CAHYA MATA SARAWAK

# CMS

Playing Our Role In Nation-building

Annual Report 2011

# 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 & Synergised in Business
- Delivering "On Spec & On Time"
- Integrity & Respect
- Safe & Healthy Workplace

## OUR STAKEHOLDERS

Shareholders, Staff, Customers, our Community

## Playing Our Role In Nation-building

Our adapted **1Malaysia** logo has a message for us all - it is not just about CMS, it is about Sarawak & nation-building.

Let's together **Walk the Extra Mile** to be our State's best ally in development:

- **Delivering** our products & services, not just "On Spec & On Time", but the right ones that are needed & at the right prices.
- **Proactively** providing new products & services to benefit our State & its people.
- **Universally** treating all our Stakeholders with integrity & respect and delivering the profits our nation-building contributions will yield.
- **Providing** a safe & healthy workplace that is sensitive to the environment and that inspires other companies to raise their standards.
- **Engaging** with our community through the CMS 'Doing Good' programme to show that we care.

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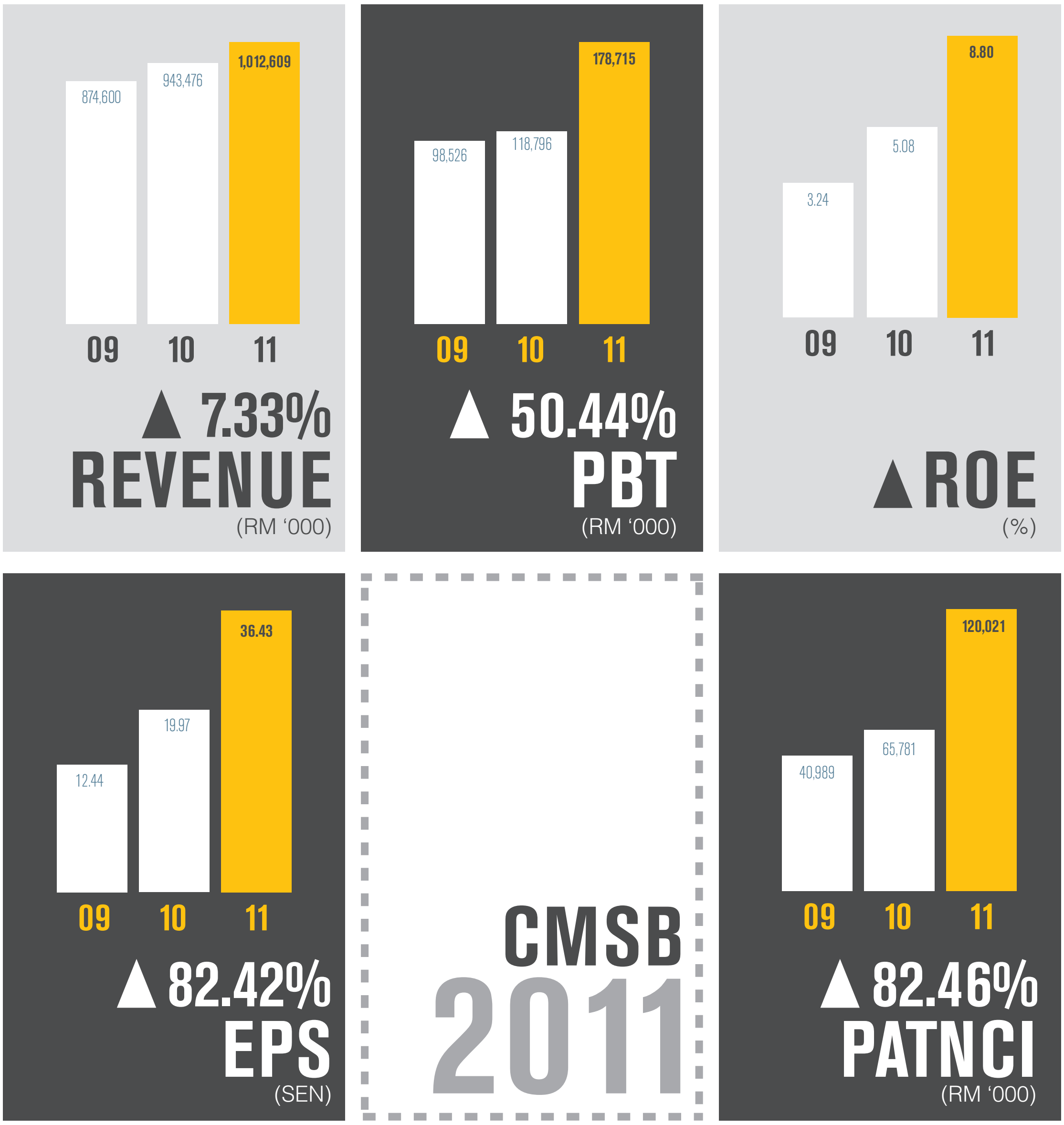
# Our Performance 2011




| | |
|---|---|
| **PBT** | = Profit Before Tax |
| **ROE** | = Return On Equity |
| **EPS** | = Earnings Per Share |
| **PATNCI** | = Profit After Tax & Non-Controlling Interests |

# Financial Highlights 2011

| | 2007 | 2008 | 2009 | 2010 | **2011** |
|---|---|---|---|---|---|
| Revenue (RM'000) | 2,552,466 | 893,033 | 874,600 | 943,476 | **1,012,609** |
| Profit before taxation (RM'000) | 887,441 | 150,570 | 98,526 | 118,796 | **178,715** |
| Profit attributable to owners of the Company (RM'000) | 388,166 | 95,770 | 40,989 | 65,781 | **120,021** |
| Weighted average number of shares ('000) | 329,446 | 329,446 | 329,446 | 329,446 | **329,469** |
| Basic earnings per share (sen) | 117.82 | 29.07 | 12.44 | 19.97 | **36.43** |
| Gross dividends per share (sen) | 15 | 5 | 5 | 10 | **15** |
| Total shareholders' funds (RM'000) | 1,238,248 | 1,248,825 | 1,277,970 | 1,312,667 | **1,414,815** |
| Total assets (RM'000) | 2,790,777 | 2,327,136 | 2,289,302 | 2,114,822 | **2,099,295** |
| Net tangible assets per share (RM) | 3.54 | 3.56 | 3.65 | 3.79 | **4.10** |
| Net assets per share (RM) | 3.76 | 3.79 | 3.88 | 3.98 | **4.29** |
| Return on average shareholders' equity (%) | 37.15 | 7.70 | 3.24 | 5.08 | **8.80** |
| Return on total assets (after tax) (%) | 13.91 | 4.12 | 1.79 | 3.11 | **5.72** |
| Total borrowings (RM'000) | 678,303 | 649,767 | 534,236 | 394,586 | **215,747** |
| Gearings (times) | 0.55 | 0.52 | 0.42 | 0.30 | **0.15** |
| Current assets (RM'000) | 2,021,426 | 890,595 | 1,515,346 | 1,338,175 | **1,182,117** |
| Current liabilities (RM'000) | 664,731 | 509,145 | 528,523 | 449,919 | **390,025** |
| Current ratio (times) | 3.04 | 1.75 | 2.87 | 2.97 | **3.03** |
| **CMS Share Price Information (RM)** | | | | | |
| Low | 1.44 | 1.02 | 1.06 | 1.45 | **1.70** |
| High | 3.20 | 2.48 | 1.84 | 3.14 | **2.90** |
| Closing | 2.29 | 1.14 | 1.48 | 2.66 | **2.09** |

**RM 1.70** **26 SEPT 2011** Lowest Price

**RM 2.90** **13 JAN 2011** Highest Price

**21 MARCH 2011**

**HIGHEST VOLUME**

**1,991,200 shares traded**

# Group Chairman's Statement

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

# Group Chairman's Statement

**"In line with the new dividend policy, the Board of Directors is proposing to reward shareholders with a first and final dividend of 15 sen less 25% taxation per share for 2011. In terms of percentage, the amount of this dividend is consistent with the new dividend policy's 30% minimum."**

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 2011.

Our Group's operations reported a Profit Before Tax (PBT) of RM178.72 million for the twelve months ended 31 December 2011 compared to a PBT of RM118.80 million for the twelve months ended 31 December 2010, equivalent to a 50% increase from the previous year. Profit After Tax and Non-Controlling Interests (PATNCI) for the twelve months ended 31 December 2011 was RM120.02 million compared to a PATNCI of RM65.78 million for the twelve months ended 31 December 2010, equivalent to a 82% increase from the previous year.

This translated into a basic earnings per share of 36.43 sen for the twelve months ended 31 December 2011 as against 19.97 sen for the twelve months ended 31 December 2010. It also led to the Group's Return on Equity rising from 5.08% for the twelve months ended 31 December 2010 to 8.80% for the twelve months ended 31 December 2011.

