chain operations, CMS Cement has decided to plough back over RM55 million into a bulk terminals project that will improve its bulk distribution facilities to customers in the Sibu and Miri areas. The project consists of several components:

- Upgrading existing loading and unloading facilities, including for bulk cement, at Kuching's Pending jetty.
- Construction of new terminals at Sibu and Miri that will enable unloading (through a self-discharging system operational even in rainy weather conditions) and storage in new aerated panel flat stores complete with packing and bulk loading facilities.
- Long-term charter of two specialised barges to transport bulk cement to our new terminals in Sibu and Miri.

Work on the bulk terminals project began at the end of 2010 and is expected to be completed by the close of 2011.

CMS Clinker's pre-heater and kiln.

Clinker

CMS Cement owns East Malaysia's sole clinker manufacturer, **CMS Clinker Sdn Bhd**, which operates a plant at Mambong on the outskirts of Kuching. With a current production capacity of 800,000 MT per annum, production is still short of demand from CMS Cement.

Sales volume in 2010 was 14% lower than in 2009 due to a number of factors - the Plant faced unplanned production stoppages due to *castable* failures, a key component of the kiln, and unstable production. An upward revision in the selling price of clinker during the year helped CMS Clinker register a PBT of RM12.17 million for 2010.

Going forward, CMS Clinker is upgrading its existing production line to increase capacity to a minimum daily production of 2,800 MT from an average 2,200 MT currently. This will be equivalent to an additional 200,000 MT capacity per annum. The upgrading exercise will also enable CMS Clinker to use only readily available local low caloric value (CV) coal which will help improve efficiency, reduce its heat consumption and lower production costs. The upgrade of the main plant will cover its raw material milling, the pre-heater and ancillary plant, kiln burning, cooling and the coal milling section. The exercise is expected to be completed by end 2011.

Construction of the new IBS plant at CMS Concrete Products - March 2011.

Concrete Products

CMS Concrete Products Sdn Bhd specialises in the manufacture of pre-formed concrete products such as reinforced concrete (RC) square piles, bridge beams, culverts, kerbs, cement sand bricks and Industrialised Building System (IBS) wall and floor panels.

In 2010, the performance of CMS Concrete Products continued to excel with sales revenue rising 39% and PBT up 18% to RM3.24 million. The main contributor to the improved performance was sales of RC piles.

CMS Concrete Products has started adding pre-fabricated IBS components to its product offering. The move into the production of IBS is seen as timely in response to the Government's call for the construction industry to use more innovation to reduce Malaysia's reliance on foreign labour and to improve both the quality and speed of construction.

A new and dedicated IBS plant is currently under construction at CMS Concrete Products' site at Mile 7, Old Airport Road in Kuching. Commissioning is expected by mid-2011. The new plant will produce CMS Eco Wall Panels, CMS Half Slab floor panels and other IBS component products.

Quarrying

CMS Quarries Sdn Bhd and **CMS Penkuari Sdn Bhd** produce granite, microtonalite and limestone aggregates. Their operating quarries at Stabar, Penkuari, Akud, Sebuyau and the new one at Sibanyis have a combined annual rated capacity of 3.15 million MT. As the largest quarrying operations in Sarawak, CMS' quarries have a 20% market share.

CMS Quarries, with operations at Stabar Quarry and Bukit Akud Quarry on the outskirts of Kuching, and CMS Penkuari posted a combined PBT of RM10.99 million for the year ended 31 December 2010, much higher than anticipated and compared to the previous year. The outstanding performance was due to better margins and higher sales volume following the Government's commencement of new projects under the National Key Result Areas (NKRA) programme to build more roads in rural areas.

By the end of 2010, CMS Quarries saw the successful trial operation of the primary crusher at its newest quarry at Gunung Sibanyis located at Mile 15, Kuching-Serian Road. With known reserves of approximately 69 million MT, the new quarry has the potential to increase CMS' total reserves 5-fold. Sibanyis Quarry will have an annual production capacity of 900,000 MT. Commercial production began in March 2011.

Premix

Together, **CMS Premix Sdn Bhd** and **CMS Premix (Miri) Sdn Bhd** supply 60% of Sarawak's market for high quality asphaltic concrete (premix) and bitumen emulsion which is used in the construction of roads, flyovers and airport runways. CMS Premix also has operations in Sibu and Bintulu.

CMS Premix posted a 24% increase in PBT to RM15.54 million for the year ended 31 December 2010. The strong performance was attributed to higher sales revenue and lower production costs from savings in binder usage and diesel burning efficiency. A higher profit was also generated from transportation, premix pavement works and projects secured.

CMS Premix (Miri) exceeded its budget and generated a PBT of RM4.07 million for the year from higher sales to both Government and private sector clients, and lower operating costs with its new plant.

The big news for CMS' premix operations was the acquisition of additional equity by CMS in the two premix companies. In September 2010, CMS acquired the remaining 40% equity interest in CMS Premix and an additional 20% equity interest in CMS Premix (Miri) and is considering an investment in another premix plant to be located in Bintulu. The rationale for the acquisition of greater equity in the two premix companies and planned expansion is to build on the Group's existing interests in the supply of road construction materials such as premix and to take advantage of the growing opportunities offered with the Government's aims to improve infrastructure and road connectivity across the vast state of Sarawak.

Wires

CMS Wires Sdn Bhd manufactures steel drawn wires and wire mesh for the local construction industry.

The company's profit doubled in 2010 compared to 2009 due to better margins and higher sales revenue following the implementation of infrastructure projects by the Government and healthy private sector demand from construction of residential, commercial and industrial buildings. Operationally, the plant had to increase production efficiency and capacity to cater for the higher sales demand. These measures included increasing worker shifts in the second half of 2010 and carefully managing raw material (wire rod) purchases against volatile construction steel prices. Going forward, the company is considering expansion in 2011 to meet demand from SCORE projects.

Trading

CMS Infra Trading Sdn Bhd trades, either as an agent or distributor, in a range of products in water management (pipes & fittings, water treatment chemicals & systems), construction materials and systems, road management products, building protection systems, petroleum products and other related products. CMS Infra Trading, through a subsidiary, is also in the business of manufacturing compost and organic fertilizer.

In 2010, with demand for steel pipes softening and no significant water pipeline project using steel pipes, CMS Infra Trading registered a lower revenue compared to the previous year. PBT was also lower at RM5.29 million for the 12 months ended 31 December 2010. Despite this, the company's overall performance is considered to be on track, reflecting existing and traditional business activities and taking into account time for market acceptance and brand-building of new products and services.

Forbes Awards in Hong Kong - 23 November 2010.

Strategic Investment: Steel Engineering

CMS holds a 20% equity stake in Bursa Malaysia-listed **KKB Engineering Berhad** (KKB) whose principal business activities are steel fabrication, hot-dip galvanising, civil construction, LP gas cylinders manufacturing, steel pipes and pipe specials.

KKB Group registered a total revenue of RM268.64 million for the financial year ended 31 December 2010 (2009: RM176.52 million) and a PBT of RM104.35 million (2009: RM 51.82 million). The year-on-year comparison of the Group's results showed an impressive 52% improvement in revenue of RM92.12 million while PBT rebounded sharply to register an increase of 101%. Overall improvements were mainly driven by the Civil Construction and Steel Fabrication Divisions within the Engineering Sector. KKB contributed a PBT of RM15.38 million towards CMS Group's financial performance in 2010.

Having begun operations in 1962, KKB has grown from a steel engineering base and diversified its activities in engineering and manufacturing, operating both in Sarawak and Sabah. It has established a strong track record by contributing to the development of Sarawak, and is well-positioned to play an integral role in SCORE.

In November 2010, prestigious international business publication Forbes picked 200 companies out of 13,000 Asia-Pacific companies with actively traded shares and sales of between USD5 million and USD1 billion. Of these, 670 companies passed its criteria for profitability, growth, modest indebtedness and future prospects. This list was further short-listed to a final count of the best 200 based on earnings growth, sales growth and shareholders' return on equity. Out of the 200 companies from the Asia-Pacific region, KKB, one of only 9 Malaysian firms that made this list, was honoured as one of the 'Best Under A Billion' companies by Forbes.

'New Lapok road ready by 2013'

Media clipping - 5 January 2011.

Construction & Road Maintenance

During the year, **PPES Works (Sarawak) Sdn Bhd**, the Group's construction outfit, completed works on submarine pipeline 1 across Batang Paloh as part of the Tanjung Manis - Pulau Bruit rural water supply project (total distance: 47.8 km).

Construction of another project, a bridge across Batang Strap at Pantu in Sri Aman Division proceeded according to schedule. When completed in the third quarter of 2011, the bridge will benefit some 4,000 residents of 23 longhouses in the area, including 4 primary schools and become a catalyst for greater economic transformation.

In 2010, PPES Works secured a RM101.30 million contract to upgrade a 35.7 km stretch of road at Beluru - Lapok as part of the Baram Dam access road system. The current gravel and earth road will be upgraded to a full tar-sealed single carriageway that will provide easy access for construction of the new dam. Hand-over of the site was in September, and the project is expected to take 36 months to complete. In other road works, the company began rehabilitation works on 6 State Roads awarded in 2010 as well as construction of an internal road at The Isthmus, Kuching.

Excluding the waiver of debt amounting to RM40 million as part of a restructuring exercise at another CMS subsidiary, PPES Works registered a PBT of RM40.10 million for the year ended 31 December 2010. This included recognition of arrears for Federal Road Maintenance works carried out in 2008 and 2009 following revisions in the contract rate, and profit recognised from completed projects upon final accounts.

CMS, through PPES Works, maintains approximately 680 km of Federal roads in the southern region of Sarawak from Sematan up to Sarikei. To-date, the Company has completed 8 years of its 15-year road maintenance concession which comprises routine works and instructed works.

Property Development

CMS owns a large land bank in and around Kuching. Of this, the major asset is the 5,200-acre land bank in Petra Jaya which is being developed into a riverine township called Bandar Samariang.

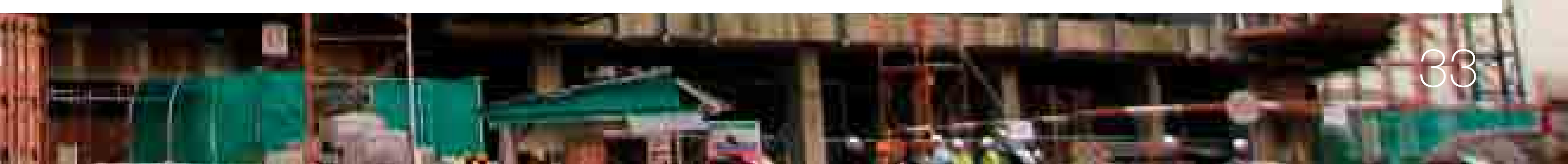
This integrated township, with a variety of residential homes, a commercial centre and schools, is now home to some 23,000 residents as at end-2010. Bandar Samariang is located 7 km from Kuching city centre and within easy reach of the beaches of Damai and Santubong. Completion of the road widening and upgrading works at Jalan Sultan Tengah at the end of 2010 has helped ease traffic congestion to and from Bandar Samariang. In addition, the scheduled completion by end-2011 of the new Federal Administrative Centre (FAC) road linking Bandar Samariang directly to the Sarawak River toll bridge will transform accessibility to Bandar Samariang.

Land-owner of Bandar Samariang, **Projek Bandar Samariang Sdn Bhd**, recorded a loss in 2010 due to slow sales amidst the continued soft property market in Sarawak. Another property unit is **CMS Property Development Sdn Bhd** which handles property management and marketing for Projek Bandar Samariang. Its performance is dependent on the sales performance of Projek Bandar Samariang and implementation of CMS Land's proposed projects, as well as on rental income. The company's PBT for 2010 rose more than 7-fold against the previous year.

Overall, property sales in 2010 began slow and only picked up in the second half of the year following the launch of Dwi Putri's new double-storey terrace house and Alam Indah's 1 1/2 storey semi-detached and single-storey terrace houses. Construction of the One Puteri single-storey houses reached 50% completion by mid-year, enabling prospective buyers to see the houses for themselves and raise their confidence in making purchases. The announcement of Budget 2011 also included new perks for house buyers, whilst a raise in civil servants' housing loan entitlements helped demand.

Going forward, the sales outlook for 2011 is much brighter as more new launches of residential properties at Bandar Samariang are planned. Completion of the Samariang Ria shophouses facing the busy Jalan Sultan Tengah and more One Puteri single-storey terrace houses by the third quarter of 2011 will help to boost sales. Also on the drawing board is the launch of a new upper-end residential development at Fairway Villa (in Petra Jaya), and at a CMS land-bank in Kuching's Tabuan Jaya area.

Another company in the Property Development SBU is **CMS Land Sdn Bhd**, developer of The Isthmus. With a total development area of 275 acres located to the east of Kuching city centre, activity in this land bank is picking up. Current developments are the award-winning Borneo Convention Centre Kuching (BCCK) and the soon to be completed Sarawak Energy Berhad (SEB) headquarters. In 2010, construction works on a major internal road began as well as piling works on the future hotel and serviced apartments complex sited next to the BCCK. Design work is on-going for a lifestyle hub featuring F&B outlets and a Sarawak-inspired design commercial centre. There are also plans to set-up a tertiary education college and hotel training school on The Isthmus that would complement the BCCK.



Artist impression of the temporary workers camp at Samalaju.

Samalaju Development

The main focus of Samalaju Development SBU is to tap development opportunities ear-marked for Samalaju, located 60 km from Bintulu. CMS' current plans for the area include the setting up of the **Sarawak Aluminium Company (SALCO)** smelter with world leading aluminium producer, Rio Tinto Alcan (RTA).

CMS and RTA signed a Heads of Agreement in 2007 and pre-feasibility studies on the design, engineering, construction, commissioning and operation of the smelter have commenced. In 2010, negotiations between CMS, RTA and SEB to finalise the Power Purchase Agreement continued. While these negotiations have taken longer than expected, it is important for all parties to work through the details towards a mutually agreeable set of terms that will underpin a long-term relationship spanning many decades.

Another initiative by CMS at Samalaju is development of its new township (with an expected population of 50,000 residents) and infrastructure facilities at the Samalaju Industrial Park. In December 2010, CMS subsidiary, Samalaju Industries (formerly known as Similajau Industries), signed a JV agreement with Naim Cendera Sdn Bhd and Bintulu Development Authority for this purpose. The first project by the JV parties under a newly-formed company called **Samalaju Property Development Sdn Bhd** is construction and operation of a temporary workers camp at Samalaju. Built to international standards, the workers camp will cater to the needs of global heavy industries locating to Samalaju. It is expected that some 30,000 workers will be involved in the construction of plants and operations of at least 5 major corporations over the next 5 years.

K & N KENANGA HOLDINGS BERHAD

Strategic Investment: Financial Services

With a 25% equity stake, CMS is the single largest shareholder of **K&N Kenanga Holdings Berhad**, a financial group in Malaysia with over 30 years' collective experience in the industry. Its group of companies includes Kenanga Investment Bank Berhad, Kenanga Deutsche Futures Sdn Bhd and Kenanga Capital Sdn Bhd.

K&N Kenanga Holdings Berhad recorded a Loss Before Tax of RM50.63 million for the year ended 31 December 2010 stemming from write-downs in collateral values relating to loans and in an investment in an associate company overseas. However, K&N Kenanga's pre-impairment operating profit for 2010 remained positive and healthy at RM57.82 million, representing a strong 40.75% growth over the corresponding period in 2009. K&N Kenanga contributed a Loss Before Tax of RM13.36 million towards CMS Group's financial performance at the end of 2010.

The year 2010 marked the completion of the business transfer agreement between Kenanga Fund Management Berhad and CMS Trust Management Berhad (CMST). As a 100% owned subsidiary of Kenanga Investment Bank Berhad, CMST has been renamed Kenanga Investors Berhad. Kenanga Investors Berhad's Assets Under Management (AUM) stood at RM1.4 billion as at 31 December 2010 and won the Morningstar Award in the Malaysian Equity Category and is quoted in The Wall Street Journal Fund Scorecard 2010 as one of the Leading 10 Performers for Malaysia Equity funds.

Kenanga Deutsche Futures Sdn Bhd emerged Top Overall Futures Broker and Top Equity Futures Broker in Bursa Malaysia Derivatives Berhad's awards for the 8th consecutive year in 2010. Kenanga Deutsche Futures also ranked 2nd place in Crude Palm Oil Futures and in the Financial Futures in 2010.

Private Equity

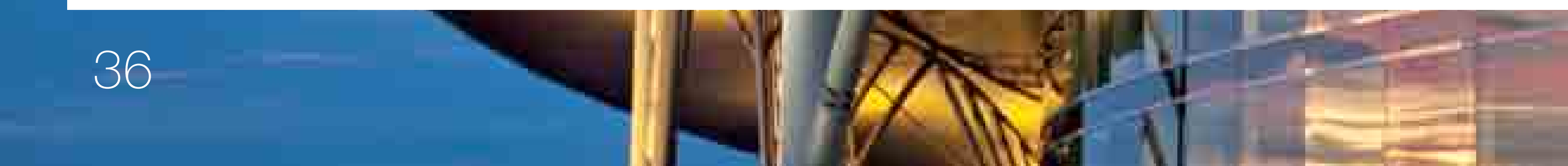
CMS Opus Private Equity Sdn Bhd (COPE) derives income mainly from management fees of its private equity fund, COPE-KPF Opportunity 1 Fund, raised with a commitment of RM75 million in 2006.

For 2010, the Fund performed reasonably well, allowing it to distribute income received from investments back to investors by way of redeeming part of its Redeemable Preference Shares totalling RM11 million. This was equivalent to a capital gain of 21% for investors.

In August 2010, COPE increased its Fund size from RM75 million to RM100 million. With this additional capital commitment, the 'life span' of the Fund has also been extended, enabling COPE to source for more attractive deals and to continue managing its existing portfolio until suitable opportunities to exit present themselves.

Technology

CMS' foray into the information technology sector through **CMS I-Systems Berhad** came to an end in 2010 when a decision was made to cease operations following losses in the face of a highly competitive marketplace both in Malaysia and overseas. An investment to expand the business to India also did not produce the desired results. The company registered a Loss Before Tax of RM20.03 million by the end of 2010, inclusive of an impairment of over RM6 million in research & development costs.



Tunku Putra School's batch of UPSR 2010 students give the thumbs-up on their excellent results.

Education

CMS Education Sdn Bhd owns and operates **Tunku Putra School** in Kuching which offers national and international curricula for students at kindergarten, primary and secondary level, including the Cambridge International Examination A-Levels. With classes kept small, excellent teaching resources and facilities at a 22-acre campus, Tunku Putra's students are assured of quality attention. The School's enrolment at the end of 2010 stood at 586 students, up 18% from the previous year.

Tunku Putra promotes a holistic approach to education which values a child's academic, social, emotional and physical development. The School's contemporary education system seeks to produce active and independent learners through integrated lessons which gives students room to participate actively in the learning process. A range of co-curriculum activities including swimming, drama, music and physical education complements the holistic education process.

2010 was another year of excellent academic achievements in various national and international examinations. Tunku Putra scored a 97% pass rate in the Ujian Penilaian Sekolah Rendah (UPSR) national Primary 6 examination, an improvement from the 95.5% pass rate recorded in the previous year. In the Tingkatan 3 Penilaian Menengah Rendah (PMR) examination, for the third consecutive year Tunku Putra students bagged a 100% pass to make the School one of only six in Sarawak to achieve this result. There were also commendable results in the International Primary Year 6 Cambridge Achievement Tests and in the Year 11 IGCSE examinations with outstanding grades of A* achieved in Chemistry, Business Studies, Art & Design, English as a First Language, and English as a Second Language papers.

Tunku Putra registered a smaller financial loss in 2010. In realising the importance of the availability of facilities such as an international school that provides quality education is to Sarawak's effort to attract more Foreign Direct Investment (FDI), CMS has since 1997 and continues to do so till today assisted Tunku Putra financially.

CMS Town Hall in Kuching - 29 November 2010.

Corporate Responsibility

Workplace

Employee
Fast Facts as at
31 December 2010

No. of employees	:	1,251
o Management	:	87
o Executive	:	216
o Non-executive	:	861
o Daily-paid	:	87
Turnover rate	:	3.9%

Recruitment

- Recruitment exercises were carried out on a needs basis throughout the year. In addition, CMS participated in Curtin University Miri's career fair on 21 - 22 September 2010.
- As part of the Orientation Programme, all new hires attended Introduction briefings and walk-abouts around the Group. In 2010, 4 sessions were held. New to the Orientation Programme was a briefing on 'Safety Awareness' by a qualified internal Safety Officer.
- In November 2010, CMS Group welcomed the first batch of 16 graduates under a year-long pilot CMS Management Trainee Development Programme (MTDP).
- A total of 42 students were given opportunities to conduct their required Internship / Industrial Training in the Group in 2010. The bulk of these students were attached to CMS Cement and CMS Clinker.

Training

- 22,560 man-hours of training were provided in 2010; equivalent to 18 training hours per employee. Total investment was RM968,303.70
- Internal training topics ranged from safety (fire protection, use of Personal Protective Equipment, handling equipment), supervisory skills, IT, wellness programmes, team-building and quality management. External training attended were for a variety of technical and soft skills in audit and finance, communications, procurement, HR and IT.
- New to the training calendar was the Employee Wellness Programme. The first session was held on 20 - 21 May for CMS Cement, CMS Clinker and CMS Concrete Products. Participants learned practical information on personal responsibilities towards wellness and how to maintain a healthy environment at the workplace.

Engagement & Communication

- Annual Retreat 2010 sessions were held in July and August for the Board of Directors, Senior Management and Management.
- Town Hall 2010 road-shows were held in Kuching, Bintulu and Kuala Lumpur from 29 November – 1 December.
- Kicking off in May with non-executives from CMS Cement and CMS Concrete Products, 7 'Koffee-Talk' sessions were held during 2010. These events saw groups of 20 non-executives enjoy a heart-to-heart with the Group Managing Director over a less formal breakfast session.
- *OurCMS* in-house newsletters were published quarterly.
- *Safety Alert* newsletters were published 6 times in 2010.
- Annual dinners and gatherings were held by Cement SBU, Construction SBU, Property Development SBU and Centre Management.

Performance Management & Rewards

- In 2010, performance of 236 employees was rated through the Key Performance Indicators (KPI) mechanism. This total was an increase over the 108 employees rated by KPI in 2009. Setting of the annual KPI was completed by the first quarter of the year. A mid-year review of targets and performance was carried out in July and August.
- In May 2010, CMS shareholders approved the implementation of a 5-year ESOS for eligible employees across the Group. The ESOS is aimed at building greater commitment, retaining, motivating and rewarding eligible employees with the opportunity to participate in equity of CMS and to relate their contribution directly to the Group's performance. Of the 993 employees offered the Option, there was a solid 99% acceptance of the Offer.

Career Planning

- In April, the Group was happy to announce the approval of 102 career planning cases that included job grade promotions for 34 employees and upgrading for 57 others.

Care for Our People

- In a demonstration of showing care to our employees in their time of need, the CMS Compassionate Fund was expended to 5 cases in 2010 in which RM23,000 cash was given out.

Safety & Health

The emphasis on improving the Safety culture across CMS continued throughout 2010. Among the reinforcements were the inclusion of de-merit points in KPIs of all executive-level employees and above, greater communication through the bi-monthly *Safety Alert* newsletter, more training on Safety and proper handling of machinery and equipment, and compliance to Safety policies and procedures including regular toolbox briefings at all manufacturing operations.

The result has been an increased awareness on the importance of Safety, and zero fatalities and permanent disabilities across CMS Group throughout 2010. This compares favourably to the single fatality and several serious accidents and injuries at the workplace in 2009.

PILOT CMS MANAGEMENT TRAINEE DEVELOPMENT PROGRAMME KICKS-OFF

With the start of November 2010, CMS opened its doors to the first batch of graduates under a year-long CMS Management Trainee Development Programme (MTDP). Reporting for duty on 1 November were 12 graduates selected from a pool of 80 short-listed applicants. Another 4 graduates joined the programme in the weeks after.

Following a comprehensive week-long Orientation programme, the Management Trainees were attached to various departments at Centre Management and CMS subsidiary companies. Over the year-long programme, all trainees will also undergo 3 months' training in various core organisational functions to gain exposure in finance, audit, human resources and corporate communications.

According to CMS Group Managing Director Dato' Richard Curtis, "The MTDP supports our Group's strategy of investing in human capital that can contribute to CMS' future and to Sarawak as a whole. With SCORE, there are so many opportunities in excellent jobs."

"Whilst one may have graduated in a particular technical field, exposure and learning of other corporate functions and management skills will make for a better, all-rounded, individual who can look forward to being a more effective manager and eventually a leader. A good start in one's career with high quality on-the-job training and exposure is important. This is what CMS aims to achieve in our MTDP", added Dato' Richard.

CMS' first batch of Management Trainees represents a wide spectrum of backgrounds. Some graduated from local universities based in Sarawak and Peninsula Malaysia; others attended universities in Australia. The team comprises Malay, Chinese, Iban, Orang Ulu and Penan graduates.

For Oliver Seli, the programme is giving him a totally new experience and opportunity to meet and learn from talented professionals.

For Florence Jong Shin Ee, it is a huge honour to be selected for CMS' pilot MTDP. She says, "This opportunity to work for one of the biggest names in Sarawak is definitely the best opportunity to have a real taste of the corporate world. I am looking forward to learning more from my mentors, colleagues and fellow trainees. We are often encouraged to ask questions, no matter how silly or impractical."

The job experience is certainly not limited to the office environment. For Bangit Grunsin, he will not forget the experience of being assigned to conduct checking and maintenance works at Kuching International Airport with the CMS Premix crew. Work started at 12 midnight and finished at 2 am that morning! Whilst tiring, especially when having to attend training the following day, Bangit viewed the job experience as priceless - if such was the requirement of the job, then it had to be done no matter the time or odd hours.

Although the CMS MTDP begun in November 2010, the Management Trainees have already participated in some CMS activities. They assisted in the CMS Health Run and in the Centre Management and Property Development SBU Annual Dinner in December.

"It was a totally new experience because prior to this, I was never involved in events management. For me, it was the sweetest moment. The event really established a close rapport between the Management Trainees and CMS staff", commented Dayang Nurul Izni on her experience during the Annual Dinner.

The Management Trainees have formed a close-knit group. The team tries to meet often to exchange views and new ideas regarding work, and most of all to have fun such as gathering to celebrate birthdays.

From the brief experiences gained on the job and through participation in corporate activities, the pilot CMS MTDP is off to a good start in building a high calibre workforce within CMS. May the positive learning experiences continue for our 2010 batch of Management Trainees.

CMS Management Trainees with Wendy Yong, General Manager – Group Human Resources (standing 4th from right).

CMS Agrotech encourages more use of plant-based organic compost.

CMS Clinker Cooler stack dust emissions: 0.05 g/Nm³ against 0.1 g/Nm³ guideline.

CMS Agrotech is collaborating with UNIMAS to do research on waste management & usage of plant waste as compost for the oil palm sector & other uses.

50% more employees of CMS Cement took part in its Waste Recycling Campaign in 2010. 2,251 kg of recycling items was collected for the local council.

CMS Clinker attained excellent average readings in Dust Concentration in compliance to Malaysian Air Quality Guidelines & a high 82% compliance to air quality monitoring guidelines set by the authorities in 2010.

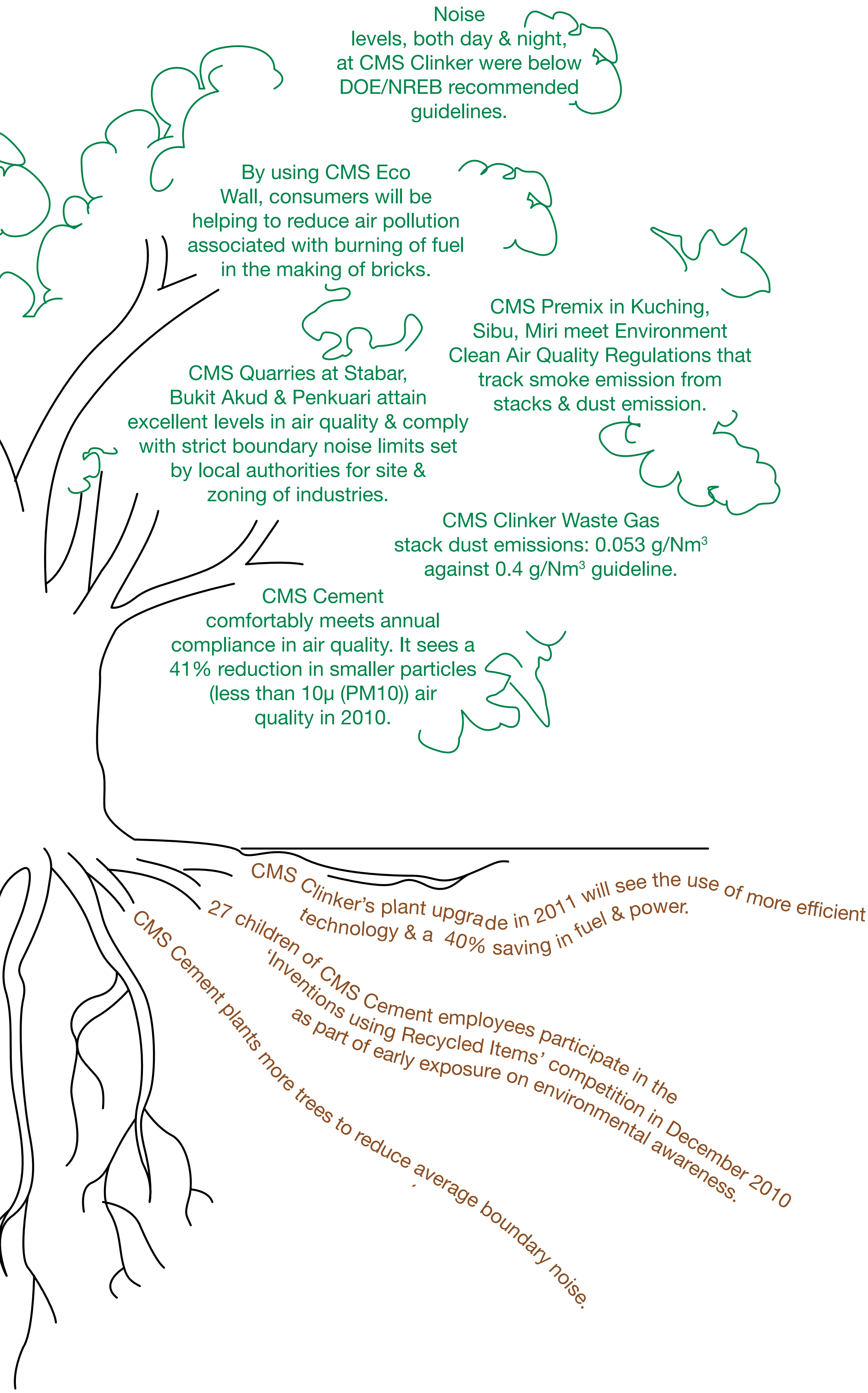
CMS Clinker Coal Mill stack dust emissions: 0.18 g/Nm³ against 0.4 g/Nm³.

Environment

CMS Cement introduces the Reduce Water Consumption campaign.

New procedures introduced at CMS Cement to handle, store and recycle raw waste material and cement. Target: 50% reduction by June 2011.

CMS Cement goes eco-friendly by changing air conditioning units in offices and installing more ventilation fans in other sections of the Plant.


Noise levels, both day & night, at CMS Clinker were below DOE/NREB recommended guidelines.
By using CMS Eco Wall, consumers will be helping to reduce air pollution associated with burning of fuel in the making of bricks.
CMS Premix in Kuching, Sibu, Miri meet Environment Clean Air Quality Regulations that track smoke emission from stacks & dust emission.
CMS Quarries at Stabar, Bukit Akud & Penkuari attain excellent levels in air quality & comply with strict boundary noise limits set by local authorities for site & zoning of industries.
CMS Clinker Waste Gas stack dust emissions: 0.053 g/Nm³ against 0.4 g/Nm³ guideline.
CMS Cement comfortably meets annual compliance in air quality. It sees a 41% reduction in smaller particles (less than 10µ (PM10)) air quality in 2010.
CMS Clinker's plant upgrade in 2011 will see the use of more efficient technology & a 40% saving in fuel & power.
27 children of CMS Cement employees participate in the 'Inventions using Recycled Items' competition in December 2010 as part of early exposure on environmental awareness.
CMS Cement plants more trees to reduce average boundary noise.


FORWARD


Good For The Community

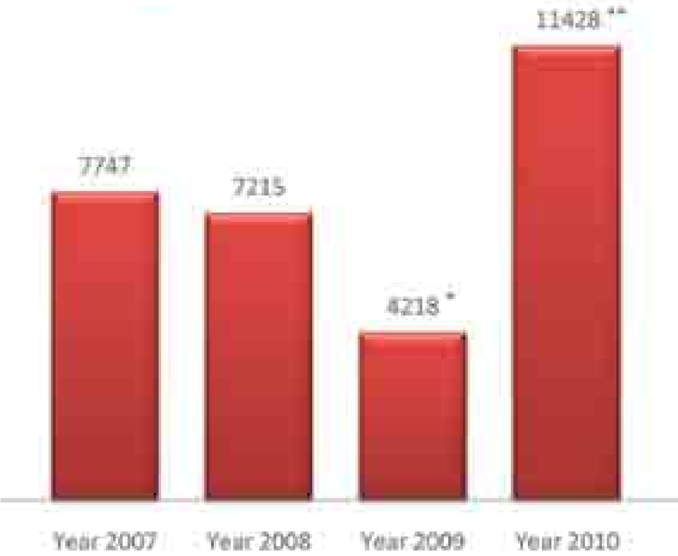
Community

'Doing Good' through Employee Volunteerism

CMS employees outdid themselves by clocking up a whopping 11,428 man-hours for community projects in 2010 compared to the previous year's 4,218 hours! This is the highest EVER man-hours achieved since the 'Doing Good' community outreach corporate social responsibility (CSR) programme was introduced in CMS in 2007.

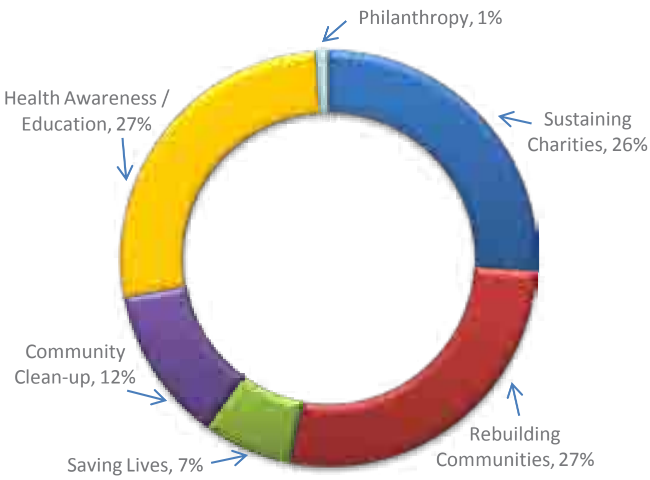
A variety of CSR programmes and activities were carried out throughout the year – fund-raising charity sales, rebuilding communities, blood donation drives and many more. Apart from the many war-stories to tell, what makes the CMS' 'Doing Good' programme so special is that our employees contribute their time and effort not for public attention but because they sincerely want to give back to the community. In addition to the care and effort, an impressive and staggering RM55,670.60 was raised by our employees for the needy community!

Man-hours Clocked up



** Reduction of 33% of employees in 2009 following disposal of CMS Roads and CMS Pavement Tech.*
*** 11,428 man hours achieved against original target of 4,500 man hours.*

How we spent our time 'Doing Good' in 2010



Sustainability

In terms of sustainability, our team's efforts in 2010 contributed to projects that were sustainable for:

Under 1 year	3,250 man-hours (28%)
1-3 years	1,152 man-hours (10%)
More than 3 years	7,026 man-hours (62%)

Highlights 2010

Sustaining Charities

- 18 April – CMS Cement raised RM1,126 in just one hour at the first ever Sarawak Society for the Prevention of Cruelty to Animals (SSPCA) Charity Food Fair held in Kuching.
- 25 April – CMS employee volunteers participated in two separate fund-raising events which collectively raised RM5,600 for Sarawak Society for the Blind.
- 2 May – CMS Infra Trading and Group Human Resources raised RM2,331 at PERKATA's (Sarawak Welfare Association for Intellectually Disabled Children) open day sale in Kuching.
- 16 May – PPES Works' Head of Federal Road Maintenance, Lai Hen Kim, shaved his head bald to raise RM2,050 in just one week to contribute much needed funds for Sarawak Children's Cancer Society.
- 27 June – 34 employee volunteers participated in an evening run of between 3 - 7 km along the streets of Kuching city to raise RM3,000 for Sarawak Children's Cancer Society.
- 28 June – Group Corporate Communications and SALCO raised RM2,383 at Kuching Autistic Association's sale-of-work event.
- 4 July – CMS employee volunteers participated in Sarawak Cheshire Home's Open Day, collecting RM8,003.40 for the benefit of disabled residents in Sarawak.
- 8 August – 70 CMS employee volunteers raised RM13,297.80 for Sarawak Children's Cancer Society at a sale-of-work held in Kuching.

Rebuilding Communities

- 10 April – 21 CMS employee volunteers helped Habitat-for-Humanity build a home for the family of Colvow anak Biod at Kampung Tabuan Rabak, Jalan Mambong-Sarig, Kuching.
- 11 April – CMS Cement (Bintulu) led by Plant Manager, Ir. Yeo Joon Chiew, helped to construct a badminton court for a 42-door Iban longhouse along Bintulu-Miri Road.
- 1 May – CMS Cement 'Do Good' along with residents of Kampung Senibong Merah to build the floor section of SIB Immanuel Chapel in Bintulu.
- 24 July – Centre Management and CMS Clinker helped build a home for a Bidayuh family at Mambong.
- 25 July – CMS Infra Trading and CMS Agrotech refurbished a village surau in Bako. Construction materials were donated by CMS Cement and CMS Concrete Products.
- 29 August – Centre Management employee volunteers helped CMS colleague, Hajijah Sunus, repair her house before Hari Raya Aidil Fitri.

- 9 October – CMS Infra Trading participated in its first home build project at Kampung Mambong-Sarig, Kuching. The house of general worker, Jobly anak Sindow, was earlier built by employee volunteers from Centre Management and CMS Clinker.
- 3 December - PPES Works' employee volunteers participated in a 'gotong- royong' to lay a gravity-feed water supply pipe mainline from Kampung Serayan to Kampung Keranji over a distance of 24 km along Kuching-Lundu-Sematan Road.

Saving Lives

- 113 pints were collected from CMS employees at Blood Donation Drives held at CMS Clinker, CMS Cement (Kuching) and CMS Cement (Bintulu). This large total does not include individual contributions, such as by Centre Management's office assistant, Mohd Taip Ahmad who was recognised by the Malaysian Red Crescent Society for giving 40 pints of blood over a period of 15 years!
- 6 November – CMS Health Run 2010 saw nearly 300 employees 'Do Good' for their health by taking part in a 6 km run around Tunku Putra School.

Corporate Sponsorship & Donations

In total, CMS Group spent RM254,698 on sponsorship and donations during 2010. This included:

- RM117,000 for the CMS Adopt-a-Mosque community programme benefiting 61 mosques and surau across Sarawak
- RM50,000 towards the Laila Taib Smile orthodontic project for orphans
- RM30,000 for the Perhimpunan Belia gathering
- RM25,000 towards the Sarawak Regatta celebrations in Kuching
- RM10,000 towards Sarawak Badan Amal Tenaga Isteri-Isteri (SABATI)'s annual activities
- RM3,000 for Swinburne University (Sarawak Campus) Best Student Awards for Civil and Mechanical Engineering

CMS continued to provide financial support during the year to the operation of Tunku Putra School. Set up by CMS in 1997 as part of its corporate social responsibility to help Sarawak develop adequate facilities to attract more FDI into the State, Tunku Putra School has grown by leaps and bounds. In 2010, CMS poured further investment into Tunku Putra School for the construction of a new double-storey block of 16 classrooms to cater for increasing demand for places at the School.

Penan Resthouse Project

While many employees did group projects, others like Samalaju Development SBU Head, Isaac Lugun, chose to 'Do Good' with a CSR project close to his heart, specifically in the village where he grew up. After spending many months in 2009 raising funds for the construction of a much-needed shelter for Penans at Long Lellang, Isaac, a Kelabit, spent the first quarter of 2010 coordinating the shelter's construction. Today, two blocks of a single-storey resthouse provide shelter for up to 30 Penans who have to walk long distances to Long Lellang to seek medical treatment at the government clinic. Commencing in January 2010, the shelter project was completed within four months.

'Wakaf' Philanthropy

CMS Deputy Group Chairman, Dato Sri Mahmud Abu Bekir Taib, showed the way to give generously to the community by building a food court of which rental income generated from its stalls is donated towards the upkeep of a local mosque and for the operations of an orphanage. Developed as a 'wakaf' project personally donated by Dato Sri Mahmud and his sister, Jamilah Taib-Murray, the food court at Petra Jaya was officially opened on 21 May by the Chief Minister of Sarawak and named Medan Hamidah. Project management of the food court's construction was handled by CMS Property Development.

Marketplace

Corporate Reporting to Shareholders

CMS' effort to present a comprehensive annual report of activities for the past year of operation to its shareholders once again won recognition from the Sarawak Chamber of Commerce and Industry (SCCI). CMS Berhad's Annual Report 2009 was announced Runner-up of the Overall Excellence Award in Corporate Reporting by SCCI in November 2010. This recent recognition proves CMS' consistency in continuing to demonstrate the highest Corporate Governance standards and transparency in corporate reporting to shareholders and the public. CMS has been a winner at the SCCI Awards programme on numerous occasions since inception of the corporate reporting awards programme 12 years ago for Sarawak registered listed entities. This includes winning the Overall Excellence Award five times previously - in 1999, 2000, 2001, 2006 and 2008.

Corporate Governance

As a public-listed entity, CMS prides itself on compliance with the strict regulations set by Bursa Malaysia and on maintaining the highest corporate governance standards. CMS Berhad continues to maintain its sterling record of zero reprimand from Bursa Malaysia.

Investor Relations

Information relevant to investors is carried in a specific section of the CMS web-site www.cmsb.com.my. Apart from dedicated sections on financial statements and Announcements to Bursa Malaysia, shareholders and interested persons can also track daily movements of CMS' share price.

CMS Group's quarterly financial performance was analysed in periodic research reports under Bursa Malaysia's CMDF-Bursa Research Scheme (CBRS), a measure to enhance liquidity by generating interest in stocks, particularly smaller capitalised ones. These reports are published on Bursa Malaysia's website for general consumption. Towards the end of 2010, CMS signed up for the third phase of CBRS, meaning analysts' reports on our Group's financial performance will continue to be made available for shareholders and the general public.

In a related exercise, Ratings Agency Malaysia (RAM) met with CMS in November to compile its annual analysis vis-à-vis the CMS Income Securities raised in 2005. RAM reaffirmed the A2 rating of the CMS Income Securities and published its report on 16 February 2011. The report is available for general consumption.

Listening to & Understanding our Customers

Listening to customers is an important part of our operations in keeping with CMS' corporate Mission to deliver products and services "On Spec & On Time". Customer satisfaction surveys are conducted regularly to gain insight to ensure continuous improvement.

CMS Cement runs an annual survey on its three main customer groups – dealers, hardware shops operators and ready-mix suppliers. The same survey was conducted in 2010. In addition, as a major manufacturer of construction materials in Sarawak, regular dialogues with industry groups are avenues for important feedback. In 2010, CMS Cement was quick to meet face-to-face with key client groups when its Kuching plant experienced delays in maintenance, thereby affecting production slightly for several weeks. CMS Cement has also set-up a dedicated e-mail address at cement@cmsb.com.my for customer feedback which are attended to promptly.

Statement of Corporate Governance

Cahya Mata Sarawak's ("CMS") approach to corporate governance is designed to ensure that its business and affairs are effectively managed in order to deliver value to the shareholders. It is a system that the Board has put in place to enhance transparency and accountability, to provide checks and balances throughout the organisational structure, whilst emphasizing increased business efficiency of the Group.

Statement of Corporate Governance

The Board would like to assure shareholders of its commitment towards maintaining the highest standards of corporate governance and the effective application of its principles and best practices throughout the Group, as set out in the Malaysian Code of Corporate Governance ("the Code"). These principles include accurate financial disclosure, an open dialogue between the Board of Directors and Management, accountability to our shareholders, and utmost integrity in all our actions.

The Board will continue to enhance its role in improving governance practices effectively to safeguard the interests of shareholders and other stakeholders.

Corporate Governance Principles

This Report, which has been considered and adopted by the Board, sets out the manner in which the Company implemented and applied the Code's principles and best practices. The Board believes that the Principles of the Code and the Best Practices outlined in the Code have, in all material respects, been complied with and adhered to.

Board of Directors

Principal Responsibilities of the Board

The Board of Directors is accountable to shareholders for the performance of CMS. Without intending to limit this general role and its statutory duties, the Board's principal functions and responsibilities include the following:

- Setting the Group's overall strategic direction and monitoring progress of these strategies.
- Authorising and monitoring investments and strategic commitments.
- Approving business plans and budgets.
- Overseeing conduct of the Company's business.
- Identifying principal risks and ensuring systems are in place to manage these risks.
- Reviewing the adequacy of the Company's system of internal controls.
- Succession planning, including appointing, fixing the compensation of, and where appropriate, replacing senior management.
- Developing investor relations programmes for the Group.
- Scrutinising and reporting to shareholders on, but not limited to, the financial statements of the Company.

Board Balance and Independence

The Board currently has nine (9) members, of which seven (7) are non-executive Directors, including the Chairman. Six (6) of the nine (9) Directors are independent Directors, which exceeds the one-third requirement set by Bursa Malaysia Securities Berhad ("Bursa Securities").

This size and composition of the Board is considered optimum, well balanced and caters effectively at present to the scope and complexity of the diverse businesses of CMS Group.

Together, the Directors have a wide range of business, financial, management, technical, private sector and public service experience. This enables the Board to provide effective leadership to the Group's strategy and performance. A brief profile of each Director is presented on pages 18 to 21 of this Annual Report.

The independent Directors, based on their breadth of knowledge and experience, provide unbiased and independent views, advice and judgment to take account the interests of all stakeholders including shareholders, employees, customers, suppliers and the communities in which the Group conducts its business. By way of their membership of the Audit Committee and the Nomination and Remuneration Committee ("NRC"), the independent Directors fulfill a self-regulating and key role in corporate accountability.

Division of Roles and Responsibilities between the Chairman and the Group Managing Director

The role of the Chairman and the Group Managing Director is separated and clearly defined to ensure a balance of power and authority. The Chairman is responsible for ensuring the Board's effectiveness and conduct, whilst the Group Managing Director has overall responsibility for the operating units, organizational effectiveness and implementation of the Board's policies and decisions. In addition, the Group Managing Director also acts as the intermediary between the Board and Management.

Appointments to the Board

The NRC recommends the appointment of new Directors to the Board. Upon appointment, new Directors undergo a familiarisation programme to facilitate a quick and comprehensive understanding of the Group. This includes a detailed information package comprising:

- Corporate and company organisation structures.
- Terms of Reference of the various Board committees.
- Profiles of key personnel.
- An overview of the Group's operations.
- Corporate governance guidelines, which have been approved by the Board, setting out specific roles, duties, responsibilities and rights of the Directors.
- Visits to the various operating businesses and meetings with senior management are arranged, as appropriate.

Re-election of Directors

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to election by shareholders at the first Annual General Meeting after their appointment. One-third of the remaining Directors are required to submit themselves for re-election by rotation at each Annual General Meeting. All Directors must submit themselves for re-election at least once in every three years. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Directors' Remuneration

The Company has adopted the objective recommended by the Code to determine remuneration for a Director to ensure that the Company attracts and retains Directors of high caliber and integrity coupled with the appropriate qualifications, skills and experience needed to run the Group successfully.

Non-Executive Directors

For Non-Executive Directors, the level of remuneration reflects the experience of and special responsibilities undertaken by the Non-Executive Director concerned. In particular, remuneration includes membership of Board Committees and directorships at subsidiary companies. Fees payable to Directors are subject to annual approval by shareholders at the Annual General Meeting.

Executive Directors

Remuneration of Executive Directors is decided through a two stage process. First, recommendations based on CMS Group policies and market rates are made for consideration of the NRC. This is followed by the Board's consideration and decision. Executive Directors' remuneration includes:

Basic salary – The basic salary of Executive Directors is commensurate with the job's expectations. This salary is structured along CMS' salary structure guidelines and job evaluation. Annual increments are approved by the CMS Board after taking into consideration cost of living adjustments, merit increments and prevailing market rates. Subject to the NRC's recommendation and the Board's approval, Executive Directors shall receive a salary increment which is based on individual and company performance.

Bonus scheme – The Group operates a bonus scheme which is linked to performance. Key Performance Indicators (KPI) are implemented to measure performance of the Group Managing Director. Bonuses in respect of all Executive Directors shall be paid based on achievements against their individual corporate and priority targets, and subject to the NRC's recommendation and the Board's approval.

ESOS – Subject to the determination and discretion of the ESOS Committee, Executive Directors who fulfill the required criteria are eligible to participate in the Company's ESOS.

Pension arrangements / contribution plans – Contributions are made to the national mandatory contribution plan, the Employees Provident Fund, for and by the Executive Directors.

Benefits-in-kind – Medical benefits, insurance coverage, leave entitlement, club membership, car and driver entitlement, and for expatriates, leave passages and housing allowance. These benefits are in line with standard market practices and rates.

Service contract – The notice period for termination of the Executive Directors' service contracts is 6 months on either side.

Remuneration paid to the Directors of the Company during 2010, analysed into bands of RM50,000, is set out in Note 9 to the Financial Statements. This complies with the disclosure requirements under the Main Market Listing Requirements of Bursa Securities. The Board is of the view that transparency and accountability with regard to Directors' remuneration is met by this disclosure method.

The number of Directors and total remuneration during the financial year ended 31 December 2010 are as follows:

Remuneration Band (RM)	Number of Directors	
	Executive	Non-Executive
50,001 – 100,000	-	3
100,001 – 150,000	-	2
650,001 – 700,000	-	1
750,001 – 800,000	-	1
1,250,001 – 1,300,000	1	-
1,500,001 – 1,550,000	1	-

Details of remuneration of the Directors of the Company during the financial year are as follows:

Remuneration (RM'000)	Executive	Non-Executive	Total
Salaries & other emoluments	2,528	1,344	3,872
Defined contribution plans	303	130	433
Fees	-	522	522
Share option granted under ESOS	410	-	410
Estimated money value of benefits-in-kind	190	84	274
Total	**3,431**	**2,080**	**5,511**

Directors' Training

All Directors have attended the required Mandatory Accreditation Programme ("MAP") within the stipulated time-frame. In addition, the Directors attended training programmes, conferences and seminars to keep abreast with relevant developments in the business environment as well as new regulatory requirements on a continuous basis in compliance with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Securities.

In 2010, the Directors attended an in-house Board Strategy Retreat facilitated by Ernst & Young Advisory Services. Other trainings attended by the Directors during the year covered a range of topics which provided the Directors with updates on business trends and management, corporate governance, audit and finance. These trainings are regarded as appropriate in providing our Directors with continuous education and enhancement of their knowledge and skills in the discharge of their responsibilities as director of a diversified public-listed group such as CMS.

A summary of training, conferences, summits, briefings and seminars attended by the Directors in 2010 is as follows:

- *Corporate Governance*
  - Understanding the Roles & Responsibilities of the Nomination and Remuneration Committee
  - Annual Directors Duties and Governance - Toward Boardroom Excellence and Corporate Governance Best Practices
  - 2nd Annual Corporate Governance Summit 2010 – "Truth, Lies and Corporate Governance"
  - Risk Management Programme
  - Protocol in the Business World

- *Management*
  - Senior Manager's Conference – "Stepping Up to Stepping Out" by Simon Treselyan
  - 15th World Aluminium Conference
  - AFFIN Islamic Masterclass on Islamic Banking

- *Financial*
  - The 6th Asia Pacific Audit & Governance Summit 2010
  - GST (Goods Services Tax) & Accounting Standards Briefing
  - Goods & Services Tax – Introduction, rationale, issues and the way forward Training on FRS by PricewaterhouseCooper
  - Competition Act 2010
  - The Economic Recovery

Board Performance Evaluation and Review

As a best practice in corporate governance, the Board carries out annual assessments on the effectiveness of the overall Board and its Board Committees. The objective is to improve the Board's effectiveness by identifying gaps, addressing weaknesses and maximising strengths.

In a combination of self and peer assessment, Directors used a series of questions to provide feedback on the level of effectiveness on various performance aspects. These included composition of the various Board committees, roles and responsibilities, performance against principal Board responsibilities, communication and information, and conduct. Responses from the Directors were analysed and presented to the NRC and the Board. Areas requiring improvement are addressed by the Board and Management.

The Board also reviewed the term of office and performance of each of the members of the Group Audit Committee for 2010 to determine whether they have carried out their duties in accordance with their Terms of Reference in addition to the Directors' assessment which is carried out annually.

Board Meetings and Supply of Information

During the year, ten (10) Board Meetings including six (6) Special Meetings were held. Attendance of Directors at the Board Meetings in 2010 is as follows:

Name of Director	Attendance at Meetings (2010)
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail (Independent, Non-Executive)	10 / 10 (100%)
Dato Sri Mahmud Abu Bekir Taib (Non-Independent, Non-Executive)	9 / 10 (90%)
Datuk Syed Ahmad Alwee Alsree (Executive)	9 / 10 (90%
Dato' Richard Curtis (Executive)	10 / 10 (100%)
Dato Sri Liang Kim Bang (Senior Independent, Non-Executive)	10 / 10 (100%)
General (R) Tan Sri Mohd Zahidi Zainuddin (Independent, Non-Executive)	9 / 10 (90%)
Datuk Wan Ali Tuanku Yubi (Independent, Non-Executive)	9 / 10 (90%)
Datu Michael Ting (Independent, Non-Executive)	10 / 10 (100%)
Mr Kevin How Kow (Independent, Non-Executive)	10 / 10 (100%)

Prior to each Board meeting, the Directors are provided with an agenda and a set of Board papers. These are issued in sufficient time to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

Senior management, as well as, advisers and professionals appointed to provide advice on corporate proposals and other specific issues may be invited to attend Board meetings. Their role is to provide the Board with views and explanation on certain agenda items tabled to the Board, and to furnish clarification on issues that may be raised by the Directors.

Board members have unlimited access to the Group Company Secretary for any further information required. Independent professional advice is also available to the Directors, as and when required, at the Company's expense.

There is a schedule of matters reserved specifically for the Board's decision, including approval of corporate plans and budgets, acquisition and disposal of undertakings and properties of a substantial value, major investments and financial decisions, as well as significant changes to the management and control structure within the Group, including key policies, procedures and delegated authority limits.

In 2010, the Board papers included the following reports and / or information:

- Group Business Overview covering:
  - Monthly financial reports of the Group.
  - Key operational issues, and the execution and/or implementation of plans.
  - The market situation in Malaysia.
  - Competitors' activities.
- Report on investment in listed associated companies (quarterly).
- Corporate Social Responsibility (half-yearly).
- Human Resources (half-yearly).
- Risk Management (quarterly) highlighting the status of key and other risks.
- Investor relations (half-yearly).
- Update on regulatory and financial matters.

Among the numerous initiatives studied and approved by the Board in 2010 were:

- Approved the establishment of the ESOS.
- Detailed risk analysis and development of an integrated business continuity plan (exercise continues in 2011).
- Overview of property development operations and The Isthmus development plan (continues in 2011).

Group Company Secretary

The Group Company Secretary takes charge of ensuring overall compliance with the Companies Act, Main Market Listing Requirements of Bursa Securities and other relevant laws and regulations. In performing this duty, the Group Company Secretary performs the following tasks:

- Ensures all appointments to the Board and its Committees are properly made.
- Maintenance of records to comply with Statutory obligations.
- Ensures that obligations arising from the Main Market Listing Requirements of Bursa Securities or other regulatory requirements are met.
- Facilitates the provision of information as requested by the Directors.

The Board may remove the Group Company Secretary.

Board Committees

The following Committees have been established to assist the Board in the execution of its responsibilities. The Committees have written terms of reference which have been approved by the Board and set out their authority and duties.

Directors' Membership on Board Committees

Name of Director	NRC	Group Audit	Group Risk	ESOS
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail (Independent, Non-Executive)	✓ (Chairman)	✓		✓ (Chairman)
Dato Sri Mahmud Abu Bekir Taib (Non-Independent, Non-Executive)	✓			✓
Datuk Syed Ahmad Alwee Alsree (Executive)	✓		✓ (Chairman)	✓
Dato' Richard Curtis (Executive)			✓	

Continued on page 54

Name of Director	NRC	Group Audit	Group Risk	ESOS
Dato Sri Liang Kim Bang (Senior Independent, Non-Executive)				
General (R) Tan Sri Mohd Zahidi Zainuddin (Independent, Non-Executive)	✓			✓
Datuk Wan Ali Tuanku Yubi (Independent, Non-Executive)	✓		✓	✓
Datu Michael Ting (Independent, Non-Executive)	✓	✓		✓
Mr Kevin How Kow (Independent, Non-Executive)		✓ (Chairman)	✓	

The Company has four principal Board Committees:

a. NRC

The NRC is responsible for:

Membership to the Board of Directors and Board Committees:

- Determining criteria for Board membership and annual review of the effectiveness and efficiency of the Board and its Committees.
- Evaluating and proposing new appointments to the Board.
- Establishing a succession plan at the Board-level and a framework for appointment, development and succession for senior management of the Group.
- Recommending appropriate training for Directors.
- Ensuring investments of minority shareholders are fairly reflected on the Board.