The Board of Directors recently announced that the Group has adopted an indicative dividend policy with effect from the financial year ending 31 December 2012 to distribute a minimum of 30% of its PATNCI annually to its Shareholders subject to a minimum of at least 5 sen per share, the level of available cash and cash equivalents, return on equity, retained earnings and projected levels of capital expenditure and other investment plans.

In line with the new dividend policy, the Board of Directors is proposing to reward Shareholders with a first and final dividend of 15 sen less 25% taxation per share for 2011. In terms of percentage, the amount of this dividend is consistent with the new dividend policy's 30% minimum.

# Group Chairman's Statement

## OVERVIEW

Our Group reported a revenue of RM1.01 billion for the twelve months ended 31 December 2011 reflecting a 7% increase.

The significantly improved PATNCI performance was contributed by all Divisions within the Group with the exception of the small education business. The Group's main core operations of cement manufacturing and road maintenance were the major profit contributors.

The Manufacturing Division comprising cement, clinker and concrete products reported higher profits attributable in part to increased demand for their products.

The Construction Materials Division comprising quarrying and the manufacture of premix and wires reported reduced profit levels compared to 2010's record levels largely due to delays in the implementing of projects. This issue similarly impacted the Group's Trading Division after its record year in 2010.

The Construction and Road Maintenance Division reported significantly increased profits reflecting the re-acquisition by the Group of CMS Roads Sdn Bhd, the holder of the concession to maintain the State's roads, and of CMS Pavement Tech Sdn Bhd.

The Property Development Division, despite Kuching's soft property market, reported a modest increase in profitability due to increased sales of units at Bandar Baru Samariang and the recognition of profits from an office building under construction.

Our Samalaju Development Division, which is involved in the provision of housing and other services to workers involved in the construction of factories in the upcoming Samalaju Industrial Park (SIP), became significantly profitable reflecting the growing numbers of factories under construction.

The new management team brought into K&N Kenanga Holdings Berhad, the Group's associated company in the stockbroking and investment banking industry, returned it to profitability having managed to revamp the business, change its focus into more profitable areas and increase its Malaysian equities' trading market share.

Our other associated company, KKB Engineering Berhad involved in steel fabrication and the manufacture of steel pipes, reported lower profits compared to the previous year due to the competitive business environment within the State.

## OUTLOOK & PROSPECTS

Whilst the operating environment generally is likely to be challenging reflecting the ongoing financial and structural problems in America, Europe and China, the Group with its current strong focus on Sarawak is likely to remain largely insulated from such factors.

The implementation of SCORE, Sarawak Corridor for Renewable Energy, is accelerating with several heavy industrial projects under construction with the first slated for commencement of production in 2012.

More such projects are being finalised and ready for implementation, all of which are being attracted to Sarawak due to the availability of long term, secure and competitively priced power, appropriate supporting infrastructure and the presence of a business friendly and stable Government. We have also been encouraged by 2011's statistics which showed that Sarawak, out of all Malaysia's states, continued to attract the biggest share of Malaysia's Foreign Direct Investment. In 2011, the State attracted RM8.2 billion (out of a national total of RM45.47 billion) of which RM7.7 billion was into the SIP.

The Group has taken the opportunity to take a 20% equity stake in the planned manganese and ferro alloy smelter being established in SIP by a subsidiary of OM Holdings Limited, an Australian listed miner, manufacturer and trader of manganese, iron and chrome ore and alloys, which is scheduled to commence production in 2014.

All this is positive news for the Group with our wide range of construction materials products, our proven capabilities in property and infrastructure development and maintenance, our positive cash and low debt positions, our strong working relationships across the State built up based on our professionalism and our commitment to be the State's best ally in development.

# Group Chairman's Statement

Whilst the opportunities for the Group may seem extensive and attractive, we must continue to ensure our staff and our plants and equipment remain fully focused, not just on sustaining the current upward trends in profitability and in taking up new business opportunities, but also on being ready to face any risk or challenge in our operating environment going forward.

**CORPORATE GOVERNANCE**

The Board is fully committed to implementing and upholding the highest standards of corporate governance throughout our business. Details of our internal control policies and corporate governance initiatives we employ are set out in the relevant sections of this Annual Report.

**APPRECIATION**

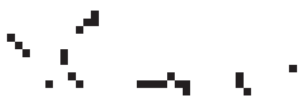
For the year under review, I wish to extend my appreciation to several parties for their contributions to our success in 2011.

Firstly, I would like to thank the Group's almost 2000 direct employees, the Management and the Boards of all our Group's companies for their commitment and hard work. Thank you also to the many external partners that work with or alongside the Group for their support and cooperation. These include all our valued customers and clients, bankers, Government departments and agencies, vendors, suppliers and others who have collaborated with us over the past year.

Last but by no means least, our special thanks go to you, our Shareholders, for your continued trust and confidence in us throughout 2011.

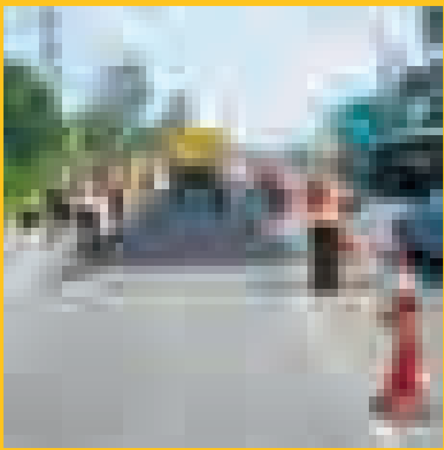
We hope for your continued support and confidence as we enter another year with its particular challenges and opportunities in the Group's corporate journey.

Sincerely yours,

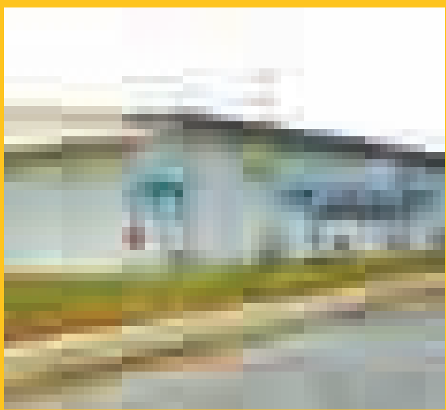


**Y A M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL**
**Group Chairman**
**Cahya Mata Sarawak Berhad**

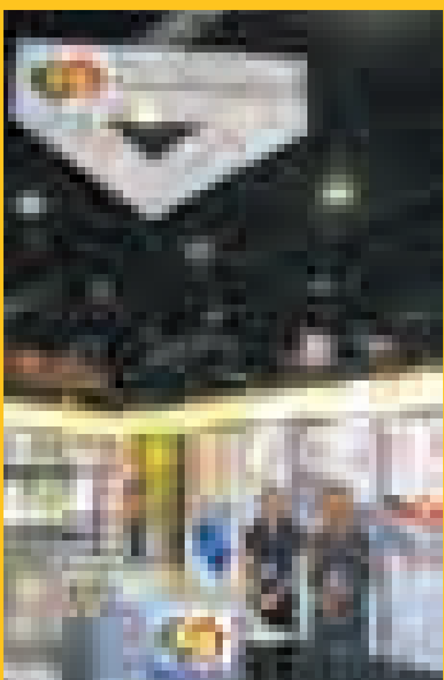
# Looking Back at 2011



6 May



7 Jun



24 Mar

## Strengthening our Group for Sustainable Growth

**16 Feb** RAM Ratings reaffirmed at the A2 rating of CMS debt issue.

**28 Feb** CMS Works entered into a conditional Share Sale Agreement with Putrajaya Perdana Berhad for the Proposed Acquisition of the entire equity interests in CMS Roads and CMS Pavement Tech.

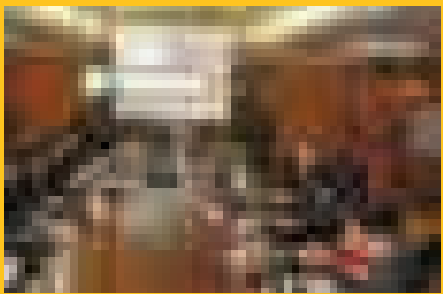
**6 May** Acquisition of CMS Roads and CMS Pavement Tech completed.

**7 Jun** Samalaju Industries acquired a 51% equity interest in Samalaju Property Development.

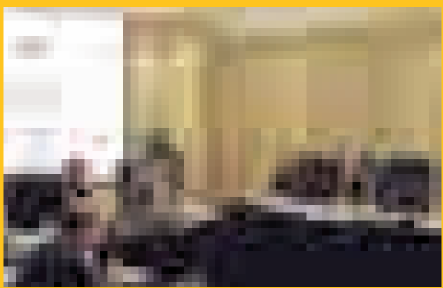
**7 Jul** A Memorandum of Understanding (MOU) was signed between Samalaju Industries and OM Materials (S) Pte. Ltd. The MOU provided for both parties to enter into exclusive negotiations for the joint-venture development of a 600,000 metric tonnes annual production capacity manganese and ferro alloy smelting plant at Samalaju.

**19 Oct** Following on from the MOU, the joint venture between Samalaju Industries and OM Materials (S) Pte. Ltd. was entered through the signing of a Shareholders' Agreement and a Subscription Agreement.

10 Mar



4 May



19 May

26 May

27 Jun

## Engaging with Stakeholders

**25 Feb** CMS recorded a revenue of RM943.48 million with a Profit Before Tax of RM117.25 million for the year ended 31 December 2010.

**10 Mar** CMS hosted Japanese conglomerate, Marubeni's 10-member team led by its President, Teruo Asada. Marubeni is studying business expansion options to Malaysia, specifically SCORE.

**24 Mar** CMS participated in the Building Trade Show organised by Persatuan Arkitek Malaysia (PAM) Sarawak Chapter. The annual exhibition which started in 2003 has grown to be the biggest show of its kind in Sarawak.

**25 Mar** CMS Opus Private Equity received the Award for Successful Exit of 2010 by the Malaysian Venture Capital and Private Equity Association.

**4 May** CMS held an Extraordinary General Meeting where the Shareholders approved the acquisition of CMS Roads and CMS Pavement Tech.

**19 May** CMS Land and UCSI group signed the Sale & Purchase Agreement for the acquisition of land at The Isthmus for a training hotel as the first phase of a planned full university campus.

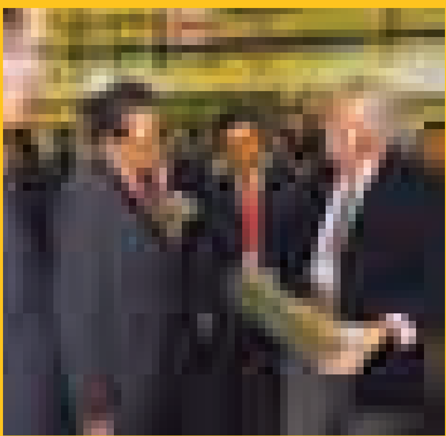
**26 May** CMS held its 36th Annual General Meeting for Shareholders for the financial year 2010. All nine resolutions were passed including a resolution for the payment of a 5 sen special dividend less 25% taxation per share in addition to the 5 sen first and final dividend less 25% taxation per share for the financial year ended 31 December 2010.

**27 Jun** CMS Opus Private Equity distributed RM15 million to its investors in the COPE-KPF Opportunities Fund 1 through partial redemption of its redeemable preference shares. The amount distributed represented a 16% increase from the earlier years' distribution and it came from profitable exits from its investments.

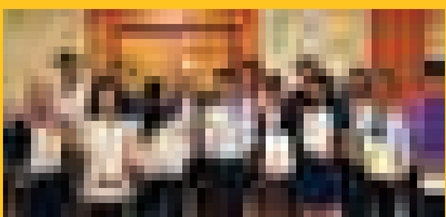
# Looking Back at 2011

5 Jul

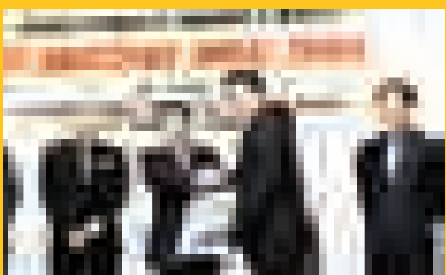
30 Sept



31 Oct



4 Nov



18 Nov

## Engaging with Stakeholders

**5 Jul** CMS participated in Asia Infrastructure 2011. The 3-day exhibition held in Kuching was a platform to promote CMS' capabilities in infrastructure development in the State.

**22 Jul** CMS paid its first and final as well as special dividends totaling RM24.7 million for the year ended 31 December 2010.

**12 Aug** CMS Cement held a dialogue session with the Malaysian Malay Bumiputera Contractors Association, Sarawak Branch over increased cement price.

**26 Aug** CMS announced a record-breaking 130% improvement in its financial performance for the first half of 2011 with a pre-tax profit of RM87.45 million for the six months ended 30 June 2011.

**30 Sep** CMS participted in SARBEX 2011 showcasing CMS Property Development's latest premium property projects including its semi-detached Lane Park Residences at Fairway Villa and a new commercial centre at The Isthmus. Also on display were CMS Cement's Cemplast and CMS Concrete Products' Eco Wall IBS components.

**31 Oct** CMS Management Training Development Programme was successfully completed.

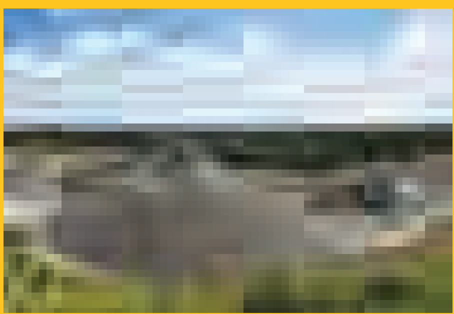
**4 Nov** CMS was awarded runner-up in the Overall Excellence Award for Corporate Reports presented by the Sarawak Chamber of Commerce & Industry at its Annual Corporate Awards 2011.

**18 Nov** CMS Cement, CMS Concrete Products, CMS Infra Trading, CMS Agrotech and CMS Property Development exhibited their property projects and construction materials at the Malaysia Showcase 2011 in Negara Brunei Darussalam.

# Looking Back at 2011

24 Feb

1 Jul



19 Oct

30 Nov

## Business Highlights

**24 Feb** CMS Cement, Bintulu Plant launched its OHSAS 18001 Certification Campaign to improve and gear up operations to the international standard.

**1 Jul** CMS Group's fifth quarry, Sibanyis Quarry, with a plant capacity of 900,000 MT per annum commenced operations.

**19 Aug** CMS Concrete Products' new IBS plant was commissioned and started commercial production of its Eco Wall panels.

**28 Aug** CMS Cement's Portland Cement obtained SNI Marking product certification in accordance with Indonesian regulations thus enabling its Portland Cement to be imported into Indonesia.

**31 Aug** Samalaju Development completed Phase 1 of its International Standard Executive & Workers lodges at SIP, Bintulu.

**19 Oct** CMS Cement and CMS Clinker received the Gold and Silver Award respectively at the QE/5S National Convention organised by the Malaysian Productivity Corporation.

**18 Nov** CMS Cement commenced commissioning of its Sibu and Miri flat store cement terminals and of its Pending bulk cement loading and unloading facilities.

**30 Nov** CMS Premix Sdn Bhd commenced full operations of its new premix plant in Bintulu.

# CORPORATE

# 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 Alexander 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

**REGISTERED OFFICE**
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Sarawak
Malaysia
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F +60 82 333 828
E www@hq.cmsb.com.my

**WEBSITE**
www.cmsb.com.my

**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 +6 03 7841 8000
F +6 03 7841 8008

**AUDITORS**
Ernst & Young

**PRINCIPAL BANKERS**
RHB Bank Berhad
Hong Leong Bank Berhad
Citibank Berhad
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

CAHYA MATA SARAWAK*

As at April 2012

## CEMENT

| Company | Holding |
|---|---|
| **CMS Cement Sdn Bhd** | **100%** |
| CMS Clinker Sdn Bhd | 100% |
| CMS Concrete Products Sdn Bhd | 100% |

## CONSTRUCTION MATERIALS

| Company | Holding |
|---|---|
| **CMS Modular Housing Sdn Bhd** | **100%** |
| **CMS Steel Berhad** | **100%** |
| CMS Wires Sdn Bhd | 69% |
| **CMS Resources Sdn Bhd** | **51%** |
| PPES Concrete Product Sdn Bhd | 100% |
| CMS Quarries Sdn Bhd | 100% |
| CMS Premix Sdn Bhd | 60% [1] |
| CMS Premix (Miri) Sdn Bhd | 60% [2] |
| CMS Penkuari Sdn Bhd | 60% [3] |
| **KKB Engineering Bhd*** | **20%** |

## CONSTRUCTION & ROAD MAINTENANCE

| Company | Holding |
|---|---|
| **CMS Works Sdn Bhd** | **100%** |
| CMS Roads Sdn Bhd | 100% |
| CMS Pavement Tech Sdn Bhd | 100% |
| PPES Works (Sarawak) Sdn Bhd | 51% |

## PROPERTY DEVELOPMENT

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

## SAMALAJU DEVELOPMENT

| Company | Holding |
|---|---|
| **Samalaju Industries Sdn Bhd** | **100%** |
| Samalaju Aluminium Industries Sdn Bhd | 100% |
| ◆ Sarawak Aluminium Company Sdn Bhd | 100% |
| Samalaju Property Development Sdn Bhd | 51% |
| ◆ Samalaju Hotel Management Sdn Bhd | 100% |
| OM Materials (Sarawak) Sdn Bhd | 20% |

## SERVICES

| Company | Holding |
|---|---|
| **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% |
| Interventure Capital Sdn Bhd** | 100% |
| ETA CMS I-Solutions Pte Ltd | 82% |

## FINANCIAL SERVICES

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

* Listed on Main Market of Bursa Malaysia
** In Liquidation

[1] 40% held by CMSB
[2] 20% held by CMSB
[3] 40% held by CMS Premix Sdn Bhd

**Tan Sri Dato' Seri Syed Anwar Jamalullail** was appointed as a director the Company on 10 May 2006. He commenced his career with Malaysia Airlines Systems Berhad in 1975 as a Financial Accountant, before moving on to hold senior positions in various companies. His last position was as the Group Managing Director of Amanah Capital Partners.