Remuneration of Directors, Board Committees and senior management:

- Recommending a policy and framework for performance evaluation and remuneration of the Directors, both non-executive and executive, and for senior management of the Group.
- Evaluating performance procedures and ensuring remuneration packages are competitive and realistic, with an emphasis on performance.
- Ensuring performance targets are consistent with interests of the shareholders and to maintain an appropriate balance between long and short term goals.

The NRC meets at least once a year. Four of the six Directors on this Committee are independent directors. The members of the NRC together with their attendance at Committee Meetings in 2010 are set as follows:

NRC	Attendance at Meetings (2010)
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail (Independent, Non-Executive) - Chairman	7 / 7 (100%)
Dato Sri Mahmud Abu Bekir Taib (Non-Independent, Non-Executive)	7 / 7 (100%)
Datuk Syed Ahmad Alwee Alsree (Executive)	5 / 7 (71%)
General (R) Tan Sri Mohd Zahidi Zainuddin (Independent, Non-Executive)	7 / 7 (100%)
Datuk Wan Ali Tuanku Yubi (Independent, Non-Executive)	4 / 7 (57%)
Datu Michael Ting (Independent, Non-Executive)	6 / 7 (86%)

b. Group Audit Committee

The terms of reference, composition and a summary of the activities of the Group Audit Committee are set out separately on pages 60 to 62 of this Annual Report.

c. Group Risk Committee

The Group Risk Committee was established to ensure the effective management of risk at CMS Group-level. The Committee meets at least once in every quarter and is responsible to :

- Provide direction, oversight and advice to the Risk Management process.
- Monitor material risk exposure with potentially significant business impact or those requiring a group-wide response.
- Review the Risk Management structure, framework, process and support systems.
- Review and deliberate on key issues and mitigation strategies.
- Advise the Board on risk-related issues and recommend strategies, policies and risk tolerance for the Board's information and approval.

The members of the Group Risk Committee together with their attendance at Committee meetings are set as follows:

Group Risk Committee	Attendance at Meetings (2010)
Datuk Syed Ahmad Alwee Alsree (Executive) - Chairman	3 / 3 (100%)
Dato' Richard Curtis (Executive)	3 / 3 (100%)
Datuk Wan Ali Tuanku Yubi (Independent, Non-Executive)	2 / 3 (67%)
Mr Kevin How Kow (Independent, Non-Executive)	3 / 3 (100%)

d. ESOS Committee

Pursuant to ESOS By-law 17, the Board of Directors had, on 27 May 2010, established an ESOS Committee to administer the ESOS and regulate the Committee's own proceedings in such manner as it shall in its discretion deem fit and with such powers and duties as are conferred upon it by the Board including the powers to:

- Construe and interpret the ESOS and share option(s) under the ESOS ["Option(s)"] granted under it, to define the terms therein and to recommend to the Board to establish, amend and revoke rules and regulations relating to the ESOS and its administration. The Committee in the exercise of this power may correct any defect, supply any omission or reconcile any inconsistency in the ESOS or in any agreement providing for an Option in a manner and to the extent it shall deem necessary to expedite and make the ESOS fully effective; and
- Determine all questions of policy and expediency that may arise in the administration of the ESOS and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of the Company.

The ESOS Committee is comprised of six (6) Directors of whom four (4) are Independent Non-Executive Directors. The Committee is required to meet at least once a year and upon request by the Members.

The members of the ESOS Committee together with their attendance at Committee meetings in 2010 is as follows:

ESOS Committee	Attendance at Meetings (2010)
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail (Independent, Non-Executive) - Chairman	3 / 3 (100%)
Dato Sri Mahmud Abu Bekir Taib (Non-Independent, Non-Executive)	2 / 3 (67%)
Datuk Syed Ahmad Alwee Alsree (Executive)	2 / 3 (67%)
General (R) Tan Sri Mohd Zahidi Zainuddin (Independent, Non-Executive)	2 / 3 (67%)
Datuk Wan Ali Tuanku Yubi (Independent, Non-Executive)	3 / 3 (100%)
Datu Michael Ting (Independent, Non-Executive)	3 / 3 (100%)

Communicating with Shareholders and Investors

Shareholders, Stakeholders and Investors

The Company seeks to develop and maintain regular informative communications with its shareholders totaling over 5,600. In ensuring this, CMS actively communicates with investors, shareholders and stakeholders through:

- The timely release of financial results on a quarterly basis to provide shareholders with an overview of the Group's performance and operations.
- Dialogue with shareholders at the Annual General Meeting.
- A full copy of the Annual Report and Financial Statements is sent to all shareholders each year.
- Press releases and announcements to Bursa Securities and the Media.
- The Company's website, www.cmsb.com.my, which includes press releases, announcements to Bursa Securities and the consolidated quarterly financial results of the Group keeps shareholders up-to-date with the activities and progress of the Group.

Queries or concerns regarding CMS may be conveyed to:

General enquiries

Y Bhg Dato Sri Liang Kim Bang
Senior Independent, Non-Executive Director
T +60 82 238 888 F +60 82 341 719
E senior.director@cmsb.com.my

Shareholders' enquiries

Denise Koo Swee Pheng
Group Company Secretary
T +60 82 238 888 F +60 82 341 719
E denisek@hq.cmsb.com.my

Finance-related

Tuan Syed Hizam Alsagoff
Group Chief Financial Officer
T +60 82 238 888 F +60 82 481 545
E alsagoff@hq.cmsb.com.my

Investor relations

Eda Ahmad
General Manager
- Group Corporate Communications
T +60 82 238 888 F +60 82 338 611
E eda@hq.cmsb.com.my

Annual General Meeting ("AGM")

The AGM is the principal forum for dialogue with all shareholders who are given sufficient opportunity to enquire about the Group's activities and prospects, as well as to communicate their expectations and concerns. Shareholders are encouraged to participate in the Question and Answer session on the various resolutions being proposed or about the Group's operations in general. The Group Company Secretary, where appropriate, will endeavour to provide the Shareholders with written answers to any significant questions that cannot be readily answered during the AGM. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board, as well as external auditors of the Company, are present to answer questions raised at the AGM.

Each notice of a general meeting, which includes items of special business, will be accompanied by a statement regarding the effect of the proposed resolution in respect of such special business. Separate resolutions are proposed for substantially separate issues at the AGM.

Accountability and Audit

Financial Reporting

In presenting the annual financial statements and announcement of results to shareholders, the Directors aim to present a balanced and understandable assessment the Group's position and prospects.

The Directors consider that, in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates.
All accounting standards which the Board considers applicable have been followed. Additional notes and data which go beyond the minimum requirements are published whenever the Board considers amplification is required to give shareholders a proper understanding of the Group and its activities.

Internal Control

The Group's Statement on Internal Control is set out on page 57 to 59 of this Annual Report.

Relationship with the Auditors

Through the Audit Committee, the Board has established transparent and appropriate relationships with the Group's auditors, both external and internal. The non-audit fees charged by external auditors during the year ended 31 December 2010 amounted to RM44,200 (2009: RM546,000).

This Statement is made in accordance with a resolution of the Board of Directors dated 1 April 2011.

Statement on Internal Control

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets. This Statement prepared in accordance with paragraph 15.26(b) of the Main Market Listing Requirements ("LR") of Bursa Securities has been approved by the Board and reviewed by the external auditors as required under paragraph 15.23 of the LR. Based on their review, the external auditors have reported to the Board of Directors ("Board") that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the internal control systems of the Group.

Responsibility

The Board recognises its responsibilities for and the importance of sound internal controls and risk management practices, and for reviewing the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate risk. In addition, any system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board does not regularly review the risk management and internal control systems of its associated companies as it does not have direct control over their operations. The Company's interests are served through representation on the Boards of the associated companies and the receipt of quarterly financial reports thereon. These representations also provide the Board with information to assess the performance of the Group's investments.

The Board has established procedures to implement the recommendations of Bursa Securities LR's "Statement on Internal Control: Guidance for Directors of Public Listed Companies". These procedures, which are subject to regular review, are intended to provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

Risk Management

Risk Policy

Risk management is regarded by the Board as an integral part of the business operations. Management at all levels have a collective responsibility for creating a risk aware culture and ensuring that business risk assessment becomes an explicit part of both management and the Strategic Business Unit ("SBU") / CMS Board level decision making process. Management also has responsibility for managing risks and ensuring appropriate control measures are in place or being developed to mitigate significant risks identified and ensuring compliance with applicable laws and regulations.

The main underlying principles of the Group risk policy are:

- Informed risk management is an essential element of the CMS / SBU / subsidiary strategy.
- Effective risk management provides greater assurance that the Group's strategy and business objectives will be achieved without major surprises.
- Each SBU (and business unit therein) and subsidiary company are responsible for managing risks that can impact the achievement of their business objectives.
- All significant risks are to be identified, analysed, prioritised, monitored and reported.

Risk Reporting

The Group's risk management process provides for regular review, reporting and monitoring. In addition to the monthly operations performance reviews focused on monitoring the achievement of financial objectives and other key performance indicators, the main elements of the risk reporting process are:

- Presentation of a summary of the significant risks to the Group Risk Committee / Board of Directors on a quarterly basis.
- Reporting of significant risks by SBU and subsidiaries in their annual management plans.
- Reporting of significant risks by SBU and subsidiaries on a quarterly basis to the holding company.
- Review and monitoring of key risks during the management meetings of the business units.

Risk coordinators have been appointed in each significant SBU or subsidiary unit to update the quarterly risk reports. The major risks are aggregated and risk ratings reviewed by the Group Risk Coordinators and Group Managing Director before presentation to the Group Risk Committee / Board. Major operating units are also required to present quarterly risk reports to their respective Boards to assist them to discharge their governance and fiduciary duties.

Key Elements of the Internal Control System

The key elements of the Group's internal control system are described below:

- Clearly defined delegation of responsibilities to Committees of the Board and the management, including authorization levels for all aspects of the businesses. Such delegation is subject to periodic review throughout the year as to their implementation and for their continuing suitability.
- Clearly documented internal procedures set out in the Group Financial Policies and Procedures Manual.
- A detailed Group Procurement Policies and Procedures Manual to regulate procurement of goods and services in the Group. This includes the centralisation of competitive sourcing and evaluation of major purchases to leverage Group buying power and the establishment of a Central Tender Committee which has responsibility to review and endorse all high value purchases in the Group.
- A detailed strategic planning and budgeting process where operating units prepare business plans and detailed capital and operating budgets for the coming year. These plans are approved by the Board.
- All major business commitments or investments will be subject to review in accordance with the procedures set out in the Limits of Authority Manual so as to ensure that all such investments meet the risk appetite and investment criteria determined by the Board and that SBU's operating budget.
- A performance management system has been implemented wherein individual performance of key executives will be monitored against agreed targets (Key Performance Indicators) to strengthen accountability controls and to instill a stronger performance culture.
- Monitoring of monthly results against budget through the monthly operations review meetings with subsidiaries with major variances being followed up and management action taken, where necessary.
- An independent Audit Committee comprising non-executive members of the Board, all being independent directors.

- Regular internal audit activities to assess the adequacy of internal controls, integrity of financial information provided and the extent of compliance with established procedures.
- An emphasis on the quality and ability of employees with continuing education, training and development being actively encouraged through a wide variety of programs.
- All significant contracts and legally enforceable agreements are vetted by the Group's Legal Department.

There were no significant weaknesses in internal control that resulted in material financial losses during the current financial year.

The above control arrangements being in place provide reasonable assurance to the Board that the structure of controls is appropriate to the Group's operations and that risks are managed to an acceptable level throughout the Group's diverse businesses. Such arrangements, however, do not eliminate the possibility of human error or deliberate circumvention of control procedures by employees or others.

This Statement is made in accordance with a resolution of the Board of Directors dated 1 April 2011.

Group Audit Committee Report

This report provides details of the composition of the Group Audit Committee ("the Committee"), its terms of reference and a summary of activities of the Committee and the Internal Audit function during the year ended 31 December 2010.

Composition

The Group Audit Committee comprises the following Board members:

Mr Kevin How Kow – Chairman
(Independent, Non–Executive Director)

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail
(Independent, Non–Executive Director)

Datu Michael Ting Kuok Ngie
(Independent, Non-Executive Director)

Terms of Reference of the Group Audit Committee

1. Constitution

i. The Committee was established by a resolution of the Board on 27 March 1995.

ii. The functions of the Committee shall extend to CMS Group of Companies collectively referred to as the "Group".

iii. The Board shall ensure that the composition and functions of the Committee comply as far as possible with both Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") as well as other regulatory requirements.

2. Membership

i. The members of the Committee shall be appointed by the Board from among their number. They shall consist of not more than five members and not fewer than three members, of whom a majority shall be independent non-executive directors.

ii. At least one member of the Committee:
   a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
   b) if he is not a member of the MIA, he must have at least 3 years' working experience and –
      - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
      - he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
   c) fulfills such other requirements as prescribed or approved by Bursa Malaysia.

iii. In the event of any vacancy resulting in the non-compliance of para 2(i) above, the Board shall, within three months of that event, appoint such number of new members required to fulfill the minimum requirement. No alternate director may be appointed as a member of the Committee.

iv. The Chairman of the Committee shall be an independent director appointed by the Board.

v. All members of the Committee, including the Chairman, shall hold office only so long as they serve as Directors of the Company.

3. Objectives

i. To assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices for the Group.

ii. To maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors.

iii. To avail to the external and internal auditors a private and confidential audience at any time they desire and to request such audience through the Chairman of the Committee, with or without the prior knowledge of Management.

iv. To act upon the Board of Directors' request to investigate and report on any issue or concern with regard to the management of the Group.

4. Duties

i. To review with the external auditors the audit plan and their evaluation of the system of internal controls and audit report.

ii. To review any letter of resignation from the external auditors and whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.

iii. To recommend the nomination of a person or persons as external auditors.

iv. To review the assistance given by the Company's and the Group's employees to the auditors.

v. To approve the appointment or termination of the Group Internal Auditor and ensure that the Group Internal Audit Division is adequately resourced and has an independent status within the Group.

vi. To review any appraisal or assessment of the performance of staff of the internal audit function.

vii. To review the adequacy of the scope of work, functions, competencies and resources of the internal audit function, and ensure that appropriate action is taken by Management in respect of the audit observations and the Committee's recommendations.

viii. To review the quarterly financial results to Bursa Securities and year end audited financial statements before submission to the Board. The review should focus primarily on:

- changes in significant accounting policies
- significant and unusual events and major judgemental areas; and
- compliance with approved accounting standards and other relevant regulatory and legal requirements.

ix. To review any related party transaction and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or conduct that raises questions of management integrity.

x. To direct any special investigations on the Group's operations to be carried out by the Group Internal Audit Division or any other appropriate agencies.

xi. To discuss problems and reservations arising out of external or internal audits and any matters which the auditors wish to bring up in the absence of Management or the Executive Directors of the Group where necessary.

xii. To perform other related duties as may be agreed by the Committee and the Board.

5. Authority

i. The Committee is authorised to investigate any matter within its terms of reference and shall have unrestricted access to obtain any information it requires from any employee of the Group.

ii. The Committee is authorised to direct any employee of the Group to appear before it to give information or clarification as required.

iii. The Committee is also authorised by the Board to obtain outside legal or any other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise.

iv. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa Securities Listing Requirements, the Committee is also required to promptly report such matter to Bursa Malaysia.

6. Meetings and Minutes

i. The Committee shall meet not less than four times a year although additional meetings may be called at any time at the Chairman's discretion. The quorum of each meeting shall be a majority of independent non-executive directors.

ii. In addition to the Committee members, the meeting will normally be attended by representatives of the external auditors, the Group Managing Director, the Group Chief Financial Officer, the Group Internal Auditor and any appropriate persons as determined by the Chairman.

iii. The Company Secretary shall be the Secretary to the Committee. Prior to the meeting, he shall send an agenda to all members of the Committee. Minutes of each meeting shall be kept and distributed to each member of the Committee and the Board. The Chairman shall provide to the Board a report of the Committee meetings.

Meetings In 2010

During the year ended 31 December 2010, the Committee held five meetings which were attended by the members as follows:

Name of Director	Total Meetings Attended
Mr Kevin How Kow	5 / 5 (100%)
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	5 / 5 (100%)
Datu Michael Ting Kuok Ngie	5 / 5 (100%)

The Committee held two meetings with the external auditors on 25 March 2010 and 25 November 2010 without the presence of Management to discuss the results of the audit, extent of cooperation provided by the Company and officers and any other observations that they may have during the annual audit.

Activities of the Committee in the Year 2010

- Reviewed the audit plan with the external auditors and their evaluation of the system of internal control;
- Reviewed the assistance given by the Company's and Group's officers to the external auditors;
- Reviewed accounting/audit issues, findings and other reservations arising from the external audit and ensure that appropriate action is taken;
- Reviewed the independence and objectivity of the external auditors and the services provided;
- Reviewed the adequacy of the internal audit plans, scope of examination and internal audit reports and ensure that appropriate action is taken by management in respect of the audit findings and the Committee's recommendations;
- Reviewed the quarterly and year end financial results of the Company and the Group prior to making a recommendation to the Board for approval and public release thereof;
- Reviewed the Statement of Related Party Transactions and Procedures;
- Reviewed the Statement of Internal Control and the Audit Committee Report before they were presented to the Board of Directors;
- Considered and recommended to the Board the reappointment of the external auditors of the Group and the audit fees; and
- Reviewed the appraisal of the performance of the internal audit staff.

Statement of Verification on Allocation of Options Pursuant to Employees' Share Option Scheme ("ESOS")

Paragraph 8.21 of Chapter 8 of the MMLR requires the Audit Committee to verify the allocation of options under the ESOS to comply with the criteria on the allocation of options at the end of each financial year.

The share options offered and granted to eligible employees of the Group in pursuant of the criteria as set out in the by-laws of the Company's ESOS during the financial year ended 2010 have been audited by Group Internal Audit. The Group Audit Committee having reviewed the Internal Audit report thereon is satisfied that these options have been allocated in compliance with the by-laws of the Company's ESOS.

Internal Audit Function

The Company has an Internal Audit Division whose primary responsibility is to conduct regular and systematic audits of the significant operations of the Group based on assessed risks so as to provide reasonable assurance to the Committee of the adequacy of the systems of internal control within the Group. The annual group internal audit plan is approved by the Committee each year. The Internal Audit function, which is independent of the activities they audit, has carried out several planned audits and special ad-hoc reviews during the year. Reports on the adequacy of controls and extent of compliance with internal financial policies and operational procedures in respect of the areas audited and recommendations to improve the existing systems of internal control and operational effectiveness have been provided to both operations management and the Committee.

The Group Internal Audit Department is staffed by a team of 7 and the cost of maintaining the function in 2010 amounted to RM1,043,000.

This Statement is made in accordance with a resolution of the Board of Directors dated 1 April 2011.

Additional Compliance Information

The following information is presented in compliance with the Main Market Listing Requirements of Bursa Securities:

Share Buy-backs
CMS did not enter into any share buy-back transactions during the financial year ended 31 December 2010.

Options, Warrants or Convertible Securities
CMS did not issue any options, warrants or convertible securities during the financial year ended 31 December 2010, except for Cahya Mata Sarawak Berhad's Employees' Share Option Scheme as disclosed in Note 37 of the financial statements.

American Depository Receipt (ADR) / Global Depository Receipt (GDR)
During the financial year, CMS did not sponsor any ADR or GDR programme.

Sanctions and / or Penalties
There were no sanctions or penalties imposed on CMS and its subsidiary companies, directors, or management by the relevant regulatory bodies during the financial year.

Non-Audit Fees
Non-audit fees of RM44,200 were paid to the external auditors for the financial year ended 31 December 2010.

Variation in Results
There were no variances of more than 10% for the audited results of the Group from the unaudited results as announced on 25 February 2011.

Profit Guarantee
There was no profit guarantee by CMS and its subsidiary companies during the financial year under review.

Material Contracts
There were no material contracts entered during the financial year ended 31 December 2010 by CMS and its subsidiary companies involving Directors and major shareholders.

Revaluation Policy
The Group does not adopt a policy of regular revaluation on landed properties.

Recurrent Related Party Transactions of a Revenue Nature
At the Annual General Meeting held on 27 May 2010, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

Details of recurrent related party transactions conducted during the financial year ended 31 December 2010 pursuant to the Shareholders' Mandate are disclosed in Note 40 of the financial statements.

Statement of Directors' Responsibility

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flows of the Group and the Company for the financial year.

As required by the Act and Main Market Listing Requirements of Bursa Securities, the financial statements have been prepared in accordance with the applicable Financial Reporting Standards in Malaysia, the provisions of the Act and Main Market Listing Requirements of Bursa Securities.

The Directors consider that in preparing the financial statements for the year ended 31 December 2010 set out on pages 73 to 152, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates.

The Directors have responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Act.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This Statement is made in accordance with a resolution of the Board of Directors dated 1 April 2011.

Financial Calendar

27 May 2010
Unaudited consolidated results for the 1st Quarter ended 31 March 2010 were announced.

27 May 2010
Cahya Mata Sarawak Berhad's 35th Annual General Meeting was held in Kuching.

23 July 2010
A first and final dividend of 5 sen per share less 25% taxation for the year ended 31 December 2009 amounting to RM12,354,219 was paid to shareholders.

30 August 2010
Unaudited consolidated results for the 2nd Quarter ended 30 June 2010 were announced.

26 November 2010
Unaudited consolidated results for the 3rd Quarter ended 30 September 2010 were announced.

25 February 2011
Unaudited consolidated results for the 4th Quarter ended 31 December 2010 were announced.

Unaudited Consolidated Results of Continuing Operations for 2010

Profit Before Tax (RM)	2010	2009
Quarter ended 31 March	21.35 mil.	9.67 mil.
Quarter ended 30 June	16.62 mil.	20.61 mil.
Quarter ended 30 September	30.64 mil.	33.11 mil.
Quarter ended 31 December	48.64 mil.	60.90 mil.

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

Principal activities

The Company is principally an investment holding company. It also provides centralised treasury and administrative services to the Group.

The Group is principally engaged in clinker and cement manufacturing, construction and quarry operations, property development, trading and services.

The principal activities of the subsidiaries are more particularly set out in Note 19 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit net of tax	**89,700**	**15,476**
Profit attributable to:		
Owners of the parent	**65,781**	**15,476**
Minority interests	**23,919**	**-**
	89,700	**15,476**

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than the effects arising from the changes in accounting policies due to the adoption of FRS 139 Financial Instruments: Recognition and Measurement which has resulted in an increase in the Group's and the Company's profit net of tax by RM3,036,000 and RM3,032,000 respectively as disclosed in Note 2.2 to the financial statements.

Dividends

The amount of dividend paid by the Company since 31 December 2009 was as follows:

In respect of the financial year ended 31 December 2009 as reported in the directors' report of that year:

	RM'000
First and final dividend of 5% less 25% taxation, on 329,445,840 ordinary shares, declared on 27 May 2010 and paid on 23 July 2010	**12,354**

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2010 of 5% less 25% taxation and a special dividend of 5% less 25% taxation on 329,445,840 ordinary shares, amounting to a dividend payable of RM24,708,438 (7.50 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2011.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	Group Chairman
Dato Sri Mahmud Abu Bekir Taib	Deputy Group Chairman
Dato Sri Liang Kim Bang	
General (R) Tan Sri Dato' Seri Mohd Zahidi bin Zainuddin	
Datuk Wan Ali Tuanku Yubi	
Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	
Kevin How Kow	
Datuk Syed Ahmad Alwee Alsree	Group Executive Director
Dato' Richard Alexander John Curtis	Group Managing Director

Dato Sri Liang Kim Bang and Datu Michael Ting Kuok Ngie @ Ting Kok Ngie retire pursuant to Section 129 of the Companies Act, 1965 and resolutions are being proposed for their re-appointments as directors under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

In accordance with Article 110 of the Company's Articles of Association, Dato Sri Mahmud Abu Bekir Taib and General (R) Tan Sri Dato' Seri Mohd Zahidi bin Zainuddin retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employees' Share Option Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 40 to the financial statements.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee carries out the annual review of the Group's remuneration policy in general, and determines the remuneration packages of executive directors of the Company. The Nomination and Remuneration Committee proposes, subject to the approval of the respective Boards, the remuneration to be paid to each director for his services as a Member of the Board as well as committees of the Board in respect of the Group.

The members of the Nomination and Remuneration Committee comprising a majority of the independent non-executive directors of the Company who have served since the date of the last report are:

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail
Dato Sri Mahmud Abu Bekir Taib
General (R) Tan Sri Dato' Seri Mohd Zahidi bin Zainuddin
Datuk Wan Ali Tuanku Yubi
Datu Michael Ting Kuok Ngie @ Ting Kok Ngie
Datuk Syed Ahmad Alwee Alsree

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM1 each		
	At 1.1.2010	**Acquired**	**At 31.12.2010**
Direct interest:			
Dato Sri Mahmud Abu Bekir Taib	**29,400,085**	**-**	**29,400,085**
General (R) Tan Sri Dato' Seri Mohd Zahidi bin Zainuddin	**20,000**	**30,000**	**50,000**
Indirect interest*:			
Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	**19,000**	**-**	**19,000**
Datuk Syed Ahmad Alwee Alsree	**45,630,102**	**-**	**45,630,102**

* Deemed interest pursuant to Section 134(12)(c) of the Companies Act, 1965.

	Number of options over ordinary shares of RM1 each		
	At 1.1.2010	**Granted**	**At 31.12.2010**
Datuk Syed Ahmad Alwee Alsree	**-**	**1,000,000**	**1,000,000**
Dato' Richard Alexander John Curtis	**-**	**950,000**	**950,000**

None of the other directors in office at the end of the financial year had any interest in shares and options over shares in the Company during the financial year.

Employees' Share Option Scheme

At an Extraordinary General Meeting held on 27 May 2010, the shareholders approved the Employees' Share Option Scheme ("ESOS") for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible executive directors and eligible employees of the Company and/or its eligible subsidiaries.

The committee administering the ESOS comprises six directors:

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail
Dato Sri Mahmud Abu Bekir Taib
Datuk Syed Ahmad Alwee Alsree
General (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin
Datuk Wan Ali Tuanku Yubi
Datu Michael Ting Kuok Ngie @ Ting Kok Ngie

The salient features and other terms of the ESOS are disclosed in Note 37 to the financial statements.

During the financial year, the Company granted 20,196,500 share options under the ESOS. These options expire on 22 June 2015 and are exercisable at an exercise price of RM2.20 per share if vesting conditions as detailed in Note 37 to the financial statements are met.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders and their holdings, who have been granted options to subscribe for less than 800,000 ordinary shares of RM1 each.

The names of option holders granted options to subscribe for 800,000 or more ordinary shares of RM1 during the financial year are as follows:

	Number of options over ordinary shares of RM1 each		
	At 1.1.2010	**Granted**	**At 31.12.2010**
Syed Hizam bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff	**-**	**850,000**	**850,000**
Isaac Lugun	**-**	**850,000**	**850,000**

Details of options granted to directors are disclosed in the section on Directors' interests in this report.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Event occurring after the reporting date

Details of an event occurring after the reporting date are disclosed in Note 46 to the financial statements.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 April 2011.

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail

Dato' Richard Alexander John Curtis

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

We, **Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail** and **Dato' Richard Alexander John Curtis**, being two of the directors of **Cahya Mata Sarawak Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 73 to 151 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

The information set out in Note 49 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 1 April 2011.

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail

Dato' Richard Alexander John Curtis

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Syed Hizam bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff**, being the officer primarily responsible for the financial management of **Cahya Mata Sarawak Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 73 to 151 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Syed Hizam bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff
Group Chief Financial Officer

Subscribed and solemnly declared by the abovenamed **Syed Hizam bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff** at Kuala Lumpur in Wilayah Persekutuan on 1 April 2011

Before me,

Commissioner of Oaths
Kuala Lumpur

Independent Auditors' Report

to the Members of Cahya Mata Sarawak Berhad

(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Cahya Mata Sarawak Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 73 to 151.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 19 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Independent Auditors' Report

to the Members of Cahya Mata Sarawak Berhad

(Incorporated in Malaysia)

Report on other legal and regulatory requirements (contd.)

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 49 on page 152 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Yong Chung Sing
1052/09/12 (J)
Chartered Accountant

Kuching, Malaysia
Date: 1 April 2011

Statements of Comprehensive Income
For the financial year ended 31 December 2010

	Note	Group		Company	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Continuing operations					
Revenue	4	**943,476**	874,600	**96,998**	49,085
Cost of sales		**(732,757)**	(685,462)	**(5,929)**	(3,612)
Gross profit		**210,719**	189,138	**91,069**	45,473
Other items of income					
Interest income	5(a)	**2,791**	711	**-**	-
Other income	5(b)	**12,963**	24,929	**6,900**	20,477
Other items of expense					
Administrative expenses		**(56,723)**	(50,287)	**(23,592)**	(21,058)
Selling and marketing expenses		**(7,306)**	(6,834)	**-**	-
Finance costs	6	**(30,802)**	(37,524)	**(18,772)**	(24,050)
Other expenses		**(17,301)**	(7,962)	**(36,545)**	(2,925)
Share of results of associates		**6,233**	11,712	**-**	-
Share of results of jointly controlled entities		**(1,778)**	409	**-**	-
Profit before tax from continuing operations	7	**118,796**	124,292	**19,060**	17,917
Income tax expense	10	**(29,096)**	(35,461)	**(3,584)**	(7,709)
Profit from continuing operations, net of tax		**89,700**	88,831	**15,476**	10,208
Discontinued operation					
Loss from discontinued operation, net of tax	11	**-**	(25,766)	**-**	-
Profit net of tax		**89,700**	63,065	**15,476**	10,208
Other comprehensive income:					
Foreign currency translation, net of tax		**56**	(12)	**-**	-
Share of other comprehensive income of associates, net of tax		**(1,285)**	-	**-**	-
Other comprehensive income for the year, net of tax		**(1,229)**	(12)	**-**	-
Total comprehensive income for the year		**88,471**	63,053	**15,476**	10,208
Profit attributable to:					
Owners of the parent		**65,781**	40,989	**15,476**	10,208
Minority interests		**23,919**	22,076	**-**	-
		89,700	63,065	**15,476**	10,208
Total comprehensive income attributable to:					
Owners of the parent		**64,596**	40,983	**15,476**	10,208
Minority interests		**23,875**	22,070	**-**	-
		88,471	63,053	**15,476**	10,208
Earnings per share attributable to owners of the parent (sen per share):					
Basic					
For profit from continuing operations	12	**19.97**	20.26		
For loss from discontinued operation	12	**-**	(7.82)		
For profit for the year		**19.97**	12.44		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2010

		Group			Company	
	Note	2010	2009 (Restated)	As at 1.1.2009 (Restated)	2010	2009 (Restated)
		RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	13	**325,545**	333,693	355,047	**3,817**	3,546
Prepaid land lease payments	14	**19,235**	8,115	7,995	**11,842**	421
Land held for property development	15(a)	**62,924**	40,255	39,875	**-**	-
Investment properties	16	**6,095**	6,095	6,212	**20,475**	20,472
Intangible assets	17	**3,352**	14,062	14,290	**1,311**	1,759
Goodwill on consolidation	18	**61,709**	61,709	61,709	**-**	-
Investments in subsidiaries	19	**-**	-	-	**1,128,670**	1,066,797
Investments in associates	20	**278,152**	283,964	757,106	**32,302**	32,302
Investments in jointly controlled entities	21	**2,635**	6,063	6,494	**-**	-
Deferred tax assets	22	**16,700**	20,000	22,049	**-**	-
Investment securities	25	**300**	-	165,764	**-**	-
Other receivables	26	**-**	-	-	**3,730**	-
		776,647	773,956	1,436,541	**1,202,147**	1,125,297
Current assets						
Property development costs	15(b)	**130,152**	169,236	126,989	**-**	-
Inventories	23	**86,727**	86,740	98,797	**-**	-
Investment securities	25	**87,904**	101,917	49,750	**87,904**	101,894
Trade and other receivables	26	**206,960**	216,710	228,813	**84,284**	57,101
Other current assets	27	**39,850**	33,743	28,789	**1**	1
Tax recoverable		**13,098**	4,494	4,317	**11,836**	3,137
Cash and bank balances	28	**773,484**	437,888	353,140	**753,990**	404,726
		1,338,175	1,050,728	890,595	**938,015**	566,859
Assets classified as held for sale	11	**-**	464,618	-	**-**	-
		1,338,175	1,515,346	890,595	**938,015**	566,859
TOTAL ASSETS		**2,114,822**	2,289,302	2,327,136	**2,140,162**	1,692,156

Statements of Financial Position
As at 31 December 2010 (contd.)

		Group			Company	
	Note	2010 RM'000	2009 (Restated) RM'000	As at 1.1.2009 (Restated) RM'000	2010 RM'000	2009 (Restated) RM'000
EQUITY AND LIABILITIES						
Current liabilities						
Trade and other payables	29	**210,707**	199,375	224,614	**978,406**	457,495
Other current liabilities	30	**12,595**	66,965	6,895	**-**	-
Loans and borrowings	31	**219,900**	256,156	269,231	**85,544**	81,623
Income tax payable		**6,717**	6,027	4,651	**-**	-
		449,919	528,523	505,391	**1,063,950**	539,118
Net current assets/(liabilities)		**888,256**	986,823	385,204	**(125,935)**	27,741
Non-current liabilities						
Loans and borrowings	31	**174,686**	278,080	385,975	**85,242**	170,521
Deferred tax liabilities	22	**21,937**	22,251	20,662	**276**	419
		196,623	300,331	406,637	**85,518**	170,940
TOTAL LIABILITIES		**646,542**	828,854	912,028	**1,149,468**	710,058
Net assets		**1,468,280**	1,460,448	1,415,108	**990,694**	982,098
Equity attributable to owners of the parent						
Share capital	34	**329,446**	329,446	329,446	**329,446**	329,446
Share premium		**427,516**	427,516	427,513	**427,513**	427,513
Other reserves	35	**25,157**	44,261	24,880	**184,876**	180,633
Retained earnings	36	**530,548**	476,747	466,986	**48,859**	44,506
		1,312,667	1,277,970	1,248,825	**990,694**	982,098
Minority interests		**155,613**	182,478	166,283	**-**	-
TOTAL EQUITY		**1,468,280**	1,460,448	1,415,108	**990,694**	982,098
TOTAL EQUITY AND LIABILITIES		**2,114,822**	2,289,302	2,327,136	**2,140,162**	1,692,156

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity
For the financial year ended 31 December 2010

2010 Group	Note	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Share capital (Note 34) RM'000	Share premium RM'000	Other reserves (Note 35) RM'000	Retained earnings (Note 36) RM'000	Minority interests RM'000
			← Attributable to owners of the parent →					
				← Non-distributable		→	Distributable	
Opening balance at 1 January 2010		1,460,448	1,277,970	329,446	427,516	44,261	476,747	182,478
Effects of adopting FRS 139		(873)	374	-	-	-	374	(1,247)
		1,459,575	1,278,344	329,446	427,516	44,261	477,121	181,231
Total comprehensive income		88,471	64,596	-	-	(1,185)	65,781	23,875
Transactions with owners								
Issues of shares in a subsidiary		281	-	-	-	-	-	281
Grant of equity-settled share options to employees		4,243	4,243	-	-	4,243	-	-
Premium paid on acquisition of minority interests		(22,925)	(22,925)	-	-	(22,925)	-	-
Acquisition of minority interests		(27,075)	-	-	-	-	-	(27,075)
Disposal of subsidiaries		(3,043)	763	-	-	763	-	(3,806)
Dividends on ordinary shares	45	(12,354)	(12,354)	-	-	-	(12,354)	-
Dividends paid to minority interests		(18,893)	-	-	-	-	-	(18,893)
Total transactions with owners		(79,766)	(30,273)	-	-	(17,919)	(12,354)	(49,493)
Closing balance at 31 December 2010		1,468,280	1,312,667	329,446	427,516	25,157	530,548	155,613

Statement of Changes in Equity
For the financial year ended 31 December 2010 (contd.)

2009 Group	Note	Equity, total RM'000	Equity attributable to owners of the parent, total RM'000	Attributable to owners of the parent — Non-distributable: Share capital (Note 34) RM'000	Share premium RM'000	Other reserves (Note 35) RM'000	Distributable: Retained earnings (Note 36) RM'000	Minority interests RM'000
Opening balance at 1 January 2009		1,415,108	1,248,825	329,446	427,513	24,880	466,986	166,283
Total comprehensive income		63,053	40,983	-	-	(6)	40,989	22,070
Transactions with owners								
Acquisition of minority interest		-	63	-	-	63	-	(63)
Share of reserves in an associate		476	453	-	3	19,324	(18,874)	23
Dividends on ordinary shares	45	(12,354)	(12,354)	-	-	-	(12,354)	-
Dividends paid to minority interests		(5,856)	-	-	-	-	-	(5,856)
Minority interest arising from acquisition of a subsidiary		21	-	-	-	-	-	21
Total transactions with owners		(17,713)	(11,838)	-	3	19,387	(31,228)	(5,875)
Closing balance at 31 December 2009		1,460,448	1,277,970	329,446	427,516	44,261	476,747	182,478

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Changes in Equity
For the financial year ended 31 December 2010

			Non-Distributable			Distributable
2010 Company	**Note**	**Equity, total**	**Share capital** (Note 34)	**Share premium**	**Other reserves** (Note 35)	**Retained earnings** (Note 36)
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Opening balance at 1 January 2010		**982,098**	**329,446**	**427,513**	**180,633**	**44,506**
Effects of adopting FRS 139		**1,231**	**-**	**-**	**-**	**1,231**
		983,329	**329,446**	**427,513**	**180,633**	**45,737**
Total comprehensive income		**15,476**	**-**	**-**	**-**	**15,476**
Transactions with owners						
Grant of equity-settled share options to employees		**4,243**	**-**	**-**	**4,243**	**-**
Dividends on ordinary shares	45	**(12,354)**	**-**	**-**	**-**	**(12,354)**
Total transactions with owners		**(8,111)**	**-**	**-**	**4,243**	**(12,354)**
Closing balance at 31 December 2010		**990,694**	**329,446**	**427,513**	**184,876**	**48,859**
2009 Company						
Opening balance at 1 January 2009		984,244	329,446	427,513	180,633	46,652
Total comprehensive income		10,208	-	-	-	10,208
Transactions with owners						
Dividends on ordinary shares	45	(12,354)	-	-	-	(12,354)
Closing balance at 31 December 2009		982,098	329,446	427,513	180,633	44,506

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Cash Flows
For the financial year ended 31 December 2010

Group	Note	2010 RM'000	2009 (Restated) RM'000
Operating activities			
Profit before tax from continuing operations		**118,796**	124,292
Adjustments for:			
Amortisation of intangible assets	7	**3,242**	3,066
Amortisation of prepaid land lease payments	7	**380**	306
Amortisation of transaction costs	6	**265**	265
Amortisation of bond premium		**-**	19
Fair value adjustments of investment properties	7	**-**	117
Depreciation of property, plant and equipment	7	**28,127**	29,009
Gain on disposal of investments	5(b)	**(118)**	(16,292)
Gain on disposal of property, plant and equipment		**(116)**	(1,826)
Gain on disposal of subsidiaries	5(b)	**(2,561)**	-
Gain on redemption of redeemable preference shares	5(b)	**(593)**	(55)
Grant of equity-settled share options to employees	8	**4,243**	-
Gross dividend income	4	**(390)**	(4,038)
Impairment loss on trade and other receivables	7	**5,865**	801
Intangible assets written off	7	**8,102**	-
Interest expense	6	**30,286**	37,773
Interest income	4, 5(a)	**(18,846)**	(8,842)
Loss on disposal of an associate	7	**353**	-
Property, plant and equipment written off	7	**493**	26
Share of results of associates		**(6,233)**	(11,712)
Share of results of jointly controlled entities		**1,778**	(409)
Unrealised foreign exchange losss	7	**123**	13
Unrealised loss on investment securities	7	**-**	1,979
Net fair value changes in investment securities	5(b)	**(3,032)**	-
Write down of inventories	7	**1,243**	23
Total adjustments		**52,611**	30,223
Operating cash flows before changes in working capital		**171,407**	154,515
Changes in working capital			
Decrease/(increase) in property development costs		**39,084**	(42,247)
Increase in land held for development		**(22,669)**	(380)
(Increase)/decrease in inventories		**(1,230)**	12,034
(Increase)/decrease in other current assets		**(5,423)**	2,456
Decrease in investments		**-**	139
(Increase)/decrease in receivables		**(1,458)**	4,636
Increase in payables		**13,374**	32,239
(Decrease)/increase in other current liabilities		**(54,370)**	2,592
Total changes in working capital		**(32,692)**	11,469
Cash flows from operations		**138,715**	165,984
Interest received		**18,846**	8,842
Interest paid		**(31,909)**	(41,451)
Income taxes paid, net of refund		**(34,017)**	(29,628)
Net cash flows from operating activities		**91,635**	103,747

Statement of Cash Flows

For the financial year ended 31 December 2010 (contd.)

Group	Note	2010 RM'000	2009 (Restated) RM'000
Investing activities			
Payment of prepaid land lease payments	14	**(11,500)**	(426)
Acquisition of property, plant and equipment	13	**(21,825)**	(15,008)
Proceeds from disposal of property, plant and equipment		**381**	8,402
Proceeds from disposal of investments		**76,650**	191,026
Additional costs incurred on intangible assets	17	**(1,115)**	(2,838)
Additional investments in associates		**(720)**	(6,007)
Redemption of redeemable preference shares		**3,439**	402
Dividends received from associates		**9,171**	606
Dividends received from investments		**333**	3,042
Purchase of investment securities		**(58,578)**	(78,817)
Distribution of profit from jointly controlled entities		**1,650**	840
Net cash inflow from disposal of subsidiaries	19(b)	**745**	-
Net cash inflow from disposal of an associate	11	**464,265**	-
Acquisition of additional interest in existing subsidiaries		**(50,000)**	-
Proceeds from issuance of shares to minority interest		**281**	-
Net cash flows from investing activities		**413,177**	101,222
Financing activities			
Drawdown of borrowings		**121,035**	113,800
Repayment of borrowings		**(179,057)**	(145,814)
Repayment of CMS Income Securities	32	**(80,000)**	(70,000)
Dividends paid to owners of the parent	45	**(12,354)**	(12,354)
Dividends paid to minority interests		**(18,893)**	(5,853)
Net cash flows used in financing activities		**(169,269)**	(120,221)
Net increase in cash and cash equivalents		**335,543**	84,748
Cash and cash equivalents at 1 January		**437,888**	353,140
Cash and cash equivalents at 31 December	28	**773,431**	437,888

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statement of Cash Flows

For the financial year ended 31 December 2010

Company	Note	2010 RM'000	2009 (Restated) RM'000
Operating activities			
Profit before tax		**19,060**	17,917
Adjustments for:			
Amortisation of bond premium		**-**	19
Amortisation of intangible assets	7	**448**	445
Amortisation of prepaid land lease payments	7	**79**	4
Amortisation of transaction costs	6	**265**	265
Depreciation of property, plant and equipment	7	**858**	780
Fair value adjustments of investment properties	7	**-**	691
Gain on disposal of property, plant and equipment	5(b)	**(4)**	(64)
Gross dividend income	4	**(79,729)**	(40,095)
Impairment loss on advances to subsidiaries	7	**5,668**	926
Impairment loss on investment in a subsidiary	7	**30,877**	-
Interest expense	6	**24,226**	27,200
Interest income	4	**(16,669)**	(8,390)
Net fair value changes in investment securities	5(b)	**(3,032)**	-
Net realised gain on disposal of investment securities	5(b)	**(118)**	(16,292)
Property, plant and equipment written off	7	**2**	5
Unrealised loss on investment securities	7	**-**	1,979
Share options granted under ESOS	8	**1,362**	-
Total adjustments		**(35,767)**	(32,527)
Operating cash flows before changes in working capital		**(16,707)**	(14,610)
Changes in working capital			
(Increase)/decrease in receivables		**(36,581)**	5,813
Decrease in other current assets		**-**	9
Increase in payables		**520,911**	63,487
Total changes in working capital		**484,330**	69,309
Cash flows from operations		**467,623**	54,699
Interest received		**16,669**	8,390
Interest paid		**(25,850)**	(30,879)
Tax refunded		**827**	-
Net cash flows from operating activities		**459,269**	32,210

Statement of Cash Flows
For the financial year ended 31 December 2010 (contd.)

Company	**Note**	**2010**	**2009 (Restated)**
		RM'000	**RM'000**
Investing activities			
Acquisition of prepaid land leases		**(11,500)**	(10)
Acquisition of property, plant and equipment	13	**(1,178)**	(1,206)
Purchase of investment securities		**(58,278)**	(78,817)
Proceeds from disposal of property, plant and equipment		**51**	96
Proceeds from disposal of investment securities		**76,650**	191,026
Additional costs incurred on intangible assets	17	**-**	(145)
Additional costs incurred on investment properties	16	**(3)**	(245)
Dividends received		**66,476**	30,085
Acquisition of additional interest in existing subsidiaries		**(92,750)**	(8,000)
Net cash flows (used in)/from investing activities		**(20,532)**	132,784
Financing activities			
Repayment of CMS Income Securities	32	**(80,000)**	(70,000)
Dividends paid on ordinary shares	45	**(12,354)**	(12,354)
Proceeds from subsidiaries for allocation of share options to their employees		**2,881**	-
Net cash flows used in financing activities		**(89,473)**	(82,354)
Net increase in cash and cash equivalents		**349,264**	82,640
Cash and cash equivalents at 1 January		**404,726**	322,086
Cash and cash equivalents at 31 December	28	**753,990**	404,726

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements
For the financial year ended 31 December 2010

1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office is located at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak.

The Company is principally an investment holding company. It also provides centralised treasury and administrative services to the Group. The principal activities of the subsidiaries are set out in Note 19 of the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements of the Group and of the Company have also been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

2.2 Changes in accounting policies

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

On 1 January 2010, the Group and the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 4: Insurance Contracts
- FRS 7: Financial Instruments: Disclosures
- FRS 8: Operating Segments
- FRS 101: Presentation of Financial Statements (Revised)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Improvements to FRS issued in 2009
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- TR i-3: Presentation of Financial Statements of Islamic Financial Institutions

Adoption of the above FRS and IC Interpretations did not have any effect on the financial performance or position of the Company except for those discussed below:

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

FRS 7 Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 December 2010.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 44 to the financial statements.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 43).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

FRS 117 Leases

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leasehold land held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

FRS 117 Leases (contd.)

The amendments to FRS 117 Leases clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and certain comparatives have been restated. The following are the effects to the consolidated statement of financial position as at 31 December 2010 arising from the above change in accounting policy:

	Increase/(decrease) Group RM'000
Property, plant and equipment	**28,815**
Prepaid land lease payments	**(28,815)**

The following comparative have been restated:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Statements of Financial Position			
Group			
31 December 2009			
Property, plant and equipment	304,308	29,385	333,693
Prepaid land lease payments	37,500	(29,385)	8,115
1 January 2009			
Property, plant and equipment	325,036	30,011	355,047
Prepaid land lease payments	38,006	(30,011)	7,995

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard have been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- **Financial assets**

  Financial assets at fair value through profit or loss:
  Prior to the adoption of FRS 139, financial assets such as investments were accounted for at cost adjusted for amortisation of premium and accretion of discount less impairment or at lower of cost and market value, determined on an aggregate basis. Upon the adoption of FRS 139, these investments are designated at 1 January 2010 as financial assets at fair value through profit or loss and accordingly are stated at their fair values as at that date amounting to RM1,231,444. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of retained earnings as at 1 January 2010.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

FRS 139 Financial Instruments: Recognition and Measurement (contd.)

- **Impairment of trade receivables**

  Prior to 1 January 2010, provision for doubtful debt was recognised when a doubtful debt was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and the difference is recognised as an adjustment to the opening balance of retained earnings as at that date.

The following are effects arising from the above changes in accounting policies:

	Increase/(decrease) As at 31.12.2010 RM'000	Increase/(decrease) As at 1.1.2010 RM'000
Statements of Financial Position		
Group		
Trade and other receivables	(888)	(3,520)
Investment securities	3,032	1,231
Investments in associates	(1,285)	537
Trade and other payables	(284)	(879)
Minority interests	(278)	(1,247)
Retained earnings	1,421	374
Company		
Investment securities	3,032	1,231
Retained earnings	3,032	1,231

	Increase/(decrease) Group 2010 RM'000	Increase/(decrease) Company 2010 RM'000
Statements of comprehensive income		
Interest income	623	-
Other income	2,109	3,032
Finance costs	153	-
Other expenses	151	-
Profit before tax from continuing operations	3,036	3,032
Profit from continuing operations, net of tax	3,036	3,032
Profit net of tax	3,036	3,032

	Increase/(decrease) Group 2010 Sen per share
Earnings per share:	
Basic	0.92

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective

The Group has not adopted the following FRS and IC Interpretations that have been issued but not yet effective:

Effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132: Classification of Rights Issues

Effective for annual periods beginning on or after 1 July 2010

- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (revised)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 127: Consolidated and Separate Financial Statements
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for annual periods beginning on or after 30 August 2010

- Amendment to IC Interpretation 15: Agreements for the Construction of Real Estate

Effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1: Additional Exemptions for First-time Adopters
- Amendments to FRS 2: Group Cash-settled Share-Based Payment Transactions
- Amendments to FRS 7: Improving Disclosures about Financial Instruments
- Amendments to FRS 'Improvements to FRS (2010)'
- IC Interpretation 4: Determining Whether An Arrangement Contains a Lease
- IC Interpretation 18: Transfers of Assets from Customers
- TR i-4: Shariah Compliant Sale Contracts

Effective for annual periods beginning on or after 1 July 2011

- Amendments to IC Interpretation 14: Prepayments of a Minimum Funding Requirement
- IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments

Effective for annual periods beginning on or after 1 January 2012

- FRS 124: Related Party Disclosures
- IC Interpretation 15: Agreements for the Construction of Real Estate

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the amendments to FRS 127 and IC Interpretation 15, as well as the new disclosure required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretation above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3, the amendments to FRS 127 and IC Interpretation 15 are described below.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

IC Interpretation 15 Agreement for the Construction of Real Estate

This Interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is related before the construction of the real estate is completed. Furthermore, the Interpretation provides guidance on how to determine whether an agreement is within the scope of FRS 111 Construction Contracts or FRS 118 Revenue.

The Group currently recognises revenue arising from property development projects using the stage of completion method. Upon the adoption of IC Interpretation 15, the Group may be required to change its accounting policy to recognise such revenues at completion, or upon or after delivery. The Group is in the process of making an assessment of the impact of this Interpretation.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.11(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

Acquisitions of subsidiaries prior to 1 January 2006 which met the merger criteria as set out in MASB 21: Business Combinations were accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at cost which is the fair value of the investment and the fair value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholder's equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rates of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment, except for freehold land, are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Certain items of property, plant and equipment of the Group have not been revalued since 1996. The directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1996 valuation less accumulated depreciation. The above transitional provisions are available only on the first application of the MASB Approved Accounting Standard IAS 16 (Revised): Property, Plant and Equipment which is effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, an entity that had recorded its property, plant and equipment at revalued amounts but had not adopted a policy of revaluation has been allowed to continue carrying those assets on the basis of their previous revaluations subject to continuity in its depreciation policy and the requirement to write down the assets to their recoverable amounts for impairment adjustments. The transitional provisions will remain in force until and unless the entity chooses to adopt a revaluation policy in place of a cost policy. When that happens, FRS 116 (which supersedes IAS 16) would require revaluations to be carried out at regular intervals.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight line basis over the estimated useful lives of the assets as follows:

Buildings, jetty, roads and drainage	50 years or over the period of lease whichever is shorter
Plant and machinery	4 years to 50 years
Office equipment and motor vehicles	3 years to 20 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.8 Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation and accumulated impairment losses. The prepaid land lease payments are amortised over their lease terms.

2.9 Land held for property development and property development costs

(a) Land held for property development

Land held for property development consists of land where no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified within non-current assets and is stated at cost less any accumulated impairment losses.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(b) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in profit or loss by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the profit or loss over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in profit or loss is classified as progress billings within trade payables.

2.10 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.10 Investment properties (contd.)

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.11 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.11 Intangible assets (contd.)

(b) Other intangible assets (contd.)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during development. Deferred development costs considered to have finite useful lives are amortised over the commercial lives of the underlying products on a straight-line basis not exceeding ten years.

(ii) Computer software

The useful life of computer software is amortised on a straight-line basis over the estimated economic useful life of three to ten years.

2.12 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.13 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associates are measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investments. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investments are excluded from the carrying amount of the investments and are instead included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investments are acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.13 Associates (contd.)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each reporting date whether there is any objective evidence that the investments in the associate are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2.14 Joint venture

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.13.

The financial statements of the joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, its investments in joint ventures are stated at cost less impairment losses. On disposal of such investments, the difference between the net disposal proceeds and the carrying amount is included in profit or loss.

2.15 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.15 Impairment of non-financial assets (contd.)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.16 Inventories

Inventories are stated at lower of cost and net realisable value. Cost incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: costs of purchase on a first in, first out method on weighted average cost formula.
- Finished goods and work-in-progress: costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.
- Unsold properties: cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Construction and service contracts

Where the outcome of a construction or service contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to either the proportion of costs incurred to-date to the total estimated costs or the completion of a physical proportion of contract work to-date.

Where the outcome of a construction or service contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

When the total of costs incurred on construction or service contracts plus, recognised profits (less recognised losses), exceed progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

2.18 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.18 Financial assets (contd.)

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss and loans and receivables.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale or are not classified in any of the two preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.18 Financial assets (contd.)

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.19 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.21 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

Other financial liabilities

The Group's and the Company's financial liabilities include trade payables, other payables, loans and borrowings and income securities.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

The Income Securities, which are recognised as financial liabilities are measured initially at its fair value, which is the amount of proceeds received. In subsequent periods, the Income Securities are measured at amortised cost using the effective interest rate method. The amortised cost of the Income Securities is the amount at which the Income Securities are measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate of any difference between the initial amount and the maturity amount. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the Income Securities. When calculating the effective interest rate, the Group has estimated cash flows considering all contractual terms of the Income Securities. The amortised expense of the Income Securities, applying the effective interest rate, is recognised in profit or loss as finance costs in the period in which it is incurred.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.22 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.22 Leases (contd.)

(a) As lessee (contd.)

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.26(h).

2.23 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.24 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.25 Discontinued operation

A component of the Group is classified as a “discontinued operation” when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2.26 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.26 Revenue (contd.)

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of consideration due, associated costs or the possible return of goods.

(b) Revenue from services

Revenue from services is recognised upon performance of services.

(c) Construction and service contracts

Revenue from construction and service contracts is accounted for by the stage of completion method as described in Note 2.17.

(d) Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.9.

(e) Road maintenance contract

Revenue from routine maintenance work is based on fixed rates and recognised upon performance of work in accordance with the terms as stipulated in the Road Maintenance Agreement. Revenue from work orders is based on the schedule of rates approved by client.

(f) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(g) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(h) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(i) Management fees

Management fees are recognised when services are rendered.

2.27 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.27 Income taxes (contd.)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.28 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group make contributions to the Employees' Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Notes to the Financial Statements
For the financial year ended 31 December 2010

2. Summary of significant accounting policies (contd.)

2.28 Employee benefits (contd.)

(b) Employees' share option scheme ("ESOS")

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share premium reserve if new shares are issued.

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosure on each of these segments are shown in Note 44, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.31 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and the Company.

3. Significant accounting estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Notes to the Financial Statements
For the financial year ended 31 December 2010

3. Significant accounting estimates (contd.)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 18.

(b) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the reporting date is disclosed in Note 26.

(c) Property development

The Group recognises property development revenue and expenses in the statement of comprehensive income by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development revenue and costs, as well as the recoverability of the property development costs. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of assets and liabilities of the Group arising from property development activities are disclosed in Note 15.

(d) Construction contracts

The Group recognises contract revenue based on percentage of completion method. The stage of completion is measured by reference to either the costs incurred to-date to the estimated total cost or the completion of a physical proportion of work to-date. Significant judgement is required in determining the stage of completion, the extent of the costs incurred and the estimated total revenue (for contracts other than fixed contracts) and costs. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and work of specialists. The carrying amount of the Group's construction contracts is shown in Note 24.

(e) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Notes to the Financial Statements
For the financial year ended 31 December 2010

3. Significant accounting estimates (contd.)

Key sources of estimation uncertainty (contd.)

(e) Deferred tax assets (contd.)

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

The carrying value of deferred tax assets of the Group at 31 December 2010 was RM16,700,000 (2009: RM20,000,000) and the recognised unabsorbed capital allowances, unutilised tax losses, reinvestment and infrastructure allowances and provisions of the Group was RM43,398,000 (2009: RM47,886,000) and the unrecognised tax losses, capital allowances and provisions of the Group was RM118,579,000 (2009: RM155,533,000).

(f) Employees' share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions, sensitivity analysis and the carrying amounts are disclosed in Note 37.