Tan Sri Syed Anwar is the former Chairman of the Lembaga Tabung Haji Investment Panel. He was also formerly the Chairman of Media Prima Berhad, MRCB Berhad, DRB Hicom Berhad, EON Bank Berhad, Uni Asia Life Assurance Berhad, Uni Asia General Insurance Berhad and Executive Chairman of Realmild (M) Sdn Bhd and Radicare (M) Sdn Bhd. He was also an independent director of Maxis Communications Berhad and Bangkok Bank Berhad.

Currently, Tan Sri Syed Anwar is the Chairman of Nestle (M) Berhad, Lembaga Zakat Selangor, Media City Sdn Bhd and Pulau Indah Ventures Sdn Bhd. He is also the Chancellor of SEGi University College. Tan Sri Syed Anwar holds a Bachelor of Arts degree in Accounting from Macquarie University in Sydney, Australia. He is a qualified Chartered Accountant, having qualified in 1984. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Company.

Tan Sri Dato' Seri Syed Anwar has attended all seven (7) meetings of the Board of Directors in the financial year ended 31 December 2011.

**Y A M Tan Sri Dato' Seri Syed Anwar Jamalullai**
Malaysian
Age: 60 years

**Group Chairman**
Chairman, Nomination & Remuneration Committee
Chairman, ESOS Committee
Member, Group Audit Committee

# Board of Directors

## Y Bhg Dato Sri Mahmud Abu Bekir Taib
Malaysian
Age: 48 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 on 23 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, 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). Dato' Sri Mahmud has attended all seven (7) meetings of the Board of Directors in the financial year ended 31 December 2011.

## Y Bhg Datuk Syed Ahmad Alwee Alsree
Singaporean
Age: 46 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 the Group in February 2004 as Group General Manager - Human Resources, was appointed as Deputy Group Managing Director in September 2006, and was subsequently re-designated as Group Executive Director in August 2008. Datuk Syed Ahmad is the Deputy Chairman of K&N Kenanga Holdings Berhad and Kenanga Investment Bank Berhad. He is also a director of KKB Engineering Berhad, SIG Gases Berhad and Kenanga Islamic Investors Berhad. He is Chairman of Samalaju Aluminium Industries Sdn Bhd and Kenanga Investors 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.) degree 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 Dato Sri Sulaiman Abdul Rahman Taib (major shareholders of CMS). He is a son-in-law of the late Lejla Taib (a major shareholder of CMS) and is the spouse of Datin Hanifah Hajar Taib (a major shareholder of CMS). Datuk Syed Ahmad has attended all seven (7) meetings of the Board of Directors in the financial year ended 31 December 2011.

## Y Bhg Dato' Richard Alexander John Curtis

British, Malaysian Permanent Resident
Age: 60 years

**Group Managing Director**
Member, Group Risk Committee

**Dato' Richard Alexander John Curtis** is 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 to 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. Dato' Richard has attended all seven (7) meetings of the Board of Directors for the financial year ended 31 December 2011.

## Y Bhg Dato Sri Liang Kim Bang

Malaysian
Age: 75 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 Malaysia, 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 the Sarawak State Financial Secretary from 1984 - 1994. At present, Dato Sri Liang is the 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. Dato' Sri Liang has attended all seven (7) meetings of the Board of Directors in the financial year ended 31 December 2011.

# Board of Directors

## Y Bhg Datuk Wan Ali Tuanku Yubi
Malaysian
Age: 62 years

**Independent, Non-Executive Director**
Member, Nomination & Remuneration Committee
Member, Group Risk Committee
Member, ESOS Committee

**Datuk Wan Ali Tuanku Yubi** was appointed to the Board of CMS on 12 June 1995. A former Sarawak State Financial Secretary (1995 - 2000) and Chief Executive Officer / Director of Sarawak Enterprise Corporation 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 (LCDA) and as the Resident of Limbang Division, Sarawak. He holds a Bachelor of Economics degree and Graduate Diploma in Education from the 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. Datuk Wan Ali has attended six (6) out of seven (7) meetings of the Board of Directors in the financial year ended 31 December 2011.

## 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 bin Hj Zainuddin** 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 Genting Plantations Berhad and director of Bandar Raya Developments Berhad, Bintulu Port Holdings Berhad, Defence Technologies Berhad, Genting Malaysia Berhad and Parkson Retail Asia Limited. Since 2006, General (R) Tan Sri Zahidi has been a Member of Dewan Negara Perak and is currently a Trustee 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. Dato' Sri Zahidi has attended five (5) out of seven (7) meetings of the Board of Directors in the financial year ended 31 December 2011.

### Y Bhg Datu Michael Ting Kuok Ngie
Malaysian
Age: 71 years

**Independent, Non-Executive Director**
Member, Group Audit Committee
Member, Nomination & Remuneration Committee
Member, ESOS Committee

**Datu Michael Ting Kuok Ngie** 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 as 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) degree and a Master of Engineering degree in Civil Engineering, both from the Technical University of Nova Scotia, Canada. Datu Michael is director of a number of CMS Group subsidiaries as well as other private companies. Datu Michael has no family relationship with any director and/or major shareholder of the Company. Datu Michael has attended all seven (7) meetings of the Board of Directors in the financial year ended 31 December 2011.

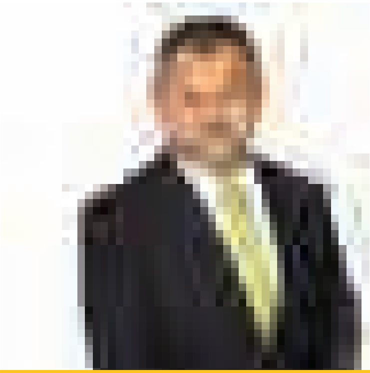
### Kevin How Kow
Malaysian
Age: 63 years

**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. Kevin has attended all seven (7) meetings of the Board of Directors in the financial year ended 31 December 2011.

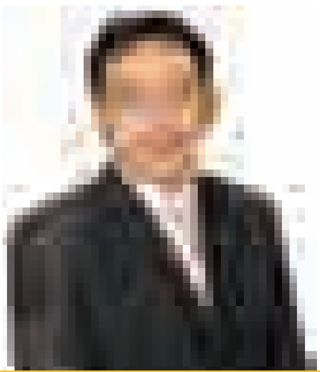
*Save as disclosed, none of the Directors have any conflict of interest with CMS nor conviction for offences within the past 10 years other than traffic offences.*

# Management Team



**TUAN SYED HIZAM BIN SYED MAHMOOD EZZULARAB ABDUL-MOEZ ALSAGOFF**
Group Chief Financial Officer
Joined CMS in January 2005

**ISAAC LUGUN**
Head, Samalaju Development Division
Executive Director / CEO, Samalaju Industries Sdn Bhd
Joined CMS in January 1996



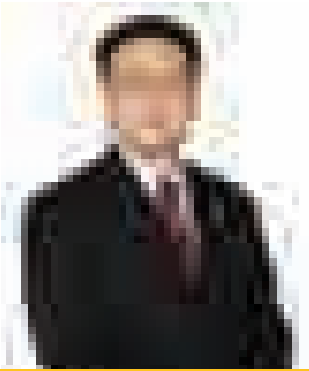
**TUAN HAJI OTHMAN ABDUL RANI**
Head, Cement Division
Executive Director / CEO, CMS Cement Sdn Bhd
Joined CMS in April 1981