4. Revenue

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Sales of goods	**584,266**	493,480	**-**	-
Contract revenue	**76,137**	204,836	**-**	-
Financial services	**3,870**	10,661	**-**	-
Sales of properties	**10,901**	19,407	**-**	-
Property development revenue	**152,522**	-	**-**	-
Trading and services	**98,217**	132,725	**-**	-
Dividend income from subsidiaries	**-**	-	**74,333**	35,249
Dividend income from associates	**-**	-	**5,006**	808
Dividend income from investment securities	**390**	4,038	**390**	4,038
Interest income from subsidiaries	**-**	-	**614**	259
Interest income from short term deposits and investment securities	**16,055**	8,131	**16,055**	8,131
Rental income from investment properties	**1,118**	1,322	**600**	600
	943,476	874,600	**96,998**	49,085

5. (a) Interest income

	Group	
	2010 RM'000	**2009 RM'000**
Interest income from:		
Loans and receivables	**809**	510
Short term deposits	**107**	201
Unwinding of discount (Note 26(a))	**1,875**	-
	2,791	711

Notes to the Financial Statements

For the financial year ended 31 December 2010

5. (b) Other income

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fee income	**-**	-	**3,700**	4,048
Supervision fees	**523**	962	**-**	-
Consultancy fees	**365**	87	**-**	-
Gain on disposal of subsidiaries (Note 19(b))	**2,561**	-	**-**	-
Deferred income	**1,398**	232	**-**	-
Gain on redemption of redeemable preference shares	**593**	55	**-**	-
Net realised gain on disposal of investment securities	**118**	16,292	**118**	16,292
Gain on disposal of property, plant and equipment	**116**	1,838	**4**	64
Net fair value changes in investment securities - Fair value through profit or loss	**3,032**	-	**3,032**	-
Net equipment rental income	**-**	2,012	**-**	-
Reversal of allowance for impairment of trade and other receivables (Note 26(a))	**2,665**	60	**-**	-
Reversal of overprovision of royalties	**-**	610	**-**	-
Miscellaneous	**1,592**	2,781	**46**	73
	12,963	24,929	**6,900**	20,477

6. Finance costs

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest expense on:				
Bank loans and bank overdraft	**11,353**	13,214	**2**	3
Central cash management accounts	**-**	-	**5,847**	2,713
Hire-purchase and finance lease liabilities	**65**	75	**-**	-
CMS Income Securities (Note 32)	**18,377**	23,681	**18,377**	23,681
Unwinding of discount	**491**	-	**-**	-
Margin trading financing	**-**	803	**-**	803
	30,286	37,773	**24,226**	27,200
Add: Other charges				
Bank charges and commitment fee	**120**	184	**80**	94
Facility fee	**131**	103	**131**	103
Amortisation of transaction costs	**265**	265	**265**	265
	516	552	**476**	462
	30,802	38,325	**24,702**	27,662
Less: Amounts charged to cost of sales				
Interest expense	**-**	801	**5,850**	3,518
Commitment fee	**-**	-	**80**	94
	-	801	**5,930**	3,612
	30,802	37,524	**18,772**	24,050

Notes to the Financial Statements
For the financial year ended 31 December 2010

7. Profit before tax from continuing operations

The following items have been included in arriving at profit before tax from continuing operations:

	Group		Company	
	2010 RM'000	2009 (Restated) RM'000	2010 RM'000	2009 RM'000
Advisory fees paid to a director	**80**	120	**-**	-
Amortisation of intangible assets (Note 17)	**3,242**	3,066	**448**	445
Amortisation of prepaid land lease payments (Note 14)	**380**	306	**79**	4
Auditors' remuneration:	**456**	911	**98**	262
Statutory audit				
- current year	**379**	329	**55**	50
- under provision in previous years	**35**	36	**5**	5
Other services	**42**	546	**38**	207
Depreciation on property, plant and equipment (Note 13)	**28,127**	29,009	**858**	780
Employee benefits expense (Note 8)	**70,078**	58,606	**14,725**	11,389
Equipment rental expense	**1,865**	1,014	**-**	-
Fair value adjustments of investment properties (Note 16)	**-**	117	**-**	691
Impairment loss on financial assets:				
- trade and other receivables (Note 26(a))	**5,865**	801	**-**	-
- advances to subsidiaries	**-**	-	**5,668**	926
- investment in a subsidiary	**-**	-	**30,877**	-
Loss on disposal of an associate (Note 11)	**353**	-	**-**	-
Non-executive directors' remuneration (Note 9)	**1,996**	2,249	**1,811**	1,855
Operating leases:	**5,509**	5,158	**1,221**	1,201
- minimum lease payments for land and buildings	**3,984**	4,238	**1,221**	1,201
- minimum lease payments for wharf	**1,525**	920	**-**	-
Property, plant and equipment written off	**493**	26	**2**	5
Intangible assets written off (Note 17)	**8,102**	-	**-**	-
Unrealised foreign exchange loss	**123**	13	**-**	-
Unrealised loss on investment securities (Note 25)	**-**	1,979	**-**	1,979
Write down of inventories	**1,243**	23	**-**	-

8. Employee benefits expense

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries, allowances and bonuses	**59,217**	53,757	**11,873**	10,101
Contributions to defined contribution plan	**6,330**	5,872	**1,436**	1,233
Social security contributions	**496**	483	**54**	55
Share options granted under ESOS	**4,243**	-	**1,362**	-
Termination benefits	**821**	-	**-**	-
	71,107	60,112	**14,725**	11,389
Less: Amount capitalised in development expenditure (Note 17)	**-**	(447)	**-**	-
Less: Amount capitalised in project under study (Note 27)	**(1,029)**	(1,059)	**-**	-
Total employee benefits expense (Note 7)	**70,078**	58,606	**14,725**	11,389

Included in employee benefits expense of the Group and of the Company (including amounts capitalised) are executive directors' remuneration amounting to RM3,241,000 (2009: RM2,166,000) as further disclosed in Note 9.

Notes to the Financial Statements
For the financial year ended 31 December 2010

9. Directors' remuneration

The details of remuneration receivable by directors of the Company during the financial year are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Executive:				
Salaries and other emoluments	**2,528**	1,934	**2,528**	1,934
Defined contribution plans	**303**	232	**303**	232
Share option granted under ESOS	**410**	-	**410**	-
Total executive directors' remuneration (excluding benefits-in-kind) (Note 8)	**3,241**	2,166	**3,241**	2,166
Estimated money value of benefits-in-kind	**190**	190	**190**	190
Total executive directors' remuneration (including benefits-in-kind)	**3,431**	2,356	**3,431**	2,356
Non-executive:				
Fees	**522**	687	**432**	487
Other emoluments	**1,344**	1,432	**1,249**	1,238
Defined contribution plans	**130**	130	**130**	130
Total non-executive directors' remuneration (excluding benefits-in-kind) (Note 7)	**1,996**	2,249	**1,811**	1,855
Estimated money value of benefits-in-kind	**84**	109	**69**	94
Total non-executives directors' remuneration (including benefits-in-kind)	**2,080**	2,358	**1,880**	1,949
Total directors' remuneration	**5,511**	4,714	**5,311**	4,305

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of Directors	
	2010	2009
Executive Directors:		
RM1,050,001 to RM1,100,000	**-**	1
RM1,200,001 to RM1,250,000	**-**	1
RM1,250,001 to RM1,300,000	**1**	-
RM1,500,001 to RM1,550,000	**1**	-
Non-executive Directors:		
RM50,001 to RM100,000	**3**	2
RM100,001 to RM150,000	**2**	2
RM150,001 to RM200,000	**-**	2
RM650,001 to RM700,000	**1**	-
RM700,001 to RM750,000	**-**	1
RM750,001 to RM800,000	**1**	-
RM800,001 to RM850,000	**-**	1

Notes to the Financial Statements
For the financial year ended 31 December 2010

10. Income tax expense

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Statements of comprehensive income:				
Current income tax - continuing operations:				
Malaysian income tax	**34,966**	31,232	**10,400**	7,700
(Over)/under provision in respect of previous years	**(8,860)**	591	**(6,673)**	(82)
	26,106	31,823	**3,727**	7,618
Deferred income tax - continuing operations (Note 22):				
Origination and reversal of temporary differences	**2,606**	3,247	**(24)**	83
Under/(over) provision in respect of previous years	**384**	391	**(119)**	8
	2,990	3,638	**(143)**	91
Income tax expense recognised in profit or loss	**29,096**	35,461	**3,584**	7,709

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2009 are as follows:

	Group	
	2010 RM'000	2009 (Restated) RM'000
Profit before tax from continuing operations	**118,796**	124,292
Loss before tax from discontinued operation	**-**	(25,766)
Accounting profit before tax	**118,796**	98,526
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	**29,699**	24,632
Adjustments:		
Share of results of associates	**(1,558)**	(4,737)
Share of results of jointly controlled entities	**445**	(102)
Group tax relief transferred from a subsidiary	**(396)**	(279)
Non-deductible expenses	**8,430**	23,890
Income not subject to tax	**(1,677)**	(4,632)
Benefits from previously unrecognised tax losses and unabsorbed capital allowances	**(933)**	(6,395)
Deferred tax assets not recognised	**3,562**	2,102
(Over)/under provision of income tax in respect of previous years	**(8,860)**	591
Under provision of deferred tax in respect of previous years	**384**	391
Income tax expense recognised in profit or loss	**29,096**	35,461

Notes to the Financial Statements
For the financial year ended 31 December 2010

10. Income tax expense (contd.)

	Company	
	2010 RM'000	2009 RM'000
Accounting profit before tax	**19,060**	17,917
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	**4,765**	4,479
Adjustments:		
Group tax relief transferred from a subsidiary	**(396)**	(279)
Non-deductible expenses	**13,475**	7,669
Income not subject to tax	**(7,468)**	(4,086)
Over provision of income tax in respect of previous years	**(6,673)**	(82)
(Over)/under provision of deferred tax in respect of previous years	**(119)**	8
Income tax expense recognised in profit or loss	**3,584**	7,709

Income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable profit for the year.

Tax savings during the financial year arising from:

	Group	
	2010 RM'000	2009 RM'000
Utilisation of current tax losses	**30**	-
Utilisation of previously unrecognised tax losses	**898**	603

11. Discontinued operation and disposal group classified as held for sale

Disposal of investments in UBG Berhad ("UBG")

On 29 December 2009, the Board of Directors of its wholly-owned subsidiary, Concordance Holdings Sdn. Bhd. ("CHSB") and the Board of Directors of its 51% owned subsidiary PPES Works (Sarawak) Sdn. Bhd. ("PPES") had, respectively, received letters of offer from PetroSaudi International Limited ("PetroSaudi") to acquire all the UBG shares of RM0.25 each held by them for a fixed cash consideration of RM2.50 per share. The Boards of CHSB and PPES had on 8 January 2010 approved the Proposed Disposal. At the Extraordinary General Meeting held on 30 April 2010, the shareholders of the Company approved the Proposed Disposal.

On 30 September 2010, the Company announced that the direct business transaction had been effected on the said date and as such the completion date of the Proposed Disposal was 30 September 2010. The total cash consideration for the Proposed Disposal was RM465,525,388.

The disposal had the following effects on the financial postition fo the Group at the end of the year:

	Up to disposal date RM'000	2009 RM'000
Cost of investment - quoted shares in Malaysia	**130,893**	130,893
Share of post acquisition reserves	**366,725**	366,725
Impairment loss	**(33,000)**	(33,000)
	464,618	464,618
Total proceeds from disposal	**(465,525)**	
Expenses directly attributable to the disposal	**1,260**	
Net cash inflow from disposal	**464,265**	
Loss from disposal of an associate (Note 7)	**353**	

Notes to the Financial Statements
For the financial year ended 31 December 2010

11. Discontinued operation and disposal group classified as held for sale (contd.)

The analysis of UBG's contribution to the Group was as follows:

	Group	
	2010 RM'000	**2009 RM'000**
Share of results of UBG	-	7,234
Impairment loss on investment	-	(33,000)
	-	(25,766)

12. Earnings per share

(a) Basic earnings per share

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

The following table reflects the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

	2010 RM'000	**2009 RM'000**
Profit net of tax attributable to owners of the parent from continuing operations	**65,781**	66,755
Loss from discontinued operation attributable to owners of the parent	-	(25,766)
Profit net of tax attributable to owners of the parent	**65,781**	40,989

	2010 '000	**2009 '000**
Weighted average number of ordinary shares in issue	**329,446**	329,446

	2010 Sen	**2009 Sen**
Basic earnings per share for:		
Profit from continuing operations	**19.97**	20.26
Loss from discontinued operation	-	(7.82)
Profit for the year	**19.97**	12.44

(i) Continuing operations

The basic earnings per share is calculated by dividing profit for the year from continuing operations, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares.

(ii) Discontinued operation

The basic loss per share from discontinued operation is calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares.

(b) Diluted earnings per share

There is no dilution in the earnings per share for the financial year ended 31 December 2010 as the vesting condition on performance relating to the options have not been met and hence there is no dilutive potential ordinary shares outstanding at the end of the reporting period.

Notes to the Financial Statements

For the financial year ended 31 December 2010

13. Property, plant and equipment

Group	*Land and buildings RM'000	Plant and machinery RM'000	Office equipment and motor vehicles RM'000	Total RM'000
Cost:				
At 1 January 2009				
As previously stated	133,505	554,463	78,669	766,637
Effects of adopting the amendments to FRS 117	35,502	-	-	35,502
As restated	169,007	554,463	78,669	802,139
Additions	1,347	8,838	4,823	15,008
Disposals	(62)	(11,108)	(9,730)	(20,900)
Written off	-	(2,351)	(5,099)	(7,450)
Exchange differences	-	-	(3)	(3)
At 31 December 2009 (restated)	170,292	549,842	68,660	788,794
At 1 January 2010				
As previously stated	**134,790**	**549,842**	**68,660**	**753,292**
Effects of adopting the amendments to FRS 117	**35,502**	**-**	**-**	**35,502**
As restated	**170,292**	**549,842**	**68,660**	**788,794**
Additions	**3,907**	**13,622**	**4,341**	**21,870**
Disposals	**-**	**(55)**	**(1,492)**	**(1,547)**
Written off	**(39)**	**(756)**	**(3,943)**	**(4,738)**
Reversal of over accrued cost	**-**	**(45)**	**-**	**(45)**
Arising from disposal of subsidiaries	**-**	**-**	**(3,243)**	**(3,243)**
Exchanges differences	**-**	**-**	**(31)**	**(31)**
At 31 December 2010	**174,160**	**562,608**	**64,292**	**801,060**
Accumulated depreciation:				
At 1 January 2009				
As previously stated	42,710	340,047	58,844	441,601
Effects of adopting the amendments to FRS 117	5,491	-	-	5,491
As restated	48,201	340,047	58,844	447,092
Depreciation charge for the year:	4,037	19,516	6,207	29,760
Recognised in profit or loss (Note 7)	4,037	19,503	5,469	29,009
Capitalised in construction costs (Note 24)	-	13	738	751
Disposals	(14)	(8,801)	(5,509)	(14,324)
Written off	-	(2,351)	(5,073)	(7,424)
Reclassification	(23)	23	-	-
Exchange differences	-	-	(3)	(3)
At 31 December 2009 (restated)	52,201	348,434	54,466	455,101
At 1 January 2010				
As previously stated	**46,084**	**348,434**	**54,466**	**448,984**
Effects of adopting the amendments to FRS 117	**6,117**	**-**	**-**	**6,117**
As restated	**52,201**	**348,434**	**54,466**	**455,101**
Depreciation charge for the year:	**4,151**	**19,372**	**5,288**	**28,811**
Recognised in profit or loss (Note 7)	**4,151**	**19,360**	**4,616**	**28,127**
Capitalised in construction costs (Note 24)	**-**	**12**	**672**	**684**
Disposals	**-**	**(43)**	**(1,239)**	**(1,282)**
Written off	**(36)**	**(755)**	**(3,454)**	**(4,245)**
Arising from disposal of subsidiaries	**-**	**-**	**(2,854)**	**(2,854)**
Exchange differences	**-**	**-**	**(16)**	**(16)**
At 31 December 2010	**56,316**	**367,008**	**52,191**	**475,515**
Net carrying amount:				
At 31 December 2009	118,091	201,408	14,194	333,693
At 31 December 2010	**117,844**	**195,600**	**12,101**	**325,545**

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13. Property, plant and equipment (contd.)

*** Land and buildings of the Group:**

	Freehold land RM'000	Buildings, jetty, roads and drainage RM'000	Leasehold land RM'000	Total RM'000
Cost:				
At 1 January 2009				
As previously stated	416	133,089	-	133,505
Effects of adopting the amendments to FRS 117	-	-	35,502	35,502
As restated	416	133,089	35,502	169,007
Additions	-	1,347	-	1,347
Disposals	-	(62)	-	(62)
At 31 December 2009 and 1 January 2010 (restated)	**416**	**134,374**	**35,502**	**170,292**
Additions	**-**	**3,851**	**56**	**3,907**
Written off	**-**	**(39)**	**-**	**(39)**
At 31 December 2010	**416**	**138,186**	**35,558**	**174,160**
Accumulated depreciation:				
At 1 January 2009				
As previously stated	-	42,710	-	42,710
Effects of adopting the amendments to FRS 117	-	-	5,491	5,491
As restated	-	42,710	5,491	48,201
Depreciation charge for the year	-	3,411	626	4,037
Disposals	-	(14)	-	(14)
Reclassification	-	(23)	-	(23)
At 31 December 2009 and 1 January 2010 (restated)	**-**	**46,084**	**6,117**	**52,201**
Depreciation charge for the year	**-**	**3,525**	**626**	**4,151**
Written off	**-**	**(36)**	**-**	**(36)**
At 31 December 2010	**-**	**49,573**	**6,743**	**56,316**
Net carrying amount:				
At 31 December 2009	416	88,290	29,385	118,091
At 31 December 2010	**416**	**88,613**	**28,815**	**117,844**

Company	Motor vehicles RM'000	Office equipment RM'000	Building RM'000	Total RM'000
Cost:				
At 1 January 2009	5,058	6,621	111	11,790
Additions	318	652	236	1,206
Disposals	(64)	(2)	-	(66)
Written off	-	(997)	-	(997)
Transferred to investment properties (Note 16)	-	-	(347)	(347)
At 31 December 2009 and 1 January 2010	**5,312**	**6,274**	**-**	**11,586**
Additions	**1,077**	**101**	**-**	**1,178**
Disposals	**(429)**	**-**	**-**	**(429)**
Written off	**-**	**(5)**	**-**	**(5)**
At 31 December 2010	**5,960**	**6,370**	**-**	**12,330**

Notes to the Financial Statements
For the financial year ended 31 December 2010

13. Property, plant and equipment (contd.)

Company	Motor vehicles RM'000	Office equipment RM'000	Building RM'000	Total RM'000
Accumulated depreciation:				
At 1 January 2009	3,013	5,273	-	8,286
Depreciation charge for the year (Note 7)	315	465	-	780
Disposals	(33)	(1)	-	(34)
Written off	-	(992)	-	(992)
At 31 December 2009 and 1 January 2010	**3,295**	**4,745**	**-**	**8,040**
Depreciation charge for the year (Note 7)	**398**	**460**	**-**	**858**
Disposals	**(382)**	**-**	**-**	**(382)**
Written off	**-**	**(3)**	**-**	**(3)**
At 31 December 2010	**3,311**	**5,202**	**-**	**8,513**
Net carrying amount:				
At 31 December 2009	2,017	1,529	-	3,546
At 31 December 2010	**2,649**	**1,168**	**-**	**3,817**

Long term leasehold land of the Group have not been revalued since they were first revalued in 1996. The directors have not adopted a policy of regular revaluations of such assets and no later revaluation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised) Property, Plant and Equipment, these assets continue to be stated at their 1996 valuation less accumulated depreciation.

The above transitional provisions are available only on the first application of the MASB Approved Accounting Standards IAS 16 (Revised): Property, Plant and Equipment which is effective for periods ended on or after 1 September 1998. By virtue of this transitional provision, an entity that had recorded its property, plant and equipment at revalued amounts but had not adopted a policy of revaluation has been allowed to continue carrying those assets on the basis of their previous revaluations subject to continuity in its depreciation policy and the requirement to write down the assets to their recoverable amounts for impairment adjustments. The transitional provisions will remain in force until and unless the entity chooses to adopt a revaluation policy in place of a cost policy. When that happens, FRS 116 (which supersedes IAS 16) would require revaluations to be carried out at regular intervals.

Assets under construction

The Group's plant and equipment included RM13,452,344 (2009: RM2,767,164) which relate to expenditure for plant in the course of construction.

Capitalisation of borrowing costs

The Group's plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of plant. During the financial year, the borrowing costs capitalised as cost of plant and equipment amounted to RM260,200 (2009: Nil).

Assets held under finance leases

The carrying amount of plant and equipment and furniture and fixtures held under finance leases at the reporting date were RM745,707 (2009: RM795,177) and Nil (2009: RM531,648) respectively.

Details of the finance leases are disclosed in Note 31.

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14. Prepaid land lease payments

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cost:				
At 1 January				
As previously stated	**47,580**	47,154	**425**	-
Effects of adopting the amendments of FRS117	**(35,502)**	(35,502)	**-**	-
As restated	**12,078**	11,652	**425**	-
Additions	**11,500**	426	**11,500**	425
At 31 December (restated)	**23,578**	12,078	**11,925**	425
Accumulated amortisation:				
At 1 January				
As previously stated	**10,080**	9,148	**4**	-
Effects of adopting the amendments of FRS117	**(6,117)**	(5,491)	**-**	-
As restated	**3,963**	3,657	**4**	-
Amortisation for the year (Note 7)	**380**	306	**79**	4
At 31 December (restated)	**4,343**	3,963	**83**	4
Net carrying amount	**19,235**	8,115	11,842	421
Amount to be amortised:				
- Not later than one year	**726**	309	**426**	9
- Later than one year but not later than five years	**2,477**	1,228	**1,278**	27
- Later than five years	**16,032**	6,578	**10,138**	385

The Group and the Company have prepaid land leases over state-owned land in Malaysia. The prepaid land leases of the Group and the Company have a remaining tenure of 1 to 46 years (2009: 2 to 47 years) and 28 to 46 years (2009: 47 years), respectively.

15. Land held for property development and property development costs

(a) Land held for property development

Group	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Cost			
At 1 January 2009	34,697	5,178	39,875
Additions	-	380	380
At 31 December 2009 and 1 January 2010	**34,697**	**5,558**	**40,255**
Additions	**22,374**	**380**	**22,754**
Disposals	**(59)**	**(26)**	**(85)**
At 31 December 2010	**57,012**	**5,912**	**62,924**

The landed properties of the Group have been pledged to secure revolving credit facilities for certain subsidiaries (Note 31).

Notes to the Financial Statements
For the financial year ended 31 December 2010

15. Land held for property development and property development costs (contd.)

(b) Property development costs

Group	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Cumulative property development costs:			
At 1 January 2009	83,503	221,148	304,651
Costs incurred during the year	1,861	56,905	58,766
At 31 December 2009 and 1 January 2010	**85,364**	**278,053**	**363,417**
Costs incurred during the year	**4**	**119,470**	**119,474**
Reclassification	**(1,910)**	**1,910**	**-**
At 31 December 2010	**83,458**	**399,433**	**482,891**
Cumulative costs recognised in profit or loss:			
At 1 January 2009	(539)	(177,123)	(177,662)
Recognised during the year	(40)	(16,479)	(16,519)
At 31 December 2009 and 1 January 2010	**(579)**	**(193,602)**	**(194,181)**
Recognised during the year	**(2,064)**	**(156,494)**	**(158,558)**
At 31 December 2010	**(2,643)**	**(350,096)**	**(352,739)**
Property development costs:			
At 31 December 2009	84,785	84,451	169,236
At 31 December 2010	**80,815**	**49,337**	**130,152**

16. Investment properties

Group	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
At 1 January 2009	3,215	2,997	6,212
Fair value adjustments (Note 7)	(38)	(79)	(117)
At 31 December 2009 and 1 January 2010	**3,177**	**2,918**	**6,095**
Fair value adjustments (Note 7)	**-**	**-**	**-**
At 31 December 2010	**3,177**	**2,918**	**6,095**
Company			
At 1 January 2009	5,931	14,640	20,571
Additions	-	245	245
Transferred from capital work-in-progress (Note 13)	-	347	347
Fair value adjustments (Note 7)	(103)	(588)	(691)
At 31 December 2009 and 1 January 2010	**5,828**	**14,644**	**20,472**
Additions	**-**	**3**	**3**
Fair value adjustments (Note 7)	**-**	**-**	**-**
At 31 December 2010	**5,828**	**14,647**	**20,475**

The Company's investment property is leased to a subsidiary.

Investment properties are stated at fair value, which has been determined based on valuation at the reporting date. Valuations are performed by accredited independent valuers with recent experience in the location and category of properties being valued.

Notes to the Financial Statements
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17. Intangible assets

Group	**Computer software RM'000**	**Development expenditure RM'000**	**Others RM'000**	**Total RM'000**
Cost:				
At 1 January 2009	6,281	14,976	848	22,105
Additions	2,094	666	78	2,838
At 31 December 2009 and 1 January 2010	**8,375**	**15,642**	**926**	**24,943**
Additions	**698**	**417**	**-**	**1,115**
Written off	**(3,370)**	**(16,059)**	**-**	**(19,429)**
Disposal of subsidiary	**(576)**	**-**	**-**	**(576)**
At 31 December 2010	**5,127**	**-**	**926**	**6,053**
Accumulated amortisation and impairment:				
At 1 January 2009	1,075	6,325	415	7,815
Amortisation charge for the year (Note 7)	1,469	1,520	77	3,066
At 31 December 2009 and 1 January 2010	**2,544**	**7,845**	**492**	**10,881**
Amortisation charge for the year (Note 7)	**1,730**	**1,434**	**78**	**3,242**
Written off	**(2,048)**	**(9,279)**	**-**	**(11,327)**
Disposal of subsidiary	**(95)**	**-**	**-**	**(95)**
At 31 December 2010	**2,131**	**-**	**570**	**2,701**
Net carrying amount:				
At 31 December 2009	5,831	7,797	434	14,062
At 31 December 2010	**2,996**	**-**	**356**	**3,352**

Company	**Computer software RM'000**
Cost:	
At 1 January 2009	2,094
Additions	145
At 31 December 2009 and 1 January 2010	**2,239**
Additions	**-**
At 31 December 2010	**2,239**
Accumulated amortisation and impairment:	
At 1 January 2009	35
Amortisation charge for the year (Note 7)	445
At 31 December 2009 and 1 January 2010	**480**
Amortisation charge for the year (Note 7)	**448**
At 31 December 2010	**928**
Net carrying amount:	
At 31 December 2009	1,759
At 31 December 2010	**1,311**

Notes to the Financial Statements
For the financial year ended 31 December 2010

17. Intangible assets (contd.)

Development expenditure includes the following charges for the year:

	Group	
	2010 **RM'000**	**2009** **RM'000**
Operating lease - minimum lease payments for land and buildings	**-**	72
Employee benefits expense (Note 8)	**-**	447

During the financial year, an impairment loss was recognised to write down the carrying amount of intangible assets. The impairment loss of RM8,102,000 (2009: Nil) has been recognised in the statement of comprehensive income under the line item "other expenses".

18. Goodwill

	Group	
	2010 **RM'000**	**2009** **RM'000**
At 1 January and 31 December	**61,709**	61,709

Goodwill arising from business combinations has been allocated to cash-generating units ("CGU") for impairment testing.

The carrying amount of goodwill allocated to the Group's CGU is as follows:

	Group	
	2010 **RM'000**	**2009** **RM'000**
Manufacturing	**61,709**	61,709

Key assumptions used in value-in-use calculations:

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period. The assumptions used for value-in-use calculations are:

	Gross Margin		Discount Rates	
	2010	**2009**	**2010**	**2009**
CMS Clinker Sdn. Bhd.	**16%**	16%	**6.30%**	5.55%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

(i) Budgeted gross margin

The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) Discount rates

The discount rates used are pre-tax and reflect specific risks relating to the segment.

The Group believes that any reasonable possible change in the above key assumptions applied is not likely to materially cause the recoverable amount to be lower than its carrying amount.