**GOH CHII BING**
Head, Construction Materials Division
Joined CMS in October 1992

**LIM JIT YAW**
Head, Construction & Road Maintenance Division
Joined CMS in January 2006

**WOO YOKE MENG**
Group Internal Auditor
Joined CMS in March 2000

# Management Team



**DAVID LING KOAH WI**
Group General Counsel
Joined CMS in August 2007

**DANNY SIM WEI MIN**
General Manager, Group Procurement
Joined CMS in March 2001

**TAN MEI FUNG**
General Manager, Group Finance
Joined CMS in August 1997

**WENDY YONG SAN SAN**
General Manager,
Group Human Resources
Joined CMS in May 1994

**ABDUL NASSER MOHD SANUSI**
General Manager, Special Projects
Joined CMS in February 2004

**ABDUL RASHID DALJIT ABDULLAH**
Head, Group Information Technology
Joined CMS in July 2004

# OPERATIONS REVIEW 2011

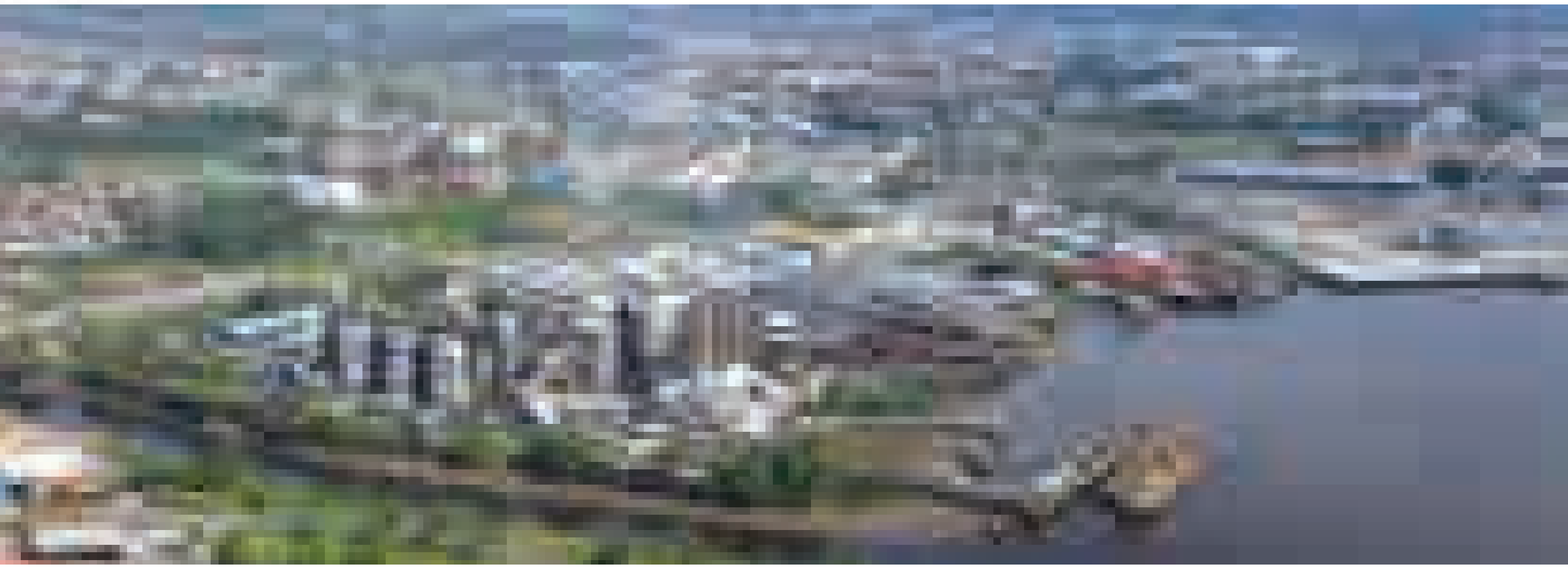
## Segment Revenue

| | 2011 | 2010 | % YOY |
|---|---|---|---|
| | RM'm | RM'm | |
| Manufacturing | 463.43 | 414.47 | 11.8% |
| Construction & road maintenance | 195.64 | 78.56 | 149.0% |
| Construction materials | 193.42 | 193.13 | 0.2% |
| Property development | 103.52 | 165.66 | -37.5% |
| Trading | 75.97 | 96.38 | -21.2% |
| Others | 94.77 | 75.45 | 25.6% |
| | **1,126.75** | **1,023.65** | **10.1%** |

## Segment Profit / (Loss) Before Tax

| | 2011 | 2010 | % YOY |
|---|---|---|---|
| | RM'm | RM'm | |
| Manufacturing | 101.37 | 79.65 | 27.3% |
| Construction & road maintenance | 69.48 | 41.88 | 65.9% |
| Construction materials | 20.23 | 31.63 | -36.0% |
| Property development | 2.65 | 1.83 | 44.8% |
| Trading | 4.83 | 5.22 | -7.5% |
| Others | (13.51) | (21.37) | -36.8% |
| | **185.05** | **138.84** | **33.3%** |

# Cement



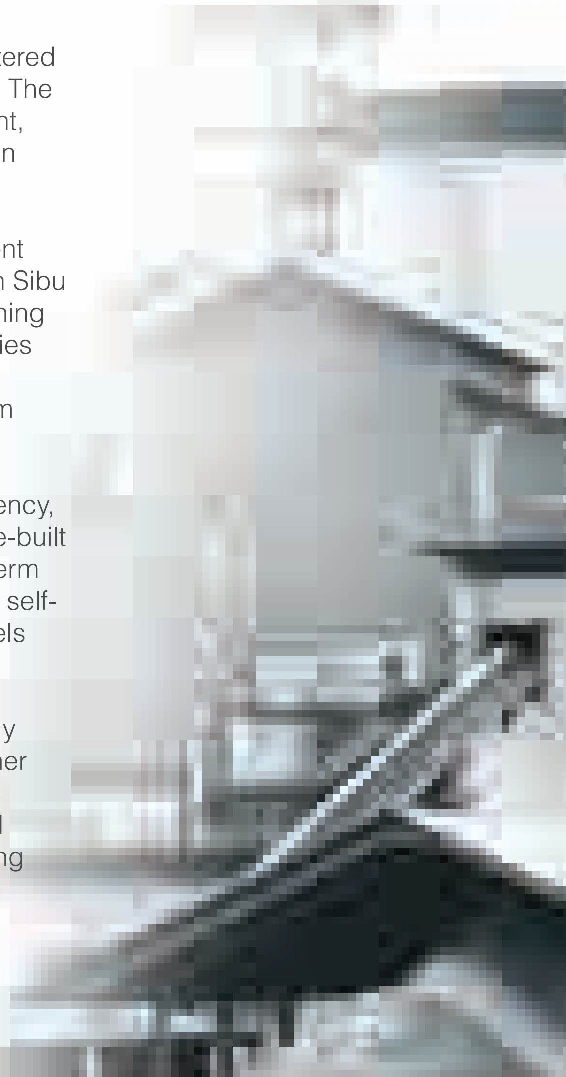
**CMS Cement Sdn Bhd, Sarawak's sole cement manufacturer, operates plants in Kuching and Bintulu which produce Portland Cement and Cemplast Masonry Cement for the entire Sarawak market. Annual production capacity of the two plants is 1.75 million MT which is in excess of current local demand.**

CMS Cement recorded a 9% increase in sales volume in 2011 and registered a 28% increase in Profit Before Tax (PBT) for the year to RM82.36 million. The increased sales and production volumes, upward selling price adjustment, more stable plant operations and lower repair & maintenance expenses in 2011, all contributed to the improved profitability.

The investment of RM55 million to construct the 6,000 MT flat store cement terminals equipped with packing and bulk cement distribution facilities in Sibu and Miri and the bulk cement loading and unloading facilities at the Kuching plant represent a significant upgrade to our cement distribution capabilities statewide and are the first of such terminals in Asia to use this innovative aeration panel, fluidside transfer of pneumatic conveying technology from Europe.

It enables Kuching both to import bulk cement, in the event of an emergency, as well as to ship out bulk cement to the two terminals using two purpose-built 7,000 MT barges on a continuous basis. These two barges are on long term charter to CMS Cement and are equipped with fully enclosed pneumatic self-loading and unloading systems and cargo holds fitted with aeration panels and a fluidised cement transfer system.

The loading, unloading, storage, packing and delivery facilities being fully enclosed and all weather, reduce air pollution as well as the risk of weather induced disruptions. Cement quality and freshness is preserved by the aeration panels and fluidised transfer technology used in the barges and the flat store halls aided by the system's first-in first-out cement re-claiming technology.



**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 meets 77% of the clinker demand from CMS Cement's plant in Kuching.**

In 2011, CMS Clinker's revenue rose 6% due to higher sales volume compared to 2010. The increased sales volume was attributed to the better operational performance of the plant which resulted in a higher production volume. CMS Clinker recorded a PBT of RM14.17 million for 2011, a 16% increase from 2010.

In this industry, the three main factors contributing significantly to a plant's performance are the stability of the manufacturing operations, maintaining continuous full production and lowering fuel costs. Based on this, CMS Clinker has invested RM78 million in upgrading its plant to increase the existing production capacity to 896,000 MT per annum and to modify the plant to run on locally mined coal of lower calorific value. The plant upgrading is expected to achieve improved performance in terms of reliability, efficiency, lower fuel costs and thus, lower costs of production. The upgrading is scheduled to be completed and commissioned by mid 2012.

# Concrete Products

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

In 2011, the performance of CMS Concrete Products continued to grow with sales revenue rising 36% and PBT up 48% to RM4.78 million. The main contributor to the improved performance came from a contract to exclusively supply ready-mixed concrete to a major construction project in Samalaju Industrial Park, north of Bintulu.

CMS Concrete Products has started production of pre-fabricated IBS components in 2011. This is 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. The new dedicated IBS Plant at Mile 7, Old Airport Road in Kuching was commissioned in 2011. This new plant will manufacture a full range of IBS components including Eco Wall panels, precast beams & columns and precast half slabs & pre-stressed slabs as well as coordinating design and installation services for customers.

**CMS Quarries Sdn Bhd and CMS Penkuari Sdn Bhd produce granite, microtonalite and limestone aggregates. Their operating quarries at Stabar, Penkuari, Akud, Sebuyau and new quarry at Sibanyis have a combined annual rated capacity of 3.15 million MT. CMS' group of quarries is a substantial player commanding an approximately 23% market share for stone aggregates sold in Sarawak.**

CMS Quarries and CMS Penkuari posted a combined PBT of RM12.79 million for the year ended 31 December 2011 which was higher than 2010, reflecting the additional production capacity brought on stream at Sibanyis and the provision of additional value-added services to customers such as stoning, grading, compacting and delivery.

On 1 July of 2011, CMS Quarries had successfully commenced full commercial operations of its newest quarry at Gunung Sibanyis which is located at Mile 15, Kuching-Serian Road. The rock at Gunung Sibanyis is microtonalite, a hard igneous rock. The proven stone reserves at Gunung Sibanyis are approximately 69 million MT based on independent geological reports. The stone reserve at Gunung Sibanyis is expected to last more than 100 years (deep seated intrusive microtonalite rock) based on existing annual quarry plant capacity of 900,000 MT.

In view of the Sibanyis quarry's strategic location to the large and growing markets in the Kuching and Samarahan Divisions coupled with easy access to a dedicated jetty in Pending for outstation sales, CMS Quarries will continue to play an important role to ensure a steady supply of good quality stone aggregates at competitive prices to meet the demand throughout Sarawak.

# Premix

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

CMS Premix posted a PBT of RM6.87 million while CMS Premix (Miri) posted a PBT of RM3.62 million for the year ended 31 December 2011 respectively. This was 56% and 11% respectively lower than 2010's record figures, although their market share has not fallen. Their financial performance is creditable given the challenges they faced in 2011. These included higher bitumen and diesel prices, a bitumen shortage, high rainfall in December and reduced demand from both the public and the private sectors.

A new premix plant at Bintulu has been set up to supplement the aging plant in Bintulu. The new 150 MT/HR plant with integrated emission controls built in has successfully commenced operation in December 2011. This will position CMS Premix to better meet the demand in the Bintulu area. This demand is expected to increase with the accelerating implementation of projects in, and consequential on, the new heavy industrial projects being built in the Samalaju Industrial Park as new roads will be needed and existing roads upgraded.

# Wires

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

CMS Wires annual sales volume dropped by 8% compared to the previous year as a result of decreased demand, especially in the second half of 2011. This was due to the overall slowdown in the construction industry which depressed profit margins as a result of increased competition. In addition, CMS Wires also made impairments of doubtful debts resulting in a pre-tax loss of RM3.15 million.

Going forward, the Management is reviewing options to increase its production capacity and efficiency.

# Construction & Road Maintenance

**The Construction & Road Maintenance Division is involved in a wide range of construction and road maintenance projects across the State, principally through PPES Works (Sarawak) Sdn Bhd which also maintains in road maintenance where it maintains approximately 680 km of Federal roads. CMS Roads Sdn Bhd maintains approximately 4,800 km of State roads.**

The Division registered a PBT of RM59.30 million for 2011 representing a 48% increase on 2010. This increase was driven by the re-acquisition of CMS Roads Sdn Bhd, the concession holder for maintenance of the State's roads and CMS Pavement Tech Sdn Bhd, a pavement works contractor specialising in cement stabilised road upgrading and rehabilitation works.

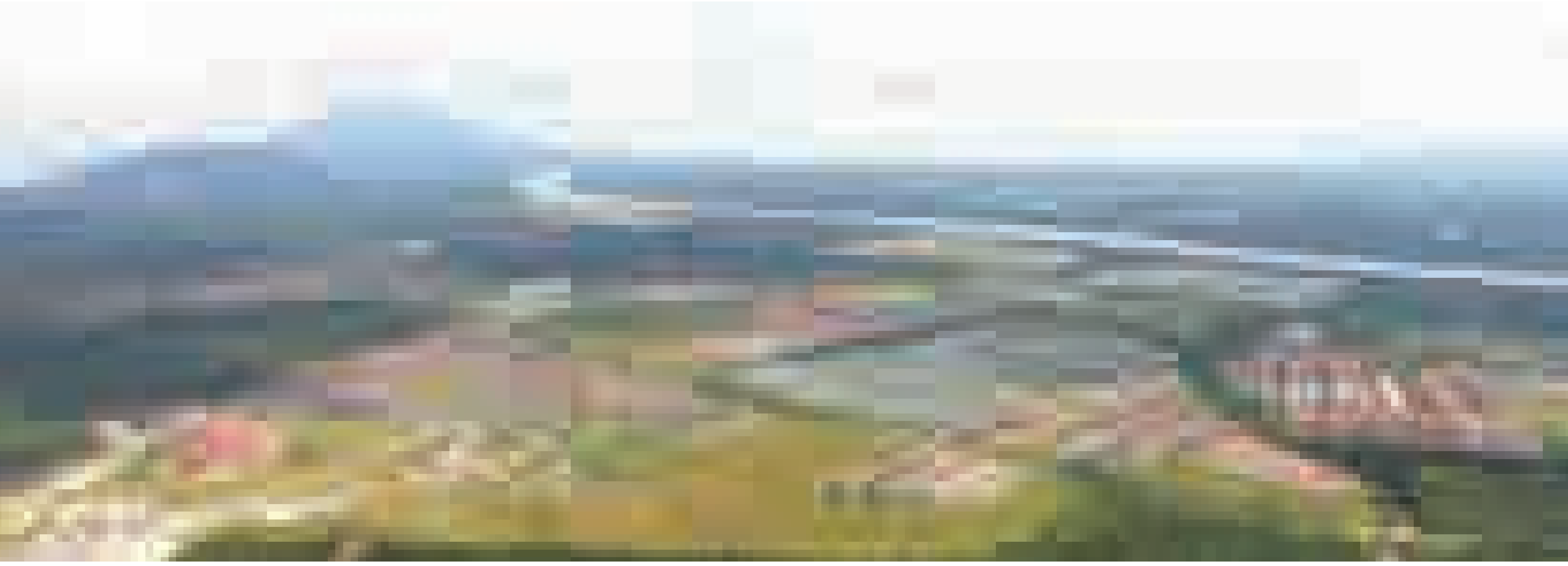
With an increasingly competitive and crowded market in the construction sector, the Division has adopted new strategies for growth. These include more bids for projects in consortiums so as to harness multiple competencies, more internally generated proposals to the State and taking on the role of main contractor and project manager for CMS' growing Property Development Division.

Lastly, the Division is putting an especial focus on the quality of work it undertakes to be in line with CMS' Mission Statement of being "On Time And On Spec" so that its customers see the Division as a contractor of choice within the State.

# Property Development

**The Property Development Division owns a large land bank in and around Kuching. Of this, the 2 major assets are the 5,200-acre land bank in Petra Jaya owned by Projek Bandar Samariang Sdn Bhd which is being developed into a riverine township called Bandar Baru Samariang and a 275-acre land bank in Muara Tebas owned by CMS Land Sdn Bhd which is being developed into Kuching's new Central Business District, called The Isthmus.**

## Bandar Baru Samariang



The integrated township of Bandar Baru Samariang, with a variety of residential homes, a commercial centre and schools, is now home to some 25,000 residents. It 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 Baru Samariang. In addition, the completion by end 2012 of the Federal Administrative Centre road linking Bandar Baru Samariang directly both to the Sarawak River toll bridge and to the newly-built loop road running north-south through Bandar Baru Samariang, will radically transform accessibility.