19. Investments in subsidiaries

	Company	
	2010 **RM'000**	**2009** **RM'000**
Unquoted shares, at cost	**1,287,067**	1,194,317
Impairment losses	**(158,397)**	(127,520)
	1,128,670	1,066,797

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19. Investments in subsidiaries (contd.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010 %	2009 %
Direct subsidiaries of the Company				
CMS Capital Sdn. Bhd.	Malaysia	Investment holding	**95.2**	95.2
CMS Cement Sdn. Bhd.	Malaysia	Manufacture and sale of cement	**100.0**	100.0
CMS Education Sdn. Bhd.	Malaysia	Education	**93.3**	93.3
CMS Energy Sdn. Bhd.	Malaysia	Provision of engineering services to the oil and gas industry	**100.0**	100.0
CMS Global (BVI) Ltd.	British Virgin Islands	Dormant	**100.0**	100.0
CMS Infra Trading Sdn. Bhd.	Malaysia	General trading	**51.0**	51.0
CMS I-Systems Berhad (i)	Malaysia	Software research and development, provision of software related services and trading of computer software	**68.8**	68.8
CMS Modular Housing Sdn. Bhd.	Malaysia	Dormant	**100.0**	100.0
CMS Premix Sdn. Bhd. (ii)	Malaysia	Production and sale of premix	**40.0**	-
CMS Premix (Miri) Sdn. Bhd. (ii)	Malaysia	Production and sale of premix	**20.0**	-
CMS Property Development Sdn. Bhd.	Malaysia	Property holding, property development and project	**100.0**	100.0
CMS Resources Sdn. Bhd.	Malaysia	Investment and property holding	**51.0**	51.0
CMS River Bus Sdn. Bhd.	Malaysia	Dormant	**100.0**	100.0
CMS Steel Berhad	Malaysia	Dormant	**100.0**	100.0
CMS Works Sdn. Bhd.	Malaysia	Investment holding	**100.0**	100.0
Concordance Holdings Sdn. Bhd.	Malaysia	Investment holding	**100.0**	100.0
Projek Bandar Samariang Sdn. Bhd.	Malaysia	Property development and related construction works	**100.0**	60.0
Samalaju Industries Sdn. Bhd. (formerly known as Similajau Industries Sdn. Bhd.)	Malaysia	Investment holding	**100.0**	100.0
Subsidiaries of CMS Capital Sdn. Bhd.				
Citadelle Capital Sdn. Bhd. (formerly known as CMS Asset Management Sdn. Bhd.) (iii)	Malaysia	Dormant	**-**	51.0
CMS Mezzanine Sdn. Bhd.	Malaysia	Corporate financing	**100.0**	100.0
CMS Opus Private Equity Sdn. Bhd.	Malaysia	Management of private equity investments	**51.0**	51.0
Kenanga Investors Berhad (formerly known as CMS Trust Management Berhad) (iii)	Malaysia	Management of unit trust funds and asset	**-**	71.0
Subsidiaries of CMS Cement Sdn. Bhd.				
CMS Clinker Sdn. Bhd.	Malaysia	Manufacture and sale of cement clinker	**100.0**	100.0
CMS Concrete Products Sdn. Bhd.	Malaysia	Manufacture and sale of concrete products	**100.0**	100.0
Subsidiary of CMS Infra Trading Sdn. Bhd.				
CMS Agrotech Sdn. Bhd.	Malaysia	Organic waste management and related consultancy services	**100.0**	100.0
Subsidiaries of CMS I-Systems Berhad				
CMS I-Systems (India) Private Ltd. *	India	Dormant	**99.9**	99.9
ETA CMS I Solutions Private Ltd. *	India	Provide solutions for motor claim segment for insurance companies	**80.0**	70.0
Interventure Capital Sdn. Bhd.	Malaysia	Dormant	**100.0**	100.0

Notes to the Financial Statements
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19. Investments in subsidiaries (contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2010 %	2009 %
Subsidiaries of CMS I-Systems Berhad (contd.)				
I-Systems (Guangzhou) Co. Ltd. *	People's Republic of China	Software development and provision of e-business solutions	**100.0**	100.0
I-Systems Network Sdn. Bhd. (iii)	Malaysia	Software development and internet related services	**-**	100.0
Subsidiaries of CMS Property Development Sdn. Bhd.				
CMS Development Services Sdn. Bhd.	Malaysia	Dormant	**100.0**	100.0
CMS Hotels Sdn. Bhd.	Malaysia	Dormant	**100.0**	100.0
CMS Land Sdn. Bhd.	Malaysia	Property holding, property development and construction	**51.0**	51.0
CMS Property Management Sdn. Bhd.	Malaysia	Project management and consultancy	**51.0**	51.0
Subsidiaries of CMS Resources Sdn. Bhd.				
CMS Penkuari Sdn. Bhd. (iv)	Malaysia	Quarry operations	**60.0**	60.0
CMS Premix Sdn. Bhd.	Malaysia	Production and sale of premix	**60.0**	60.0
CMS Premix (Miri) Sdn. Bhd.	Malaysia	Production and sale of premix	**60.0**	60.0
CMS Quarries Sdn. Bhd.	Malaysia	Quarry operations	**100.0**	100.0
PPES Concrete Product Sdn. Bhd.	Malaysia	Manufacture and sale of concrete products	**100.0**	100.0
Subsidiary of CMS Steel Berhad				
CMS Wires Sdn. Bhd.	Malaysia	Manufacture and sale of wire mesh and related products	**69.0**	69.0
Subsidiaries of CMS Works Sdn. Bhd.				
CMS Works International (China) Ltd. (v)	Malaysia	Dormant	**-**	100.0
PPES Works (Sarawak) Sdn. Bhd.	Malaysia	Civil engineering contractor	**51.0**	51.0
Subsidiary of Samalaju Industries Sdn. Bhd. (formerly known as Similajau Industries Sdn. Bhd.)				
Samalaju Aluminium Industries Sdn. Bhd. (formerly known as Similajau Aluminium Industries Sdn. Bhd.)	Malaysia	Investment holding	**100.0**	100.0
Subsidiary of Samalaju Aluminium Industries Sdn. Bhd. (formerly known as Similajau Aluminium Industries Sdn. Bhd.)				
Sarawak Aluminium Company Sdn. Bhd.	Malaysia	Dormant	**100.0**	100.0

* audited by firms other than Ernst & Young.

(i) The subsidiary ceased operations during the year.
(ii) Another 60% is held by CMS Resources Sdn. Bhd.
(iii) The subsidiary was disposed during the year.
(iv) The remaining 40% is held by CMS Resources Sdn. Bhd.
(v) The subsidiary was liquidated during the year.

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19. Investments in subsidiaries (contd.)

(a) Acquisition of minority interests

(i) CMS Premix Sdn. Bhd. ("CMS Premix") and CMS Premix (Miri) Sdn. Bhd. ("CMS Premix (Miri)")

On 13 September 2010, the Company acquired additional 40% and 20% equity interest in CMS Premix and CMS Premix (Miri) from its minority interests for cash consideration of RM10,500,000 and RM1,500,000, respectively. On the date of acquisition, the carrying value of the additional interest acquired were RM12,752,205 and RM2,172,308 respectively for CMS Premix and CMS Premix (Miri). The difference between the consideration and the carrying value of the respective interests acquired of RM2,252,205 and RM672,308 are reflected in equity as discount on acquisition of minority interests.

(ii) Projek Bandar Samariang Sdn. Bhd. ("PBS")

On 30 November 2010, the Company acquired an additional 40% equity interest in PBS from its minority interests for a cash consideration of RM38,000,000. As a result of this acquisition, PBS became a wholly-owned subsidiary of the Company. On the date of acquisition, the carrying value of the additional interest acquired was RM12,278,279. The difference between the consideration and the carrying value of the interest acquired of RM25,721,721 is reflected in equity as premium paid on acquisition of minority interests.

(b) Disposals during the financial year

The Group disposed of its 71%, 5l% and 100% equity interests in Kenanga Investors Berhad (formerly known as CMS Trust Management Berhad), Citadelle Capital Sdn. Bhd. (formerly known as CMS Asset Management Sdn. Bhd.) and I-Systems Network Sdn. Bhd. on 9 April 2010, 2 September 2010 and 20 December 2010 for a consideration of RM12,691,876, RM1 and RM2, respectively.

The disposals had the following effects on the financial position of the Group as at the end of the year:

	Up to disposal date RM'000	2009 RM'000
Property, plant and equipment	**389**	840
Intangibls assets	**482**	523
Cash and bank balances	**11,947**	12,375
Unit stocks	**26**	23
Trade and other receivables	**1,768**	2,333
Tax recoverable	**73**	92
Merger deficit	**763**	6,464
Trade and other payables	**(1,485)**	(2,403)
Income tax payable	**(21)**	-
Loans and borrowings	**-**	(324)
Deferred tax liability	**(4)**	(4)
Identifiable net assets	**13,938**	19,919
Less: Minority interests	**(3,807)**	
	10,131	
Total disposal proceeds	**(12,692)**	
Gain on disposal of subsidiaries (Note 5(b))	**2,561**	
Disposal proceeds settled by:		
Cash	**12,692**	
Cash inflow arising on disposal:		
Cash consideration	**12,692**	
Cash and cash equivalents of subsidiaries disposed	**(11,947)**	
Net cash inflow from disposal of subsidiaries	**745**	

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20. Investments in associates

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Quoted shares in Malaysia, at cost	314,472	314,472	32,302	32,302
Less: Accumulated impairment losses	(67,000)	(67,000)	-	-
	247,472	247,472	32,302	32,302
Unquoted shares, at cost	115	62	-	-
Redeemable preference shares, at cost	17,474	19,653	-	-
	265,061	267,187	32,302	32,302
Share of post-acquisition reserves	13,091	16,777	-	-
	278,152	283,964	32,302	32,302
Fair value of investments in associates for which there is published price quotation	207,073	146,757	98,192	48,612

Details of the associates are as follows:

Name of associates	Country of incorporation	Principal activities	Proportion of ownership interest 2010 %	2009 %
Held by the Company:				
KKB Engineering Berhad	Malaysia	Steel fabrication, civil construction, hot dip galvanising and the manufacture of LPG cylinders	20.0	20.0
Held through subsidiaries:				
CMS Faradale Development Sdn. Bhd.	Malaysia	Property development	49.0	49.0
COPE-KPF Opportunities 1 Sdn. Bhd.	Malaysia	Investment holding	49.9	49.9
K&N Kenanga Holdings Berhad	Malaysia	Investment holding, stockbroking and financial services business	25.1	25.1

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2010 RM'000	2009 RM'000
Assets and liabilities:		
Total assets	3,897,120	3,248,622
Total liabilities	2,835,137	2,180,189
Results:		
Revenue	556,590	406,320
Profit for the year	32,593	55,159

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21. Investments in jointly controlled entities

	Group	
	2010 RM'000	**2009 RM'000**
Unquoted shares, at cost	**2,455**	2,455
Share of post-acquisition reserves	**180**	3,608
	2,635	6,063

Details of the jointly controlled entities incorporated in Malaysia are as follows:

Name of jointly controlled entities	Principal activities	Proportion of ownership interest 2010 %	2009 %
PPES Works (Sarawak) Sdn. Bhd./ Naim Cendera Sdn. Bhd. JV	Construction of buildings	**55**	55
PPES Work (Sarawak) Sdn. Bhd./ Advance Praise Sdn. Bhd. JV	Green waste management and composting	**51**	51
Arus Widuri Sdn. Bhd./ PPES Works (Sarawak) Sdn. Bhd. JV	Provision of site clearing and earthworks, road works and pavement, drainage, bridge works, electrical and telephone works and environmental protection	**84**	84
Chiyoda Malaysia Sdn. Bhd./ PPES Works (Sarawak) Sdn. Bhd. JV*	Provision of design, construction and engineering services for various packages of the Independent Oil Terminal Project	**-**	40
CMS Energy Sdn. Bhd./ Special Triumph Sdn. Bhd./ Poscon Corporation JV*	Sub-contract packages of the Independent Oil Terminal Project	**-**	51
CMS Energy Sdn. Bhd./ Special Triumph Sdn. Bhd./ Posco Machinery & Engineering Co. Ltd. JV*	Package 8 (Design and Executive of the Hydraulic Steel Structure Package) of the Bakun Hydroelectric Project Package CW2 Main Civil Works	**-**	51

* The jointly-controlled entities are in the process of being dissolved.

The Group's aggregate share of the current assets, non-current assets, current liabilities, income and expenses related to the Group's interests in the jointly controlled entities are as follows:

	Group	
	2010 RM'000	**2009 RM'000**
Assets and liabilities:		
Current assets	**8,151**	9,888
Non-current assets	**10**	124
Total assets	**8,161**	10,012
Current liabilities	**5,526**	3,949
Income and expenses:		
Income	**4,396**	28,741
Expenses	**(6,171)**	(28,667)

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22. Deferred tax

Group	As at 1 January 2009 RM'000	Recognised in profit or loss RM'000	As at 31 December 2009 RM'000	Recognised in profit or loss RM'000	Disposal of subsidiary RM'000	As at 31 December 2010 RM'000
Deferred tax liabilities:						
Revaluation of leasehold land and buildings	(267)	39	(228)	**2**	**-**	**(226)**
Property, plant and equipment	(50,506)	633	(49,873)	**1,496**	**4**	**(48,373)**
Intangible assets	(36)	-	(36)	**-**	**-**	**(36)**
	(50,809)	672	(50,137)	**1,498**	**4**	**(48,635)**
Deferred tax assets:						
Provision for liabilities	318	(132)	186	**59**	**-**	**245**
Allowance for impairment	40	52	92	**(92)**	**-**	**-**
Unabsorbed capital allowances, unutilised tax losses and unutilised reinvestment and infrastructure allowances	51,789	(4,238)	47,551	**(4,407)**	**-**	**43,144**
Others	49	8	57	**(48)**	**-**	**9**
	52,196	(4,310)	47,886	**(4,488)**	**-**	**43,398**
	1,387	(3,638)	(2,251)	**(2,990)**	**4**	**(5,237)**

Company	As at 1 January 2009 RM'000	Recognised in profit or loss RM'000	As at 31 December 2009 RM'000	Recognised in profit or loss RM'000	As at 31 December 2010 RM'000
Deferred tax liability:					
Property, plant and equipment	(328)	(91)	(419)	**143**	**(276)**

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For the financial year ended 31 December 2010

22. Deferred tax (contd.)

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Presented after appropriate offsetting as follows:				
Deferred tax assets	**16,700**	20,000	**-**	-
Deferred tax liabilities	**(21,937)**	(22,251)	**(276)**	(419)
	(5,237)	(2,251)	**(276)**	(419)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2010 RM'000	**2009 RM'000**
Unutilised tax losses	**114,772**	111,462
Unabsorbed capital allowances	**3,487**	43,751
Provisions	**320**	320
	118,579	155,533

At the reporting date, the Group has unutilised tax losses, unabsorbed capital allowances and provisions as shown above that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses, unabsorbed capital allowances and provisions for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

There are no income tax consequences (2009: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 45).

23. Inventories

	Group	
	2010 RM'000	**2009 RM'000**
Cost		
Raw materials	**24,371**	24,456
General stores	**47,511**	47,407
Work-in-progress	**123**	57
Finished goods	**945**	10,461
Completed development units	**1,388**	4,041
	74,338	86,422
Net realisable value		
Finished goods	**12,389**	318
	86,727	86,740

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM391,079,718 (2009: RM364,032,702).

Notes to the Financial Statements
For the financial year ended 31 December 2010

24. Gross amount due from/(to) customers on contract work-in-progress

	Group	
	2010 RM'000	**2009 RM'000**
Construction contract costs incurred to-date	**442,259**	832,637
Attributable profits less recognised losses	**39,916**	(8,764)
	482,175	823,873
Less: Progress billings	**(476,059)**	(823,067)
	6,116	806
Presented as:		
Amount due from customers on contracts (Note 27)	**8,199**	5,509
Amount due to customers on contracts (Note 30)	**(2,083)**	(4,703)
	6,116	806
Retention sums on construction contract included in:		
Trade receivables (Note 26)	**2,175**	13,602
Trade payables (Note 29)	**6,964**	19,263

The costs incurred to-date on construction contracts include the following charges made during the financial year:

	Group	
	2010 RM'000	**2009 RM'000**
Depreciation of property, plant and equipment (Note 13)	**684**	751
Operating leases:		
- minimum lease payments for land and buildings	**-**	83
- minimum lease payments for equipment	**1,540**	383
Rental expense	**29**	-

Notes to the Financial Statements
For the financial year ended 31 December 2010

25. Investment securities

	Group				Company			
	2010		2009		2010		2009	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current								
Fair value through profit or loss	**Carrying amount**	**Market value**	**Carrying amount***	**Market value**	**Carrying amount**	**Market value**	**Carrying amount***	**Market value**
Fixed income debt securities (unquoted)	**48,993**	**48,993**	49,533	49,691	**48,993**	**48,993**	49,533	49,691
Equity instruments (quoted in Malaysia)	**12,153**	**12,153**	29,340	27,361	**12,153**	**12,153**	29,340	27,361
Unit trust funds (in Malaysia)	**26,758**	**26,758**	25,023	26,096	**26,758**	**26,758**	25,000	26,073
Less: Unrealised loss on investments (Note 7)	**-**	**-**	(1,979)	-	**-**	**-**	(1,979)	-
Total current investment securities	**87,904**	**87,904**	101,917	103,148	**87,904**	**87,904**	101,894	103,125
Non-current								
Available-for-sale financial assets								
Equity instruments (unquoted), at cost	**300**	**-**	-	-	**-**	**-**	-	-
Total investment securities	**88,204**	**87,904**	101,917	103,148	**87,904**	**87,904**	101,894	103,125

* Prior to 1 January 2010, the investments were carried at lower of cost and market value, determined on aggregate basis.

Notes to the Financial Statements
For the financial year ended 31 December 2010

26. Trade and other receivables

	Group		Company	
	2010 RM'000	2009 (Restated) RM'000	2010 RM'000	2009 (Restated) RM'000
Current				
Trade receivables				
Third parties	**190,044**	198,027	**-**	-
Amount due from associate	**76**	64	**-**	-
Retention sums on contracts (Note 24)	**2,175**	13,602	**-**	-
	192,295	211,693	**-**	-
Less: Allowance for impairment:				
Third parties	**(7,467)**	(3,770)	**-**	-
Retention sum	**(82)**	-	**-**	-
	(7,549)	(3,770)	**-**	-
Trade receivables, net	**184,746**	207,923	**-**	-
Other receivables				
Other receivables	**14,095**	6,406	**315**	509
Less: Allowance for impairment	**(694)**	(694)	**-**	-
	13,401	5,712	**315**	509
Amount due from joint venture	**324**	394	**-**	-
Amount due from associates	**4,063**	-	**-**	-
Amount due from subsidiaries:				
Central cash management accounts	**-**	-	**28,832**	6,469
Current accounts	**-**	-	**51,649**	49,028
Loans	**-**	-	**573**	-
Other deposits	**1,526**	1,667	**334**	334
Interest receivable	**2,584**	766	**2,581**	761
Retention monies	**316**	248	**-**	-
	22,214	8,787	**84,284**	57,101
Non-current				
Other receivables				
Amount due from subsidiaries:				
Loans	**-**	-	**3,730**	-
Total trade and other receivables (current and non-current)	**206,960**	216,710	**88,014**	57,101
Add: Cash and bank balances (Note 28)	**773,484**	437,888	**753,990**	404,726
Total loans and receivables	**980,444**	654,598	**842,004**	461,827

Notes to the Financial Statements
For the financial year ended 31 December 2010

26. Trade and other receivables (contd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 day (2009: 30 to 120 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2010 RM'000	2009 RM'000
Neither past due nor impaired	121,506	124,163
1 to 30 days past due not impaired	10,494	9,966
31 to 60 days past due not impaired	3,720	8,492
61 to 90 days past due not impaired	2,278	3,155
91 to 120 days past due not impaired	2,550	12,942
More than 121 days past due not impaired	4,752	48,976
	23,794	83,531
Impaired	46,995	3,999
	192,295	211,693

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM23,794,161 (2009: RM83,530,964) that are past due at the reporting date but not impaired.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2010 RM'000	2009 RM'000
Trade receivables	46,995	3,999
Less: Allowance for impairment	(7,549)	(3,770)
	39,446	229

Notes to the Financial Statements
For the financial year ended 31 December 2010

26. Trade and other receivables (contd.)

(a) Trade receivables (contd.)

Movement in allowance accounts:

	Group	
	2010 RM'000	**2009 RM'000**
At 1 January	**3,770**	3,029
Effect of adopting FRS 139 (Note 2.2)	**3,520**	-
Charges for the year (Note 7)	**5,865**	801
Written off	**(1,066)**	-
Reversal of impairment loss (Note 5(b))	**(2,665)**	(60)
Unwinding of discount (Note 5(a))	**(1,875)**	-
At 31 December	**7,549**	3,770

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant difficulties and have defaulted on payments or debtors that have usually settled their debts beyond the prescribed credit terms. These receivables are not secured by any collateral or credit enhancements.

(b) Amount due from subsidiaries

(i) Central cash management accounts

All balances due to the Company are repayable on demand and are charged interest at the rate of 5% (2009: 5%) per annum.

(ii) Current accounts

These amounts are unsecured, interest-free and are repayable on demand.

(iii) Loans

The interest and principal repayments from the subsidiary are in accordance with the terms of shareholders' loan as described in Note 31.

(c) Amount due from associate

This amount is unsecured, interest-free and is repayable on demand.

27. Other current assets

	Group		Company	
	2010 RM'000	**2009 (Restated) RM'000**	**2010 RM'000**	**2009 RM'000**
Prepaid operating expenses	**6,466**	4,109	**1**	1
Project under study	**25,185**	24,125	**-**	-
Amount due from customers on contract (Note 24)	**8,199**	5,509	**-**	-
	39,850	33,743	**1**	1

Project under study

Project under study relates to expenditure that is directly attributable to conducting studies including professional charges and other expenses incurred on a proposed aluminum smelter project. Included therein are employee benefits expense of RM1,029,093 (2009: RM1,059,071).

Notes to the Financial Statements

For the financial year ended 31 December 2010

28. Cash and bank balances

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash in hand and at bank	**43,877**	193,507	**26,357**	174,582
Short term deposits with licensed banks	**729,607**	244,381	**727,633**	230,144
Cash and bank balances	**773,484**	437,888	**753,990**	404,726

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2010 for the Group and the Company were 3.07% (2009: 2.26%) and 3.08% (2009: 2.29%), respectively.

Short term deposits of the Group amounting to RM107,330 (2009: RM103,701) have been pledged to the bank to secure a bank guarantee.

Included in cash at bank of the Group and Company is an amount of RM25,598,889 (2009: RM174,379,529) being monies held in trust by nominee companies under a discretionary fund management and investment agreements with licensed fund managers.

Included in short term deposits with financial institutions of the Group and Company is an amount of RM54,400,000 (2009: RM59,300,000) being deposits placed with a banking subsidiary of an associate.

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and short term deposits	**773,484**	437,888	**753,990**	404,726
Bank overdrafts (Note 31)	**(53)**	-	**-**	-
Cash and cash equivalents	**773,431**	437,888	**753,990**	404,726

29. Trade and other payables

	Group		Company	
	2010 RM'000	2009 (Restated) RM'000	2010 RM'000	2009 (Restated) RM'000
Trade payables				
Third parties	**95,109**	106,299	**-**	-
Retention sums on contracts (Note 24)	**6,964**	19,263	**-**	-
	102,073	125,562	**-**	-
Other payables				
Other payables	**63,378**	49,015	**1,748**	1,160
Accruals	**41,919**	20,257	**696**	1,046
Amount due to subsidiaries:				
Central cash management accounts	**-**	-	**370,293**	189,556
Current accounts	**-**	-	**605,669**	265,733
Deposits payable	**1,756**	1,752	**-**	-
Deferred income	**-**	1,176	**-**	-
Interest payable	**1,572**	1,604	**-**	-
Retention monies	**9**	9	**-**	-
	108,634	73,813	**978,406**	457,495
Total trade and other payables	**210,707**	199,375	**978,406**	457,495
Add: Loans and borrowings (Note 31)	**394,586**	534,236	**170,786**	252,144
Total financial liabilities carried at amortised cost	**605,293**	733,611	**1,149,192**	709,639

Notes to the Financial Statements
For the financial year ended 31 December 2010

29. Trade and other payables (contd.)

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one month to four months.

(b) Amount due to subsidiaries

(i) Central cash management accounts

All balances deposited with the Company are unsecured, repayable on demand and earn interest at rates ranging from 1.94% to 2.73% (2009: 1.82% to 2.92%) per annum.

(ii) Current accounts

These amounts are unsecured, interest-free and are repayable on demand.

30. Other current liabilities

	Group	
	2010 RM'000	**2009 RM'000**
Progress billings in respect of property development costs	**10,112**	61,640
Amount due to customers on contract (Note 24)	**2,083**	4,703
Deferred income	**-**	222
Provision for liabilities	**400**	400
	12,595	66,965

Provision for liabilities relates to the provision for resettlement costs.

31. Loans and borrowings

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Current				
Secured:				
Bank overdrafts (Note 28)	**53**	-	**-**	-
Revolving credits	**13,136**	64,686	**-**	-
Hire purchase and finance lease liabilities (Note 38(d))	**218**	525	**-**	-
	13,407	65,211	**-**	-
Unsecured:				
Shareholders' loan	**551**	-	**-**	-
Bankers' acceptances	**38,958**	26,100	**-**	-
Revolving credits	**60,000**	60,000	**-**	-
Term loans	**21,440**	23,222	**-**	-
CMS Income Securities (Note 32)	**85,544**	81,623	**85,544**	81,623
	206,493	190,945	**85,544**	81,623
	219,900	256,156	**85,544**	81,623
Non-current				
Secured:				
Hire purchase and finance lease liabilities (Note 38(d))	**181**	439	**-**	-

Notes to the Financial Statements
For the financial year ended 31 December 2010

31. Loans and borrowings (contd.)

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Unsecured:				
Shareholders' loan	**3,583**	-	**-**	-
Term loans	**85,680**	107,120	**-**	-
CMS Income Securities (Note 32)	**85,242**	170,521	**85,242**	170,521
	174,505	277,641	**85,242**	170,521
	174,686	278,080	**85,242**	170,521
Total loans and borrowings	**394,586**	534,236	**170,786**	252,144

The remaining maturities of the loans and borrowings as at 31 December 2010 are as follows:

	Group		Company	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Maturity period of borrowings:				
Repayable within one year	**219,900**	256,156	**85,544**	81,623
One year to five years	**173,308**	256,720	**85,242**	170,521
Over five years	**1,378**	21,360	**-**	-
	394,586	534,236	**170,786**	252,144

(i) The revolving credits of the subsidiaries are secured by legal charges over landed properties of subsidiaries (Note 15).

(ii) The interest rates of the Group are as follows:

	2010 %	**2009 %**
Bank overdrafts	**7.05**	-
Bankers' acceptances	**3.05 to 4.48**	2.34
Revolving credits	**3.81 to 7.05**	3.84 to 7.05
Term loans	**4.70**	3.90 to 4.48

(iii) The shareholders' loan is charged interest at 5% (2009: Nil) per annum and is repayable from June 2010 to June 2018.

32. CMS Income Securities

On 29 December 2005, pursuant to a Trust Deed dated 16 December 2005, the Company undertook to issue RM400 million CMS Income Securities ("CMSIS") to refinance existing group borrowings and for working capital requirements.

The CMSIS consist of the following:

(i) 400 fixed rate coupon-bearing serial bonds ("Bonds") at a nominal sum of RM999,000 each. The Bonds comprise the bond principal and the bond coupon; and

(ii) 400 Non-Convertible Redeemable Preference Shares ("NCRPS") of RM1 each at an issue price of RM1,000 each (Note 33).

The NCRPS are effectively stapled to the Bonds in that the NCRPS and the Bonds are issued simultaneously to the same party and the coupon payment obligations under the Bonds are dependent on the payments made under the NCRPS.

Notes to the Financial Statements
For the financial year ended 31 December 2010

32. CMS Income Securities (contd.)

(a) The salient terms of the Bonds are as follows:

(i) The Bonds are issued in series and each series is redeemable from the second to the seventh anniversary from the date of issue:

Serial	Total nominal sum available for subscription RM'000	Tenor (years)
A	29,970	2
B	49,950	3
C	69,930	4
D	79,920	5
E	84,915	6
F	84,915	7
	399,600	

(ii) The Bonds comprise a principal element ("Bonds Principal") and a coupon element ("Bonds Coupon");

(iii) The Bonds Coupon shall be at the nominal rate of 0.01% per annum unless dividends are not paid on the NCRPS, in which case the Bonds Coupon shall range from 6.67% to 18.80% per annum, to be paid semi-annually;

(iv) Unless previously redeemed or purchased and cancelled, the Bonds Principal shall be redeemed by the Company at par on maturity;

(v) A Debt Repayment Reserve Account ("DPRA") is maintained by the Company and charged (pledged) to the Trustee for the benefit of the Bondholders. 60% of all future cash proceeds, if any, arising from the sale and/or the listing of equity interests in certain subsidiaries of the Company will be deposited in the DPRA. The Company shall be permitted to utilise the funds held in the DPRA to invest in Permitted Investments (as defined in the Trust Deed) pending utilisation of the funds and to utilise any income earned to service the debt payment due under the CMS Income Securities;

(vi) The Bonds are not listed on any boards of Bursa Malaysia Securities Berhad ("Bursa Securities") but the Bonds Principal are tradeable and transferable under the Real Time Electronic Transfer of Funds and Securities System (RENTAS) maintained by BNM; and

(vii) The Bonds bear a rating of A2 by Rating Agency Malaysia Berhad (RAM) at the date of issue.