A revised Masterplan for the entire Bandar Baru Samariang has been approved and this has enabled development plans for the 2nd phase to commence. To date, works have commenced on an Industrial Park with a total land area of 130 acres and a 275-acre adjoining land parcel has been sold for development primarily into residential housing. This is in addition to CMS' own plans for development of other parcels which include hypermarkets, schools, shoplots, public amenities and housing.

Projek Bandar Samariang recorded a PBT of RM1.85 million resulting from 2.8 times higher unit sales in 2011 over 2010. With the improved road accessibility and the increased number and scale of projects now taking off in Bandar Baru Samariang, this upward trend looks set to continue.

# Property Development

## The Isthmus

The development lifecycle of new urban districts typically start slow and accelerate over time. Isthmus' successful new Borneo Convention Centre Kuching (BCCK) has generated awareness. With the completion in 2012 of the new Sarawak Energy Berhad's corporate headquarters (Sarawak's first Green Building Index certified building), of the bridge linking Isthmus directly into Kuching's main arterial roads and of the water taxi jetty across from BCCK, this will help CMS Land to finalise terms and commence construction for the many other developments currently in the pipeline. These include a hypermarket, retail shop houses, tertiary educational centre, hospital, hotel serviced apartments, housing, petrol stations, sports facilities and two signature office buildings.

## Other Developments

There is a planned launch of a new boutique upper end residential development within the Fairway Villa guarded estate in Kuching's Petra Jaya.  In South Kuching's popular Tabuan area, a gated development is being finalised for launch in 2013. Other land parcels owned by this Division represent significant opportunities in the future for development as Kuching grows and will be retained until appropriate development opportunities arise.

# Samalaju Development

**Samalaju Development Division focuses on the development of a manganese and ferro alloy smelter, operating temporary lodge facilities for construction workers & executives at Samalaju Industrial Park (SIP) and on the planned new Samalaju township.**

2011 is a major milestone for the Division. Firstly, it has taken the opportunity to take a 20% equity participation in OM Materials (Sarawak) Sdn Bhd, a subsidiary of OM Holdings Limited, an Australian listed miner, manufacturer and trader of manganese, iron and chrome ore & alloys, which is developing a 600,000 MT per year manganese and ferro alloy smelter at SIP. Secondly, through **Samalaju Property Development**, where it has a 51% equity stake, it has completed and is operating temporary lodge facilities for 5,000 construction workers and 160 construction executives at SIP.

The site preparation work for the manganese and ferro alloy smelter is nearing completion and construction of the smelter will commence in 3Q 2012. The USD 500 million smelter is expected to commence operation in 1Q 2014. The Division is currently assessing potential investments in other major industries locating to SIP.

Samalaju Property Development posted a sterling PBT of RM14.36 million in 2011, its first year of operation. The construction of the first phase of the construction workers lodge for 504 people was completed in a record breaking 29 days. It included an accommodation block, kitchen and canteen facilities with a seating capacity of 1,000 people. In view of the global nature of industries locating to SIP, the facilities and services provided at the lodge are of international standard and set a new benchmark for construction workers' accommodation in Malaysia.

Samalaju Property Development, which is the master developer of the planned Samalaju township, is currently negotiating to develop and operate semi permanent homes and facilities for the operations staff of industries that will commence operations before the new Samalaju township is completed.

It is expected that the first batch of homes in Phase I of the new township will be completed in late 2016. Phase I also encompasses the building of public utilities including a clinic with trauma handling facilities, fire-station with industrial fire-fighting capabilities and a police station. As the township's master developer, Samalaju Property Development's mantra is two-pronged: firstly, to develop a township with facilities and services of high international standards in order to meet the expectations of its sizeable expatriate population and, secondly, for the development to be green and sustainable with the aim for the township to be a global reference for green industrial living. With the number of major industries locating to SIP it is expected that Samalaju township will have a population of at least 45,000 people by 2018.

Samalaju Development Division which started out as a mere 'dream' in 2008 is emerging as a major engine of growth in CMS. The Division will continue to explore and secure business opportunities in SCORE (Sarawak Corridor of Renewable Energy) to support the growth of CMS into the distant future.

**CMS Education Sdn Bhd owns and operates Tunku Putra School in Kuching which offers national and international curriculums for students at kindergarten, primary and secondary levels, including the Cambridge International Examinations A-Levels.**

Tunku Putra School is unique as it embraces a number of educational strands from early years to graduating students aged seventeen plus by offering programmes of study in five separate but inter-linked organisational elements - kindergarten, national and international primary, national and international secondary. All students are housed on one modern purpose-built campus set within spacious grounds conveniently accessible but away from the bustle of Kuching city and have benefited from the completion in 2011 of a new large secondary block to accommodate student growth in the international stream.

The students benefit from being taught by exceptional specialist expatriate and Malaysian teachers in learning environments which encourage the highest of standards across both academic learning, extra-curricular activities and character development. The most recent Cambridge IGCSE and Malaysian PMR results were the best in the School's history.

CMS continues to underpin the development of Tunku Putra School just as it has done since the School's inception in 1997. It does so as one of its corporate social responsibility contributions towards the State's economic development, it being of critical importance when attracting overseas investors that staff being posted here have access to a high standard of international schooling for their children.

## 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 & systems, road management products, building protection systems, petroleum products and other related products. Its subsidiary, CMS Agrotech Sdn Bhd, produces high grade organic compost from its Kuching plant.**

Despite registering a lower revenue and PBT compared to 2010, CMS Infra's overall performance in 2011 is considered very creditable with the reduced level of orders from both the public and the private sectors and, in the case of CMS Agrotech, reduced orders from its main contract manufacturing customer. Fortunately, strong sales of high margin water management products (water pipes & water treatment chemicals) lessened the impact of this slowdown as these products contributed 54% of its total revenue and 84% of its gross profits. CMS Infra continues to enhance its existing traditional business activities and introduce new product lines to cater for the changing and growing needs within the State.

## Private Equity

**CMS Opus Private Equity Sdn Bhd is a private equity firm focusing primarily on acquiring significant minority interests in unlisted emerging growth companies in Malaysia and the ASEAN region for long term capital gains.**

Having begun operations in the middle of 2006, CMS Opus has grown and established a strong track record in Malaysia's private equity industry. In April 2011, CMS Opus completed another exclusive transaction, this time using a certified Shariah-compliant structure. The target company was a leading Bumiputra engineering-based company providing automation and process control solutions with a focus on the lucrative oil & gas and petrochemical sector.

In June 2011, the fund under CMS Opus' management, COPE-KPF Opportunities 1 (COPE 1) distributed RM15 million to investors by way of a partial redemption of its preference shares. In September, CMS Opus successfully expanded COPE 1's fund size to RM150 million, doubling the initial fund size.

## Strategic Investment:

### K&N Kenanga Holdings Berhad

**With a 25% equity stake, CMS is the single largest shareholder of K&N Kenanga Holdings Berhad (K&N), an established financial group involved in equity broking, investment banking, futures broking, treasury, specialised finance and fund management in Malaysia with a history of close to 40 years. Listed on the Main Market of Bursa Malaysia Securities, its group of companies includes Kenanga Investment Bank Berhad, Kenanga Deutsche Futures Sdn Bhd, Kenanga Capital Sdn Bhd and Kenanga Investors Berhad.**

For the year ended 31 December 2011, K&N recorded a PBT of RM14.87 million from continuing operations, as compared to a loss of RM50.63 million from continuing operations in year ended 31 December 2010.

This significant turnaround arose following the installation during 2011 of a new management team, who revamped the business and changed its focus into more profitable areas as well as from the recovery of long outstanding debts.

During the year, the Investment Banking unit was involved in several major deals including:

- The SapuraCrest - Kencana RM11.85 billion merger and acquisition deal;
- Bumi Armada Berhad Initial Public Offering;
- Sarawak Energy Berhad Sukuk issuance of RM2.5 billion under the existing RM15 billion programme;
- RM480 million takeover offer of Leader Universal Berhad from HNG Capital Sdn Bhd;
- RM450 million acquisition of PacificMas Berhad by OCBC Capital (Malaysia) Sdn Bhd, a wholly-owned subsidiary of Oversea-Chinese Banking Corporation Limited; and
- Kulim (Malaysia) Berhad takeover of Sindora Berhad.

Meanwhile, the Treasury unit was more active generating new revenue streams which have resulted in a significant improvement in this unit's profits.