(b) The salient features of the NCRPS are as follows:

(i) The NCRPS are effectively stapled to the Bonds in that the NCRPS and the Bonds are issued simultaneously to the same party and the coupon payment obligations under the Bonds are dependent on the payments made under the NCRPS;

(ii) The NCRPS do not have a fixed tenor but are redeemable at any time within the last one year of the tenor of the respective series of Bonds to which the NCRPS are linked, at a premium of RM999 per share.

Serial	Total number of NCRPS	Tenor (years)
A	30	1
B	50	2
C	70	3
D	80	4
E	85	5
F	85	6
	400	

Notes to the Financial Statements
For the financial year ended 31 December 2010

32. CMS Income Securities (contd.)

(b) The salient features of the NCRPS are as follows: (contd.)

(iii) The NCRPS holders have the right to pre-determined dividend rates in relation to the interest payment obligations which would otherwise be paid on the redeemable bonds linked thereto;

(iv) The NCRPS do not carry any rights to participate in the profits or surplus assets of the Company;

(v) The NCRPS shall not be converted to ordinary shares of the Company;

(vi) The NCRPS holders have the right on a winding-up or other return to capital, to payment, prior to all other shares in the Company;

(vii) The NCRPS holders are not entitled to voting rights at any general meeting of the Company except on resolutions to amend the NCRPS holders' rights, to declare dividends to other classes of shares whilst there remain preference dividends in arrears, or to commence dissolution of the Company; and

(viii) The NCRPS are not listed on any boards of Bursa Securities.

The CMSIS are classified as debt instruments and hence are reported as liabilities.

	Group/Company	
	2010 RM'000	**2009 RM'000**
The CMSIS are accounted for in the statement of financial position as follows:		
Proceeds from issue of CMSIS	**442,403**	442,403
Less: Unamortised transaction costs	**(530)**	(795)
	441,873	441,608
Interest expense recognised in profit or loss:		
At 1 January	**92,092**	68,411
Recognised during the year (Note 6)	**18,377**	23,681
At 31 December	**110,469**	92,092
Interest expense on the NCRPS paid:		
At 1 January	**(131,556)**	(104,556)
Paid during the year	**(20,000)**	(27,000)
At 31 December	**(151,556)**	(131,556)
Bonds principal repayment and NCRPS redemption:		
At 1 January	**(150,000)**	(80,000)
Paid during the year	**(80,000)**	(70,000)
At 31 December	**(230,000)**	(150,000)
Amount included in loans and borrowings (Note 31)	**170,786**	252,144

The effective interest rate on the CMSIS is 7.27% (2009: 7.27%) per annum.

The CMSIS are repayable over the following periods:

	Group/Company	
	2010 RM'000	**2009 RM'000**
Not later than 1 year	**85,544**	81,623
Later than 1 year and not later than 2 years	**85,772**	85,544
Later than 2 years and not later than 5 years	**-**	85,772
	171,316	252,939
Less: Unamortised transaction costs	**(530)**	(795)
	170,786	252,144

Notes to the Financial Statements
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33. Non-convertible redeemable preference shares ("NCRPS")

	Group/Company			
	Number of NCRPS of RM1 each		Amount	
	2010	2009	2010 RM	2009 RM
Nominal value-issued and fully paid				
At 1 January	**250**	320	**250**	320
Redeemed during the year	**(80)**	(70)	**(80)**	(70)
At 31 December	**170**	250	**170**	250
Authorised				
At 1 January and 31 December	**400**	400	**400**	400

	Group/Company	
	2010 RM'000	2009 RM'000
Share premium		
At 1 January	**250**	320
Redemption during the year	**(80)**	(70)
At 31 December	**170**	250
Amount included in CMSIS (Note 32)	**170**	250

The interest expense are charged to the CMSIS in the period in which they are incurred.

34. Share capital

	Group/Company			
	Number of ordinary shares of RM1 each		Amount	
	2010 '000	2009 '000	2010 RM'000	2009 RM'000
Issued and fully paid				
At 1 January and 31 December	**329,446**	329,446	**329,446**	329,446
Authorised				
At 1 January and 31 December	**1,000,000**	1,000,000	**1,000,000**	1,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

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35. Other reserves

Group	Capital reserves RM'000	Translation reserves RM'000	Merger (deficit)/ reserve RM'000	Statutory reserves RM'000	Fair value reserves RM'000	Premium paid on acquisition of minority interests RM'000	Employees' share option reserve RM'000	Total RM'000
At 1 January 2009	37,637	6	(12,763)	-	-	-	-	24,880
Other comprehensive income:								
Foreign currency translation	-	(6)	-	-	-	-	-	(6)
Accretion arising from additional shares issued by a subsidiary	63	-	-	-	-	-	-	63
Share of other comprehensive income of associate	8,791	(331)	-	10,911	(47)	-	-	19,324
	8,854	(337)	-	10,911	(47)	-	-	19,381
At 31 December 2009 and 1 January 2010	**46,491**	**(331)**	**(12,763)**	**10,911**	**(47)**	**-**	**-**	**44,261**
Other comprehensive income:								
Foreign currency translation	**-**	**39**	**-**	**-**	**-**	**-**	**-**	**39**
Share of other comprehensive income of associate	**-**	**(1,970)**	**-**	**-**	**746**	**-**	**-**	**(1,224)**
	-	**(1,931)**	**-**	**-**	**746**	**-**	**-**	**(1,185)**
Transactions with owners:								
Grant of equity-settled share options to employees	**-**	**-**	**-**	**-**	**-**	**-**	**4,243**	**4,243**
Disposal of subsidiaries	**-**	**-**	**763**	**-**	**-**	**-**	**-**	**763**
Premium paid on acquisition of minority interests	**-**	**-**	**-**	**-**	**-**	**(22,925)**	**-**	**(22,925)**
	-	**-**	**763**	**-**	**-**	**(22,925)**	**4,243**	**(17,919)**
At 31 December 2010	**46,491**	**(2,262)**	**(12,000)**	**10,911**	**699**	**(22,925)**	**4,243**	**25,157**

Notes to the Financial Statements
For the financial year ended 31 December 2010

35. Other reserves (contd.)

Company	Capital reserves RM'000	Merger reserve RM'000	Employees' share option reserve RM'000	Total RM'000
At 1 January 2009 and 31 December 2009	**12,633**	168,000	-	**180,633**
Grant of equity-settled share options to employees	**-**	-	4,243	**4,243**
At 31 December 2010	**12,633**	**168,000**	**4,243**	**184,876**

(a) Capital reserves

Capital reserves of the Group comprise accretion from shares issued by subsidiaries and associates, retained earnings capitalised for bonus issues by subsidiaries as well as surplus arising from revaluation of land and buildings in 1996.

Capital reserve of the Company represents surplus arising from revaluation of land and buildings in 1996.

(b) Translation reserves

Translation reserve of the Group represents foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

(c) Statutory reserves

Statutory reserves of the Group are maintained by the investment banking subsidiary of an associate in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and are not distributable as dividends.

(d) Fair value reserves

Fair value reserves are in respect of unrealised fair value gains and losses on securities, net of tax, of an associate.

(e) Employees' share option reserve

Employees' share option reserve represents the equity-settled share options granted to employees (Note 37). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

36. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

The Company has tax exempt profits available for distribution of approximately RM104 million (2009: RM104 million) as at 31 December 2010, subject to agreement of the Inland Revenue Board.

As at 31 December 2010, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

Notes to the Financial Statements
For the financial year ended 31 December 2010

37. Employee benefits

Employees' share option scheme

The Company implemented an ESOS which came into effect on 23 June 2010. The ESOS is governed by the bylaws which were approved by the shareholders on 27 May 2010.

The salient features of the ESOS are as follows:

(a) the total number of new shares which may be made available under the scheme shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;

(b) eligible persons are confirmed employees including full-time executive directors of the Group;

(c) the aggregate number of new shares to be offered to selected employee in accordance with the ESOS shall be determined at the discretion of the ESOS Committee. No option shall be granted for less than 100 shares;

(d) the option price may be at a discount of not more than ten percent (10%) from the five (5) days weighted average market price of the underlying shares preceding the date of offer or at par value of the ordinary shares of the Company, whichever is higher;

(e) the ESOS shall be in force for a period of five (5) years and extendable to ten (10) years from the date of the first offer;

(f) the ESOS Committee may, at its discretion, at any time before and after an option is granted, limit the maximum number or percentage of exercisable options within the option period; and

(g) the exercise of the options is subjected to vesting conditions being met by respective grantees. These vesting conditions may be affected by, inter-alia, performance targets being achieved before the options can be exercised. The vesting conditions, if any, shall be determined by the ESOS Committee whose decision shall be final and binding.

The exercise period for the above option lapses on 22 June 2015.

Fair value of share options granted

The fair value of the share options granted is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the option pricing models for the year ended 31 December 2010:

Dividend yield (%)	1.51
Expected volatility (%)	39.77
Risk-free interest rate (% p.a.)	3.30
Expected life of option (years)	4.86
Weighted average share price (RM)	2.49

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Notes to the Financial Statements
For the financial year ended 31 December 2010

38. Commitments

(a) Capital commitments

Capital expenditures as at the reporting date are as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Capital expenditures				
Approved and contracted for:				
Property, plant and equipment	134,417	409	-	-
Others	6,000	-	-	-
	140,417	409	-	-
Approved and not contracted for:				
Property, plant and equipment	44,342	91,605	1,888	546
Others	30,000	30,220	-	-
	74,342	121,825	1,888	546
	214,759	122,234	1,888	546

(b) Operating lease commitments - as lessee

In addition to prepaid land lease payments disclosed in Note 14, the Group has entered into operating lease agreements for the use of land, buildings and certain plant and machinery. These leases have an average life of between 3 and 5 years with no renewal or purchase option included in the contracts. Certain contracts include escalation clauses or contingent rental arrangements computed based on sales achieved while others include fixed rentals for an average of 3 years. There are no restrictions placed upon the Group by entering into these leases.

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give a six-month notice for the termination of those agreements.

The future minimum lease payments under operating leases contracted at reporting date are as follows:

	Group	
	2010 RM'000	2009 RM'000
Not later than 1 year	-	665
Later than 1 year and not later than 5 years	-	89
	-	754

The lease payments recognised in profit or loss during the financial year is disclosed in Note 7.

(c) Operating lease commitments - as lessor

The Group has entered into an operating lease agreement on its investment property portfolio. This lease has a remaining lease term of less than 5 years.

The future minimum lease payments receivable under the operating lease contracted for at the reporting date are as follows:

	Group	
	2010 RM'000	2009 RM'000
Not later than 1 year	-	480
Later than 1 year and not later than 5 years	-	760
	-	1,240

Investment property rental income recognised in profit or loss during the financial year is disclosed in Note 4.

Notes to the Financial Statements
For the financial year ended 31 December 2010

38. Commitments (contd.)

(d) Finance lease commitments

The Group has finance leases for certain items of plant and equipment and furniture and fixtures (Note 13). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2010 RM'000	**2009 RM'000**
Minimum lease payments:		
Not later than 1 year	**223**	564
Later than 1 year and not later than 2 years	**151**	232
Later than 2 years and not later than 5 years	**34**	231
Total minimum lease payments	**408**	1,027
Less: Amounts representing finance charges	**(9)**	(63)
Present value of minimum lease payments	**399**	964
Present value of payments:		
Not later than 1 year	**218**	525
Later than 1 year and not later than 2 years	**149**	218
Later than 2 years and not later than 5 years	**32**	221
Present value of minimum lease payments	**399**	964
Less: Amount due within 12 months (Note 31)	**(218)**	(525)
Amount due after 12 months (Note 31)	**181**	439

39. Contingencies

(a) Contingent liabilities

	Group	
	2010 RM'000	**2009 RM'000**
Share of contingent liabilities of associates	**3,071**	6,627

(i) In 2001, CMS Capital Sdn. Bhd., a subsidiary of the Company, had provided an indemnity to the purchaser of Sarawak Securities Sdn. Bhd. against several legal suits filed by former remisiers in the Industrial Court of Malaysia claiming reinstatement of employment. The subsidiary's Directors are of the opinion that these remisiers would not be entitled to such claims. Accordingly no provision has been made in this respect.

(ii) Legal suits have been filed by former employees in the Industrial Court of Malaysia against the Company and a subsidiary alleging wrongful dismissal and claiming reinstatement to their former positions and/or other relief that the Court deems fit and proper. As the Industrial Court has yet to make a decision/award on these matters, it is not possible to determine the Group and the Company's potential liability (if any) at this juncture.

(b) Other contingency

An amount of RM5,466,968 included in trade receivables is in dispute and in the process of arbitration. Within the same claim on the receivable, a counterclaim of RM2,240,930 was filed by the debtor. A further claim of RM2,265,422 was made by the subsidiary against the debtor for loss of profits and other general damages. Both counterclaims by the debtor and the further claim made by the subsidiary have not been accounted for in the financial statements. The directors are of the opinion that the case is in favor of the subsidiary and are confident of recovering a portion of the claims and that the counterclaim is of no basis.

Notes to the Financial Statements
For the financial year ended 31 December 2010

40. Related party transactions

During the financial year, the Group and the Company had, in the normal course of business transacted on normal commercial terms the following transactions:

(a) Sales and purchases of goods and services

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest income received from:				
- Associates	1,936	2,826	1,936	2,826
- Subsidiaries	-	-	614	283
Interest expense paid to subsidiaries	-	-	5,847	2,738
Fee received from subsidiaries	-	-	3,219	3,122
Management fees received from:				
- Associates	-	109	-	-
- Subsidiaries	-	-	202	240
- COPE-KPF Opportunities 1 Sdn. Bhd.	1,578	1,500	-	-
Rental received from a subsidiary	-	-	600	600
Sale of materials to associates	28	69,601	-	-
Purchase of materials from an associate	5,047	15,033	-	-
Payment for services to:				
- Associates	3,641	16,426	267	-
- Achi Jaya Communications Sdn. Bhd.	32	38	3	4
- Centigrade Resources Sdn. Bhd.	688	717	604	597
- Satria Realty Sdn. Bhd.	920	974	824	824
- KTA (Sarawak) Sdn. Bhd.	394	211	-	-
- Borneo Isthmus Development Sdn. Bhd.	41	5	36	-
- AGI Asset Management Ltd.	227	963	-	-
- Opus Asset Management Sdn. Bhd.	161	105	155	76
- Opus Capital Sdn. Bhd.	42	43	-	-

(i) One of the directors of the Company, Dato Sri Mahmud Abu Bekir Taib, through his 15.65% (2009: 15.65%) equity interest in Achi Jaya Communication Sdn. Bhd. ("AJC"), has an interest in a contract for the supply of telecommunication equipment and services to the Group. During the financial year, the Group purchased telecommunication equipment and received services of RM31,526 (2009: RM37,918) from AJC. There was an outstanding amount of RM18,059 (2009: Nil) with AJC at the reporting date.

(ii) The Group has transacted with Satria Realty Sdn Bhd, a company controlled by Majaharta Sdn. Bhd. (a major shareholder of the Company) which in turn is controlled by Datin Hanifah Hajar Taib and Jamilah Hamidah Taib (major shareholders of the Company and persons connected to Dato Sri Mahmud Abu Bekir Taib and Datuk Syed Ahmad Alwee Alsree), for the provision of office rental to the Group for an amount of RM920,086 (2009: RM974,103). No balance with the company was outstanding at the reporting date (2009: Nil).

(iii) The Group has transacted with Centigrade Resources Sdn Bhd ("CR"), a subsidiary of Satria Realty Sdn. Bhd., for the provision of office upkeep services to the Group for an amount of RM687,939 (2009: RM716,999). There was an outstanding amount of RM4,511 (2009: Nil) with CR at the reporting date.

(iv) The Group has entered into a contract with KTA (Sarawak) Sdn. Bhd. ("KTA"), a firm of which the brother of one of the directors of the Company, Datu Michael Ting Kuok Ngie @ Ting Kok Ngie, has 20% direct interest, for the provision of engineering consultancy services to the Group for an amount of RM394,448 (2009: RM210,589). There was no outstanding balance with KTA at the reporting date (2009: Nil).

(v) The Group has incurred food and refreshments expenditure with Borneo Isthmus Development Sdn. Bhd. ("BID"), a company of which one of the directors of the Company, Dato Sri Mahmud Abu Bekir Taib, has relationship by virtue of his directorship. During the financial year, the Group incurred an amount of RM41,212 (2009: RM4,977) with BID. There was no outstanding balance with BID at the reporting date (2009: Nil).

Notes to the Financial Statements
For the financial year ended 31 December 2010

40. Related party transactions (contd.)

(a) Sales and purchases of goods and services (contd.)

(vi) The Group has entered into a contract with AGI Asset Management Ltd. ("AGI"), a firm controlled by a director of a former subsidiary, Ian Tham Khean Hin, for the provision of management advisory services and accommodation expenses to the Group for an amount of RM226,542 (2009: RM963,389). There was no outstanding balance with AGI at the reporting date (2009: Nil).

(vii) One of the directors of a subsidiary company, Azam Azman, by virtue of his directorship in Opus Asset Management Sdn. Bhd. ("OPUS"), has interest in a contract for the provision of investment management services to the Group for an amount of RM161,260 (2009: RM105,135). There was an outstanding amount of RM26,358 (2009: RM25,506) with OPUS at the reporting date.

(viii) One of the directors of a subsidiary company, Azam Azman, by virtue of his directorship in Opus Capital Sdn. Bhd. ("OPUSCAP"), has interest in an contract for the provision of advisory services and shared office expenses to the Group for an amount of RM42,000 (2009: RM42,709). There was no outstanding balance with OPUSCAP at the reporting date (2009: Nil).

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short-term employee benefits	**6,767**	7,712	**5,039**	4,233
Defined contribution plan	**718**	765	**533**	430
Share-based payments	**872**	-	**588**	-
	8,357	8,477	**6,160**	4,663

During the financial year, 1,950,000 share options were granted to two of the Company's executive directors under the ESOS at an exercise price of RM2.20 each.

41. Fair value of financial instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

(a) Cash and bank deposits, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short term nature.

(b) Trade receivables and trade payables

The carrying amounts of trade receivables and trade payables approximate their fair values because they are subject to normal trade credit terms.

(c) Amounts due from/to related companies

The carrying values of amounts due from/to related companies in current assets and current liabilities approximate their fair values due to the short term nature. No disclosure of fair value is made for non-current amounts due from/ to related companies as it is not practicable to determine their fair values with sufficient reliability since these balances have no fixed terms of repayment.

Notes to the Financial Statements
For the financial year ended 31 December 2010

41. Fair value of financial instruments (contd.)

(d) Investment securities

Market values of quoted investment securities are determined by reference to stock exchange quoted prices.

The unquoted investment securities do not have quoted market prices in an active market nor are there other methods of reasonably estimating the fair values readily available. It is not practicable to determine fair values with sufficient reliability without incurring excessive costs.

(e) Bank borrowings and term loans

The carrying values of bank borrowings and term loans approximate their fair values as they bear interest rates which approximate the current incremental borrowing rates for similar types of lending and borrowing arrangements.

42. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's overall risk management strategy seeks to minimise potential adverse effects of financial performance of the Group. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk.

Financial risk management policies are reviewed and approved by the Board of Directors and executed by the management of the respective operating units. The Group Risk Committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting and do not hold or issue derivative financial instruments for trading purposes.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. At the reporting date, the Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. It is the Group's policy that contractual deposits are collected and scheduled progress payments are received from the buyers when due. Titles to properties are only transferred upon full settlement. Management does not expect any counterparties to fail to meet their obligations.

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position. There was no significant concentration of credit risk with any entity.

Information regarding financial assets that are either past due or impaired and aging analysis is disclosed on Note 26. Management believes that no additional credit risk beyond that provided for is inherent in the Group's trade and other receivables.

Notes to the Financial Statements

For the financial year ended 31 December 2010

42. Financial risk management objectives and policies (contd.)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group adopts a prudent approach to managing its liquidity risk. The Group always maintains sufficient cash and cash equivalents, and has available funding through a diverse source of committed and uncommitted credit facilities from various banks.

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted repayment obligations.

2010	On demand or within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Group				
Financial liabilities:				
Trade and other payables	210,707	-	-	210,707
Loans and borrowings	238,575	192,429	3,023	434,027
Total undiscounted financial liabilities	449,282	192,429	3,023	644,734
Company				
Financial liabilities:				
Trade and other payables	978,406	-	-	978,406
Loans and borrowings	98,000	92,000	-	190,000
Total undiscounted financial liabilities	1,076,406	92,000	-	1,168,406

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to market risk for changes in interest rates arise primarily from their fixed/treasury deposits and loans and bank borrowings. The Group and the Company's fixed/treasury deposits and borrowings at floating rates are contractually re-priced at intervals of less than 6 months (2009: less than 6 months) from the reporting date.

Sensitivity analysis for interest rate risk

At the reporting date, it is estimated that a hundred basis points increase in interest rate, with all other variables held constant, would decrease the Group's profit net of tax by approximately RM2,188,239, arising mainly as a result of higher interest expense on net floating borrowing position. A decrease in interest rate would have had the equal but opposite effect on the aforesaid amount, on the basis that all other variables remain constant.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. It is the Group's policy to hedge these risks where the exposures are certain and cost-efficient.

Notes to the Financial Statements
For the financial year ended 31 December 2010

42. Financial risk management objectives and policies (contd.)

(d) Foreign currency risk (contd.)

The currencies giving rise to this risk are primarily United States dollar (USD) and Euro. Exposure to foreign currency risk is monitored on an on-going basis to ensure that the exposure is at an acceptable level. At 31 December 2010, the Group and the Company have not entered into any forward foreign currency contracts.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible 10% strengthening of the USD and Euro exchange rates against the functional currency of the Group, with all other variables held constant.

	Group
	2010 RM'000
United States Dollars	10,820
Euro	147

A 10% weakening of the above foreign currencies against the underlying functional currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to market price risk and the risk of impairment in the value of investments held. The Company manages the risk of impairment by evaluation of investment opportunities, continuously monitoring the performance of investments held and assessing market risk relevant to which the investments operate.

At the reporting date, 56% of the Group's and the Company's investment securities consist of fixed income securities, 14% in equity portfolio quoted on Bursa Malaysia, while the remaining portion of the investment securities comprises unit trusts which invest in short term money market instruments.

Sensitivity analysis for equity price risk

At the reporting date, if prices for equity securities increase by 10% with all other variables being held constant, the profit net of tax will be RM747,742 higher as a result of higher fair value gain on fair value through profit or loss investments in equity instruments. A 10% decrease in the underlying equity prices would have had the equal but opposite effect to the amount shown above.

43. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that it maintains healthy capital ratios to support its business and maximise shareholder value. No changes were made in the objective, policies and processes during the years ended 31 December 2010 and 2009.

The Group reviews its capital structure and makes adjustments to reflect economic conditions, business strategies and future commitments on a continuous basis.

The Group monitors capital using a gearing ratio. The gearing ratio is calculated as loans and borrowings divided by equity attributable to owners of the parent.

The Group and the Company are in compliance with all externally imposed capital requirements in respect of certain external borrowings for the financial years ended 31 December 2010 and 2009.

Notes to the Financial Statements
For the financial year ended 31 December 2010

43. Capital management (contd.)

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loans and borrowings (Note 31)	**394,586**	534,236	**170,786**	252,144
Equity attributable to the owners of the parent	**1,312,667**	1,277,970	**990,694**	982,098
Gearing ratio	**30%**	42%	**17%**	26%

44. Segment information

For management purposes, the Group is organised into business based on their strategic business units, and has six reportable operating segments as follows:

(i) Manufacturing - manufacturing of cement, clinker, wires and concrete products;
(ii) Construction - civil engineering, road construction and maintenance;
(iii) Construction materials - quarry operations, production and sale of premix;
(iv) Property development - property holding and development and project management;
(v) Trading - general trading; and
(vi) Others - financial services, investment holding and other services.

Except as indicated above, no operating segments has been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities, income and expenses.

Transfer prices between business segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfer between business segments. These transfers are eliminated on consolidation.

Notes to the Financial Statements
For the financial year ended 31 December 2010

44. Segment information (contd.)

	Manufacturing RM'000	Construction RM'000	Construction materials RM'000	Property development RM'000	Trading RM'000	Others RM'000	Adjustments and elimination RM'000	Notes	Per consolidated financial statements RM'000
31 December 2010									
Revenue:									
External customers	400,302	75,183	183,965	165,530	90,174	28,322	-		943,476
Inter-segment	14,169	3,381	9,160	130	6,210	47,123	(80,173)	A	-
Total revenue	414,471	78,564	193,125	165,660	96,384	75,445	(80,173)		943,476
Results:									
Interest income	2,049	4,893	2,717	578	281	400	(8,127)		2,791
Depreciation and amortisation	23,972	107	2,507	58	87	4,306	712		31,749
Share of results of associates	-	-	-	3,078	-	3,155	-		6,233
Other non-cash expenses	1,330	1,567	1,890	144	98	6,322	-	B	11,351
Segment profit/(loss)	85,400	45,423	31,772	4,279	5,222	(35,436)	(17,864)	C	118,796
Assets:									
Investments in associates	-	-	-	5	-	278,147	-		278,152
Investments in jointly controlled entities	-	2,635	-	-	-	-	-		2,635
Additions to non-current assets	17,554	3	2,025	22,778	572	14,259	3	D	57,194
Segment assets	584,032	255,332	202,074	252,223	24,390	1,622,178	(825,407)	E	2,114,822
Segment liabilities	60,185	45,787	98,511	119,478	7,172	1,027,206	(711,797)	F	646,542

Notes to the Financial Statements
For the financial year ended 31 December 2010

44. Segment information (contd.)

	Manufacturing RM'000	Construction RM'000	Construction materials RM'000	Property development RM'000	Trading RM'000	Others RM'000	Adjustments and elimination RM'000	Notes	Per consolidated financial statements RM'000
31 December 2009									
Revenue:									
External customers	355,814	204,836	137,666	20,765	124,666	30,853	-		874,600
Inter-segment	16,767	275	6,169	129	6,163	38,023	(67,526)	A	-
Total revenue	372,581	205,111	143,835	20,894	130,829	68,876	(67,526)		874,600
Results:									
Interest income	1,632	3,992	566	170	298	352	(6,299)		711
Depreciation and amortisation	23,618	963	2,587	78	63	4,387	685		32,381
Share of results of associates	-	-	-	458	-	11,254	-		11,712
Fair value adjustments of investment properties	-	-	-	117	-	-	-		117
Other non-cash expenses	6	-	413	-	-	405	-	B	824
Segment profit/(loss)	87,547	34,992	21,769	(359)	7,382	(8,624)	(18,415)	C	124,292
Assets:									
Investments in associates	-	-	-	990	-	282,974	-		283,964
Investments in jointly controlled liabilities	-	6,063	-	-	-	-	-		6,063
Additions to non-current assets	7,078	468	4,954	513	265	5,130	244	D	18,652
Segment assets	536,029	363,774	149,357	273,922	24,010	1,270,537	(328,327)	E	2,289,302
Segment liabilities	33,157	96,094	59,083	200,770	7,785	507,062	(75,097)	F	828,854

Notes to the Financial Statements
For the financial year ended 31 December 2010

44. Segment information (contd.)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2010 RM'000	2009 RM'000
Impairment of financial assets	7	**5,865**	801
Write down of inventories	7	**1,243**	23
Share options granted under ESOS	8	**4,243**	-
		11,351	824

C The following items are added to/(deducted from) segment profit to arrive at "Profit before tax from continuing operations" presented in the consolidated statement of comprehensive income:

	2010 RM'000	2009 RM'000
Share of results of associates	**6,233**	11,712
Share of results of jointly controlled entities	**(1,778)**	409
Finance costs	**(30,802)**	(37,524)
Unallocated corporate income	**8,483**	6,988
	(17,864)	(18,415)

D Additions to non-current assets consist of:

	2010 RM'000	2009 RM'000
Property, plant and equipment	**21,825**	15,008
Prepaid land lease payments	**11,500**	426
Land held for property development	**22,754**	380
Intangible assets	**1,115**	2,838
	57,194	18,652

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the consolidated statement of financial position:

	2010 RM'000	2009 RM'000
Investments in associates	**278,152**	283,964
Investments in jointly controlled entities	**2,635**	6,063
Deferred tax assets	**16,700**	20,000
Inter-segment assets	**(1,122,894)**	(638,354)
	(825,407)	(328,327)

F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	2010 RM'000	2009 RM'000
Deferred tax liabilities	**21,937**	22,251
Income tax payable	**6,717**	6,027
Loans and borrowings	**394,586**	534,236
Inter-segment liabilities	**(1,135,037)**	(637,611)
	(711,797)	(75,097)

Notes to the Financial Statements

For the financial year ended 31 December 2010

45. Dividends

	Group and Company	
	2010	**2009**
	RM'000	**RM'000**
Recognised during the financial year:		
Dividends on ordinary shares:		
- First and final dividend for 2008: 5 sen less 25% taxation per share	**-**	12,354
- First and final dividend for 2009: 5 sen less 25% taxation per share	**12,354**	-
	12,354	12,354
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- First and final dividend for 2010: 5 sen (2009: 5 sen) less 25% taxation per share	**12,354**	12,354
- Special dividend for 2010: 5 sen (2009: Nil) less 25% taxation per share	**12,354**	-
	24,708	12,354

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2010 of 5% less 25% taxation and a special dividend of 5% less 25% taxation on 329,445,840 ordinary shares, amounting to a dividend payable of RM24,708,438 (7.50 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2011.

46. Event occurring after the reporting date

Proposed acquisition of CMS Roads Sdn. Bhd. ("CMS Roads") and CMS Pavement Tech Sdn. Bhd. ("CMS Pavement") from Putrajaya Perdana Berhad ("PPB")

On 28 February 2011, CMS Works Sdn. Bhd. ("CMS Works"), a wholly-owned subsidiary of the Company, entered into a conditional Share Sale Agreement ("SSA") with PPB for the proposed acquisition of 1,000,000 ordinary shares representing 100% equity interest in CMS Roads and 5,000,000 ordinary shares representing 100% equity interest in CMS Pavement from PPB for a total cash consideration of RM82,007,766.

The proposed acquisition is subject to the fulfillment of conditions precedent which include, CMS Works having to conduct a legal due diligence investigation on CMS Roads and CMS Pavement, approval of the shareholders of the Company, CMS Works, and PPB at extraordinary general meetings to be convened.

47. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 1 April 2011.

Notes to the Financial Statements
For the financial year ended 31 December 2010

48. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation, as follows:

	As previously stated RM'000	Adjustments RM'000	As Restated RM'000
Group			
Property, plant and equipment	304,308	29,385	333,693
Prepaid land lease payments	37,500	(29,385)	8,115
Amount due from customers on contracts	5,509	(5,509)	-
Trade and other receivables	244,944	(28,234)	216,710
Other current assets	-	33,743	33,743
Trade and other payables	(261,637)	62,262	(199,375)
Amount due to customers on contracts	(4,703)	4,703	-
Other current liabilities	-	(66,965)	(66,965)
Company			
Amount due from subsidiaries	55,497	(55,497)	-
Trade and other receivables	1,605	55,496	57,101
Other current assets	-	1	1
Trade and other payables	(2,206)	(455,289)	(457,495)
Amount due to subsidiaries	(455,289)	455,289	-

Supplementary Information

For the financial year ended 31 December 2010

49. Supplementary information - breakdown of retained profits into realised and unrealised

The breakdown of the retained profits of the Group and of the Company as at 31 December 2010 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group	Company
	2010 RM'000	2010 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	659,507	49,953
- Unrealised	(6,055)	(1,094)
Total share of retained profits from associates:		
- Realised	7,389	-
- Unrealised	6,511	-
Total share of retained profits from jointly controlled entities		
- Realised	180	-
	667,532	48,859
Less: Consolidation adjustments	(136,984)	-
Retained profits as per financial statements	530,548	48,859

Analysis of Shareholdings

As at 22 March 2011

Authorised Share Capital	:	1,000,000,000 ordinary shares of RM1.00 per share 400 non-cumulative redeemable preference shares of RM1.00 per share
Issued and Paid-up Share Capital	:	329,445,840 ordinary shares of RM1.00 per share 170 non-cumulative redeemable preference shares of RM1.00 per share
Voting Right	:	One voting right for one ordinary share

Directors' Shareholdings

Name of Shareholder	Direct Shareholdings	% of Issued Capital	Indirect Shareholdings	% of Issued Capital
1. Dato Sri Mahmud Abu Bekir Taib	29,400,085	8.92	-	-
2. General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin	50,000	0.015	-	-
3. Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	-	-	19,000[2]	0.005
4. Datuk Syed Ahmad Alwee Alsree	-	-	45,630,102[2]	13.85

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
1 to 99	47	0.83	1,273	0.00
100 to 1,000	1,497	26.42	1,426,237	0.43
1,001 to 10,000	3,299	58.21	13,932,928	4.23
10,001 to 100,000	711	12.55	20,080,400	6.10
100,001 to less than 5% of issued shares	108	1.90	126,249,370	38.32
5% and above of issued shares	5	0.09	167,755,632	50.92
Total	**5,667**	**100.00**	**329,445,840**	**100.00**

Category of Shareholders

Category	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
Individuals	4,605	81.26	118,731,628	36.04
Banks / Finance companies	15	0.26	6,761,900	2.06
Investment Trusts / Foundation / Charities	0	0	0	0
Industrial and Commercial Companies	93	1.64	48,967,202	14.86
Government Agencies / Institutions	2	0.04	26,988,860	8.19
Nominee Companies	952	16.80	127,996,250	38.85
Total	**5,667**	**100.00**	**329,445,840**	**100.00**

Thirty Largest Shareholders as per Record of Depositors

Name of Shareholder	No. of Ordinary Shares Held	% of Issued Capital
1. Majaharta Sdn Bhd	44,925,102	13.64
2. Lejla Taib	37,000,000	11.23
3. YB Dato Sri Sulaiman Abdul Rahman Taib	29,465,085	8.94
4. RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Dato Sri Mahmud Abu Bekir Taib*	29,400,085	8.92
5. Sarawak Economic Development Corporation	26,965,360	8.19
6. Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Citibank NA, Singapore (Julius Baer)*	14,318,000	4.35
7. Pui Cheng Wui	12,422,005	3.77
8. DB (Malaysia) Nominee (Asing) Sdn Bhd *Exempt AN for Deutsche Bank AG Singapore (PWM Asing)*	11,819,100	3.59
9. Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (Nomura)*	6,530,000	1.98
10. Malaysia Nominees (Asing) Sdn Bhd *Pretoria Limited*	6,000,000	1.82
11. Malaysia Nominees (Asing) Sdn Bhd *Kimber Cove Corporation*	6,000,000	1.82
12. UOBM Nominees (Asing) Sdn Bhd *Galliano Holdings Limited*	6,000,000	1.82
13. UOBM Nominees (Asing) Sdn Bhd *Roundsun Assets Limited*	5,646,200	1.71
14. UOBM Nominees (Asing) Sdn Bhd *Taminga Profits Limited*	5,600,000	1.70
15. Malaysia Nominees (Asing) Sdn Bhd *Fullstead Finance Corporation*	5,287,695	1.61
16. Malaysia Nominees (Asing) Sdn Bhd *Bakerville Profits Limited*	5,146,200	1.56
17. Chua Sim Neo @ Diana Chua	3,987,600	1.21
18. Jimmy Thomas @ James Abraham Thomas	3,387,900	1.03
19. HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Morgan Stanley & Co. Incorporated*	2,397,500	0.73
20. HSBC Nominees (Asing) Sdn Bhd *Exempt AN for HSBC Private Bank (Suisse) S.A. (Singapore Tst Accl)*	1,845,000	0.56
21. Citigroup Nominees (Asing) Sdn Bhd *CBNY for Dimensional Emerging Markets Value Fund*	1,786,600	0.54
22. HSBC Nominees (Asing) Sdn Bhd *Exempt AN for the Bank of New York Mellon (BNYM as E&A)*	1,747,600	0.53
23. Amanahraya Trustees Berhad *Public Islamic Equity Fund*	1,516,600	0.46
24. Amanahraya Trustees Berhad *Public Islamic Optimal Growth Fund*	1,279,800	0.39
25. Amanahraya Trustees Berhad *Public Islamic Balanced Fund*	1,054,100	0.32

Thirty Largest Shareholders as per Record of Depositors (Contd.)

Name of Shareholder	No. of Ordinary Shares Held	% of Issued Capital
26. Citigroup Nominees (Asing) Sdn Bhd *CBNY for DFA Emerging Markets Small Cap Series*	823,600	0.25
27. Malaysia Nominees (Asing) Sendirian Bhd *Honeywell Assets Limited*	800,000	0.24
28. Datin Hanifah Hajar Taib	705,000	0.21
29. Ting Pik King	694,100	0.21
30. Amanahraya Trustees Berhad *Public Savings Fund*	680,000	0.21
Total	**275,230,232**	**83.54**

Substantial Shareholders as per Register of Substantial Shareholders, excluding nominee companies

Name of Substantial Shareholders	Direct Shareholding	Indirect Shareholding	% of Issued Capital
1. Datin Hanifah Hajar Taib	705,000	44,925,102[1]	13.85
2. Datuk Syed Ahmad Alwee Alsree		45,630,102[2]	13.85
3. Majaharta Sdn Bhd	44,925,102	-	13.64
4. Jamilah Hamidah Taib	-	44,925,102[1]	13.64
5. Lejla Taib	37,000,000	-	11.23
6. YB Dato Sri Sulaiman Abdul Rahman Taib	29,465,085	-	8.94
7. Dato Sri Mahmud Abu Bekir Taib	29,400,085	-	8.92
8. Sarawak Economic Development Corporation	26,965,360	-	8.19

[1] Deem interest pursuant to Section 6A of the Companies Act, 1965

[2] Deem interest pursuant to Section 134 (12) (c) of the Companies Act, 1965

List of Properties

As at 31 December 2010

Location	Date of acquisition/ revaluation	Description	Usage	Tenure	Remaining lease period (expiry date)	Land Area/ Built up Area (hectare/m²)	Age of buildings	Net book value (RM)
Lot 4747, Block 18, Salak Land District, Kuching	2009	Mixed zone land	Vacant land	Leasehold	46 years (2056)	0.03 / N/A	-	412,027
Lot 449, Block 15, Salak Land District, Kuching	2007	Mixed zone land	Land & school	Leasehold	57 years (2067)	7.49 / 5,321.85	4 years	18,999,241
Lot 678, Section 66, Kuching Town Land District, Kuching	2010	Mixed zone land	Vacant land	Leasehold	28 years (2038)	3.20 / N/A	-	11,430,514
Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate, Kuching * Age of the new office extention and canteen is 12 years	1996	Land & cement mill	Office & factory	Leasehold	26 years (2036)	6.25 / 15,223	33 years*	20,078,168
Lot 766, Block 20, Kemena Land District, Bintulu	1997	Land & cement mill	Office & factory	Leasehold	52 years (2062)	6.88 / 68,797	14 years	16,882,963
Lot 767, Block 20, Kemena Land District, Bintulu	1997	Land	Vacant Land	Leasehold	52 years (2062)	10.13 / N/A	-	6,887,485
Lot 571, Block 4, Sentah Segu Land District, Kuching	1992/2002	Land & clinker mill	Office & factory	Leasehold	33.4 years (2043)	24.15 / 53,877	13 years	45,949,007
Lot 528, Block 4, Sentah Segu Land District, Kuching	1996	Land	Vacant Land	Leasehold	1.5 years (2011)	0.11 / N/A	-	335
Lot 872, Block 4, Sentah Segu Land District, Kuching	1996	Land	Vacant Land	Leasehold	2.8 years (2012)	0.22 / N/A	-	118,240
Lot 415, Block 32, Kemena Land District, Bintulu	1996	Industrial land	Held for rental income	Leasehold	34 years (2044)	2.23 / N/A	-	1,892,551
Lot 34 & 35, Section 15, Kuching Town Land District, Nanas Road, Kuching	1994	4-storey shophouse	Held for rental income	Leasehold	805 years (2815)	0.41 / 1,400	14 years	4,193,277
Lot 90, Block 11, Lambir Land District, Km17, Miri-Bintulu Road, Miri	1994	Mixed zone land	Premix operation	Leasehold	44 years (2054)	2.73 / N/A	-	51,452
Lot 444, Block 11, Seduan Land District, 8th Mile, Sibu Ulu Oya Road, Sibu	1994	Mixed zone land	Premix operation	Leasehold	45 years (2055)	2.76 / N/A	-	188,483
Lot 71, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Quarry operation	Leasehold	46 years (2056)	18.94 / N/A	-	1,944,454

Location	Date of acquisition/ revaluation	Description	Usage	Tenure	Remaining lease period (expiry date)	Land Area/ Built up Area (hectare/m²)	Age of buildings	Net book value (RM)
Lot 294, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Quarry operation	Leasehold	46 years (2056)	2.75 / N/A	-	463,665
Lot 212, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Office & factory	Leasehold	46 years (2056)	5.04 / 900	13 years	1,104,392
Lot 353, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Premix operation	Leasehold	46 years (2056)	2.24 / N/A	-	339,585
Lot 338, 340 - 345, Block 10, Sentah-Segu Land District, Kuching	1996	Mixed zone land	Quarry operation	Leasehold	28 years (2038)	3.07 / N/A	-	708,605
Lot 302-304, 354-357, 362 & 363, Block 17, Kuching Central Land District, Kuching	1999	Mixed zone land	Quarry operation	Leasehold	814 years (2824)	4.27 / N/A	-	3,447,564
Lot 342-343, Block 17, Kuching Central Land District, Kuching	1999	Mixed zone land	Quarry operation	Leasehold	14 years (2024)	0.74 / N/A	-	178,834
Lot 134, Section 64, Kuching Town Land District, Kuching	1998	Mixed zone land	Jetty & land	Leasehold	48 years (2058)	0.43 / N/A	13 years	1,222,315
Lot 2128, Sublot 2, Kuching Town Land District, Kuching	1998	3-storey shophouse	Office	Leasehold	50 years (2060)	0.01 / 334.45	13 years	386,630
Lot 2116, Sublot 2, Kuching Town Land District, Kuching	2003	3-storey corner shophouse	Office	Leasehold	50 years (2060)	0.01 / 327.6	13 years	477,134
Lot 493, Block 5, Muara Tebas Land District, Sejingkat, Kuching	1996	Mixed zone land	Vacant land	Freehold	In perpetuity	1.22 / N/A	-	254,956
Lot 494, Block 5, Muara Tebas Land District, Sejingkat, Kuching	1998	Mixed zone land	Vacant land	Leasehold	27 years (2037)	0.53 / N/A	-	77,908
Lot 488, Block 5, Muara Tebas Land District, Sejingkat, Kuching	1996	Mixed zone land	Vacant land	Leasehold	16 years (2026)	2.70 / N/A	-	293,576
Lot 1319, Block 7, Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	86 years (2096)	26.40 / N/A	-	24,436,710
Lot 2342, Block 7, Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	86 years (2096)	38.20 / N/A	-	35,327,587
Lot 2839, Block 7, Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	99 years (2109)	1.68 / N/A	-	1,543,021

Location	Date of acquisition/ revaluation	Description	Usage	Tenure	Remaining lease period (expiry date)	Land Area/ Built up Area (hectare/m²)	Age of buildings	Net book value (RM)
Lot 2850, Block 7, Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	99 years (2109)	3.49 / N/A	-	3,232,203
Lot 2852, Block 7, Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	99 years (2109)	2.59 / N/A	-	2,398,713
Lot 2855, Block 7, Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	99 years (2109)	16.67 / N/A	-	15,416,330
Lot 622, Section 66, Kuching Town Land District, Kuching	1998	Mixed zone land	Land held for development	Leasehold	48 years (2058)	3.14 / N/A	-	3,671,118
Lot 744, Section 66, Kuching Town Land District, Kuching	1998	Mixed zone land	Land held for development	Leasehold	48 years (2058)	14.51 / N/A	-	16,845,547
Lot 846, Block 9, Salak Land District, Kuching	1999	Mixed zone land	Land held for township development	Leasehold	88 years (2098)	1,544.61 / N/A	-	11,450,963
Lot 3284, 3541, 3765, 3986-3990, 3992-3994, Block 9, Salak Land District, Kuching	1999	Mixed zone land	Land held for township development	Leasehold	88 years (2098)	65.85 / N/A	-	510,509
Lot 1, Block 13, Salak Land District, Kuching	1999	Mixed zone land	Land held for township development	Leasehold	88 years (2098)	349.70 / N/A	-	2,710,680
Lot 2082, Section 66, Kuching Town Land District, Kuching	1996	Land & factory	Office & factory	Leasehold	35 years (2045)	0.85 / 3,936	27 years	2,515,377
Parcel 42, Block 71, Kuching Town Land District, Kuching	-	**	Quarry operation	-	-	N/A / 1,262	18 years	114,667
G.N. No.100 Sebuyau, Kota Semarahan Division, Kuching	-	**	Jetty	-	-	N/A	11 years	725,077
Lot 2221, Block 17, Menuku Land District, Kuching	2008	Mixed zone land	Quarry operation	Freehold	In perpetuity	0.82 / N/A	-	161,347
Lot 360 & 361, Block 17, Kuching Central Land District, Kuching	-	**	Temporary sheet pile storage				2 years	365,636

** Land owned by third party

Revaluation Policy
The Group does not adopt a policy of regular revaluation.

Group Directory

Cahya Mata Sarawak Berhad (21076-T)

Level 6 Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching, Sarawak, Malaysia
T +60 82 238 888 F +60 82 333 828

Level 33 Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur, Malaysia
T +6 03 2078 9133 F +6 03 2078 7233

Cement

CMS Cement Sdn Bhd (321916-K)
Lot 5895, Jalan Simen Raya
Pending Industrial Estate
93450 Kuching
T +60 82 332 111 F +60 82 334 537

CMS Clinker Sdn Bhd (49256-V)
Lot 571, Block 4
Sentah Segu Land District
Jalan Mambong
93250 Kuching
T +60 82 610 229 F +60 82 610 227

CMS Concrete Products Sdn Bhd (366884-X)
PPES Concrete Product Sdn Bhd (152276-P)

Lot 212, Block 17, KCLD
Jalan Old Airport
93250 Kuching
T +6 082 614 436 F +6 082 614 406

Construction Materials

CMS Resources Sdn Bhd (98773-T)
7th Mile, Kuching-Serian Road
93350 Kuching
T +60 82 610 226 F +60 82 612 434

CMS Quarries Sdn Bhd (121767-D)
7th Mile, Kuching-Serian Road
93250 Kuching
T +60 82 615 605 / +60 82 610 226 F +60 82 615 598

CMS Penkuari Sdn Bhd (27895-T)
7th Mile, Kuching-Serian Road
93250 Kuching
T +60 82 614 913 F +60 82 614 923

CMS Premix Sdn Bhd (117700-W)
Lot 353, Block 17,
7th Mile Penrissen Road
93250 Kuching
T +60 82 614 208 F +60 82 614 626

CMS Premix (Miri) Sdn Bhd (218541-T)
Mile 11, Miri-Bintulu Road
98000 Miri
T +60 85 407 136 F +60 85 406 136

CMS Wires Sdn Bhd (23092-U)
Lot 87, Lorong Tenaga 2
Off Jalan Tenaga
Bintawa Industrial Estate
93450 Kuching
T +60 82 484 924 F +60 82 486 085

Samalaju Development

Sarawak Aluminium Company Sdn Bhd (783974-K)
Samalaju Aluminium Industries Sdn Bhd (782329-P)
(formerly known as Similajau Aluminium Industries Sdn Bhd)
Samalaju Industries Sdn Bhd (783430-V)
(formerly known as Similajau Industries Sdn Bhd)

Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 238 888 F +60 82 338 611

Construction

PPES Works (Sarawak) Sdn Bhd (209892-K)
1st – 4th Floor
Lot 621 - 623, Section 62, KTLD
Jalan Padungan
93100 Kuching
T +60 82 340 588 F +60 82 340 695

Property Development

Projek Bandar Baru Samariang Sdn Bhd (443828-P)
CMS Property Development Sdn Bhd (321917-U)
CMS Property Management Sdn Bhd (326616-U)
CMS Development Services Sdn Bhd (366880-P)
CMS Land Sdn Bhd (410797-H)

Level 5, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 237 777 F +60 82 252 652

CMS Hotels Sdn Bhd (690299-T)
CMS River Bus Sdn Bhd (317047-P)

Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 238 888 F +60 82 333 828

Services

CMS Infra Trading Sdn Bhd (196635-M)
CMS Agrotech Sdn Bhd (859264-P)

No. 2128, Sublot 2
Jalan Utama, Pending
93450 Kuching
T +60 82 348 950 F +60 82 348 952

CMS Education Sdn Bhd (392555-A)
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 238 888 F +60 82 333 828

Tunku Putra School
Jalan Stadium
Petra Jaya
93050 Kuching
T +60 82 313 900 F +60 82 313 970

CMS I-Systems Berhad (227507-D)
Level 33 Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur
T +6 03 2078 9133 F +6 03 2078 7233

Others

Concordance Holdings Sdn Bhd (73782-U)
CMS Capital Sdn Bhd (120674-T)

Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 238 888 F +60 82 333 828

CMS Opus Private Equity Sdn Bhd (694013-H)
Level 33 Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur
T +60 3 2031 9008 F +60 3 2031 4008

K&N Kenanga Holdings Berhad (302859-X)
8th Floor Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
T +60 3 2162 1490 F +60 3 2161 4990

KKB Engineering Berhad (26495-D)
Lot 865 Section 66
Jalan Kilang
Bintawa Industrial Estate
93450 Kuching
T +60 82 333 877 F +60 82 331 152

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Sixth Annual General Meeting of the Company will be held at Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak on Thursday, 26 May 2011 at 11:00 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the year ended 31 December 2010 and the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**

2. To declare a first and final dividend of 5 sen gross per share less 25% tax and a special dividend of 5 sen gross per share less 25% tax for the financial year ended 31 December 2010. **(Ordinary Resolution 2)**

3. To re-elect the following Directors who retire in accordance with Article 110 of the Company's Articles of Association and are offering themselves for re-election:-

   a) Y Bhg Dato Sri Mahmud Abu Bekir Taib **(Ordinary Resolution 3)**

   b) Y Bhg General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin **(Ordinary Resolution 4)**

4. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129 of the Companies Act, 1965:-

   a) "THAT Y Bhg Dato Sri Liang Kim Bang, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting." **(Ordinary Resolution 5)**

   b) "THAT Y Bhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting." **(Ordinary Resolution 6)**

5. To approve the payment of Directors' fees for the year ended 31 December 2010. **(Ordinary Resolution 7)**

6. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 8)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolution:

7. Proposed renewal of Shareholders' Mandate for the Company and its subsidiaries (hereinafter referred to as "CMS Group") to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("Proposed Shareholders' Mandate") **(Ordinary Resolution 9)**

   "THAT, subject always to the Main Market Listing Requirements of Bursa Securities Malaysia Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in Section 2.3 of the Circular to Shareholders dated 29 April 2011 ("Circular") which are necessary for the CMS Group's day to day operations subject to the following:-

   a) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of minority shareholders; and

   b) disclosure of the aggregate value of recurrent transactions conducted pursuant to the Proposed Shareholders' Mandate will be disclosed in the Annual Report for the said financial year AND that such approval shall continue to be in force until:-

      (i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at a general meeting the authority is renewed; or

(ii) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate.

AND THAT the estimated value given on the recurrent related party transactions specified in Section 2.4 of the Circular being provisional in nature, the Directors of the Company be hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.7 of the Circular."

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN that the first and final dividend of 5 sen gross per share less 25% tax and the special dividend of 5 sen gross per share less 25% tax for the financial year ended 31 December 2010, if approved at the above Annual General Meeting, will be paid on 22 July 2011 to Depositors whose names appear in the Record of Depositors on 30 June 2011.

A Depositor shall qualify for entitlement only in respect of:-

a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 June 2011 in respect of transfers;

b) Shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board

DENISE KOO SWEE PHENG
Group Company Secretary
Kuching, Sarawak
29 April 2011

NOTES

1. A member entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. If the proxy is not a member of the Company, he/she must be a Director of the Company, an advocate, an approved company auditor, a person approved by the Registrar of Companies in a particular case or an attorney under power of attorney.

2. A corporation must complete this form of proxy under its common seal or under the hand of a duly authorised officer or attorney.

3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

4. This form of proxy, duly signed, must be deposited at the Registered Office of the Company at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the AGM or any adjournment thereof.

5. Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.

6. If you have appointed a proxy or proxies who is/are not member(s) of CMS to attend the AGM on your behalf, please ensure that the proof of eligibility of the proxy or proxies is/are enclosed with the Form of Proxy submitted and the original counterpart of such proof of eligibility is/are presented by your proxy or proxies during the registration of the AGM for verification purposes.

EXPLANATORY NOTES ON SPECIAL BUSINESS:
Ordinary Resolution 9

- **Proposed Shareholders' Mandate**

The proposed Ordinary Resolution 9, if passed, will enable the CMS Group to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations, provided such transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders.

Please refer to the Circular to Shareholders dated 29 April 2011 for further information.

Statement accompanying the Notice of Annual General Meeting

Further details of Directors seeking re-election / re-appointment at the Annual General Meeting

Name	Y Bhg Dato Sri Mahmud Abu Bekir Taib	Y Bhg General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin	Y Bhg Dato Sri Liang Kim Bang	Y Bhg Datu Michael Ting Kuok Ngie
Age	47	61	74	70
Nationality	Malaysian	Malaysian	Malaysian	Malaysian
Designation	Deputy Group Chairman / Non-Executive Director	Independent Non-Executive Director	Senior Independent Non-Executive Director	Independent Non-Executive Director
Date first appointed on the Board	23 January 1995	8 July 2005	26 June 1986	24 March 1999
Working experience and occupation	As per profile in page 18	As per profile in page 20	As per profile in page 20	As per profile in page 21
Directorships in other public companies	Sarawak Cable Berhad	Affin Holdings Berhad Bandar Raya Developments Berhad Bintulu Port Holdings Berhad Defence Technologies Berhad Genting Malaysia Berhad Genting Plantations Berhad Wah Seong Corporation Berhad Yayasan Sultan Azlan Shah	PPB Group Berhad	None
Securities holdings in the Company and its subsidiaries	29,400,085 ordinary shares of RM1.00 each in Cahya Mata Sarawak Berhad	50,000 ordinary shares of RM1.00 each in Cahya Mata Sarawak Berhad	None	19,000 ordinary shares of RM1.00 each in Cahya Mata Sarawak Berhad (Deem interest pursuant to Section 134(12)(c) of the Companies Act, 1965)

Family relationship with any Director and/or shareholder of major the Company	He is the brother of YB Dato Sri Sulaiman Abdul Rahman Taib, Jamilah Hamidah Taib and Datin Hanifah Hajar Taib (major shareholders of CMS). He is also a son of the late Lejla Taib (major shareholder of CMS) and brother-in-law of Datuk Syed Ahmad Alwee Alsree (Group Executive Director of CMS). Dato Sri Mahmud is also a director of Majaharta Sdn Bhd (a major shareholder of CMS).	None	None	None
Conflict of interest with the Company	None	None	None	None
List of convictions for offences within the past 10 years	None	None	None	None
No. of the Company's Board meetings attended in the financial year	9 / 10 (90%)	9 / 10 (90%)	10 / 10 (100%)	10 / 10 (100%)

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Form of Proxy

CAHYA MATA SARAWAK

CAHYA MATA SARAWAK BERHAD
(Company No.: 21076-T)
(Incorporated in Malaysia)

No. of Shares Held ______________

I/We (full name) ____ NRIC/Co. No. __________________

of (full address) ____

being a member/members of Cahya Mata Sarawak Berhad hereby appoint

of ____

or, failing him, the Chairman of the Meeting as my/our proxy to attend and vote for me/us and on my/our behalf at the Thirty-Sixth Annual General Meeting of the Company to be held at Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak on Thursday, 26 May 2011 at 11:00 a.m. and at any adjournment thereof.

No.	Resolutions	For	Against
1.	Receive the Audited Financial Statements and Reports of the Directors and Auditors thereon.		
2.	Declaration of First and Final Dividend and Special Dividend.		
3.	Re-election of Y Bhg Dato Sri Mahmud Abu Bekir Taib.		
4.	Re-election of Y Bhg General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin.		
5.	Re-appointment of Y Bhg Dato Sri Liang Kim Bang as Director.		
6.	Re-appointment of Y Bhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie as Director.		
7.	Approval of Directors' fees for the year ended 31 December 2010.		
8.	Re-appointment of Auditors.		
9.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions.		

Date: _______________________2011 **Signature**: ____________________

Notes

1. A member entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. **If the proxy is not a member of the Company, he/she must be a Director of the Company, an advocate, an approved company auditor, a person approved by the Registrar of Companies in a particular case or an attorney under power of attorney.**

2. A corporation must complete this form of proxy under its common seal or under the hand of a duly authorised officer or attorney.

3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

4. This form of proxy, duly signed, must be deposited at the Registered Office of the Company at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak not less than forty-eight (48) hours before the time set for holding the AGM or any adjournment thereof.

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Stamp

The Company Secretary
Cahya Mata Sarawak Berhad (21076-T)
Level 6 Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Sarawak
Malaysia

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