K&N's Equity Broking unit has also shown an encouraging upward trend in its Malaysian equities trading market share in the second half of 2011 after declining in recent years.

Kenanga Investors was awarded The Edge-Lipper Malaysia Fund Awards for its Kenanga Syariah Growth Fund (both 3 years and 5 years) under the Equity Malaysia Islamic category. Meanwhile, its Kenanga Growth Fund garnered the 2012 Morningstar Awards for the Best Malaysia Equity Fund category. The awards were based on the funds' performances in 2011.

For the ninth consecutive year, Kenanga Deutsche Futures clinched the "Top Overall Futures Broker Award" and "Top Equity Futures Broker Award". It also came in second for Crude Palm Oil Futures in 2011. These awards were based on its volume contribution to the industry.

# Steel Engineering

## Strategic Investment:

### KKB Engineering Berhad

**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 pile specials.**

For the financial year ended 31 December 2011, KKB achieved a consolidated revenue of RM234.48 million. The KKB Group recorded a PBT of RM62.40 million and a Net Profit of RM47.1 million.

On 10 November 2011, KKB was selected for the second time as one of the “Best Under A Billion” Companies by Forbes Asia amongst 14 other Malaysian Companies. Looking at profitability, growth, modest indebtedness and future prospects, Forbes editors picked 200 companies out of a universe of over 15,000 Asia Pacific companies with actively traded shares and revenue of between USD 5 million and USD 1 billion.

KKB has also emerged winner of the 10th Anniversary Award (Revenue up to RM500 million category) under the Industrial sector during the Annual KPMG Shareholder Value Award 2011. KPMG’s Shareholder Value Awards programme acknowledges winners according to different industry sectors as well as an overall winner from a Top 100 list of companies ranked by Shareholder Value Creation. KPMG’s Shareholder Value Awards is an annual recognition of Malaysia’s top companies in terms of Shareholder Value Creation.

# CORPORATE
RESPONSIBILITY

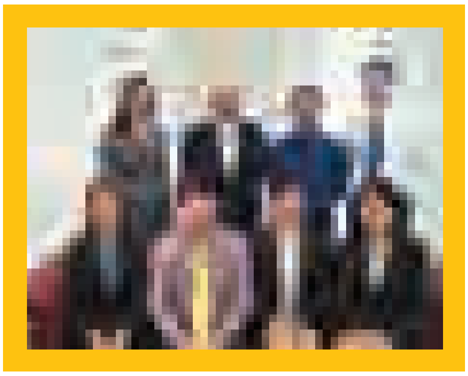
# Workplace

## Employee Fast Facts as at 31 December 2011

| | |
|---|---|
| No. of employees | 1,963 |
| Management | 101 |
| Executive | 301 |
| Non-Executive | 1483 |
| Daily-Paid | 78 |
| Turnover Rate* | 4.94% |

**compared to a national turnover rate of over 16%, depending on which survey one relies on and which category of employee.*

## Recruitment



The Management Trainee Development Programme (MTDP) which ended in December 2011 saw 13 graduates successfully absorbed into employment within the CMS Group. The one year intensive programme included a 3-month core training in Finance, HR, Audit and Corporate Communications at Centre Management and 9 months specialised training in specific disciplines such as cement and quarry businesses, IT and procurement roles.

Apart from undergoing the core and specialised training, all the trainees were exposed to corporate social responsibility activities and involved in major Group activities such as the CMS Games 2011 and the CMS Group Annual Dinner 2011. As part of their development, they were also sent for internal/external training and were often involved in departmental meetings.

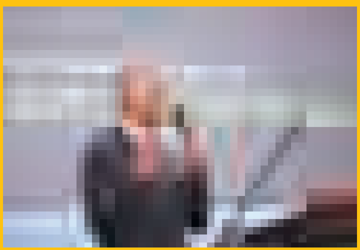
All trainees had to give an individual presentation to the Group Managing Director, Dato' Richard Curtis, on 'Benefits and Experience of MTDP and Something to Change, Introduce or Do at CMS'. The 'Meet the GED' session was held on 10 May 2011 where the trainees gave an impressive joint presentation to the Group Executive Director, Datuk Syed Ahmad Alwee Alsree. The trainees also had the opportunity to meet the Group Chairman, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, on 25 August 2011 to hear about his many corporate experiences and wise advice.

## Training

- An Employee Total Wellness Programme was carried out from April to December 2011 covering 12 sessions for 300 employees. The 2-day programme included topics like Introduction to Total Wellness, Stress Management, Ergonomics, The Importance of Exercise, Safety & Health Awareness and Keeping a Healthy Diet.

- 29 employees comprising of line managers and senior management staff underwent a comprehensive 26-day CMS Strategic Leadership Development Programme in 2011.
- Employees clocked a total of 24,908 training-hours training in 2011; equivalent to 18 training hours per employee with a total investment of RM0.7 million *(excluding Human Resources Development Fund [HRDF] claimable training).*

## Engagement & Communication



- Annual Retreat 2011 sessions were held for the Board of Directors, Senior Management and Management.
- Town Hall 2011 roadshows were held in Kuching, Sibu, Bintulu and Miri from 29 November to 2 December.
- Annual Dinners 2011 were held for employees in Kuching, Sibu, Bintulu and Miri from 30 November to 4 December.
- CMS Games were held from July until end of 2011 for employees to encourage 'Synergy Through Sports'. Games included badminton, futsal, bowling, football, darts, table tennis and the CMS Health & Charity Run.
- OurCMS in-house newsletters were published quarterly.
- CMS Safety Alert newsletters were published bi-monthly.

## Performance Management & Rewards

The 4th phase of Key Performance Indicators (KPI) implementation was completed with the inclusion of supervisors and senior non-executives on the KPI system. By end 2012, the KPI shall phase out the normal appraisal system for the purposes of bonus payments.

## 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 employees in 2011, where approximately RM38,000 in cash was given out.

## Health & Safety

The emphasis on improving the safety culture across CMS was maintained in the year 2011. The inclusion of de-merit points in all KPIs of all executive-level employees and above which took effect in 2010 continued in 2011.

Safety awareness is communicated through the CMS bi-monthly Safety Alert newsletters and increased training on safety and proper handling of machinery and equipment, compliance to Safety policies and procedures including regular toolbox briefings were carried out at all manufacturing operations.

The result has been a greater awareness on the importance of safety, and zero fatalities and permanent disabilities across CMS Group throughout 2011.

# Environment

**CMS Cement** Kuching Plant succeeded in reducing its power consumption by approximately 6% (from 40.8 to 38.4 kwh/mt) and the clinker ratio by approximately 1.6% (from 91.8% to 90.3%). Two (2) units of rainwater harvesting system to tap rain water were installed. Based on Life Cycle Inventory, for every mt of clinker produced, the $CO_2$ emission is about 850kg and for every kwh of electricity, 0.7kg of $CO_2$ is emitted.

**CMS Premix** in Kuching, Sibu and Miri met Environment Clean Air Quality Regulations that track smoke emission from stacks and dust emission.

- **CMS Clinker** cooler stack dust emissions: 0.05g/$Nm^3$ against 0.1g/$Nm^3$ guideline.
- Attained excellent average readings in Dust Concentration in compliance to Malaysian Air Quality Guidelines and a high 76% compliance to air quality monitoring guidelines set by the authorities in 2011.
- Coal mill stack dust emissions: 0.15g/$Nm^3$ against 0.4g/$Nm^3$
- Noise levels, both day & night, at CMS Clinker were below DOE/NREB recommended guidelines.
- Waste Gas stack dust emissions: 0.054 g/$Nm^3$ against 0.4g/$Nm^3$ guideline.
- Plant upgrade currently in progress will see the use of more efficient technology and a 40% saving in fuel and power

**CMS Concrete Products**
Clay bricks making is always energy-intensive and highly polluting but by using CMS Eco Wall, the consumers will help in saving energy and creating cleaner Sarawak. CMS Eco wall also utilises less-demanded quarry products like quarry dust, thus helps in recycling waste products.

**CMS Agrotech** promotes the use of Organic and Environmentally Friendly Compost and Organic Fertiliser to help maintain soil fertility for better and more sustainable crop output.

The Company is collaborating with UNIMAS to do R&D on organic fertiliser to help reduce dependency on chemical based fertilisers and to reduce environmental problems arising from overuse and long term use of chemical fertilisers.

**CMS Quarries** at Stabar, Bukit Akud and Penkuari attained excellent levels in air quality and complied with strict boundary noise limits set by local authorities for site and zoning of industries.

# Marketplace

## Corporate Reporting to Shareholders

In our efforts to present a comprehensive annual report of activities for the past year of operation for the Shareholders, CMS once again won recognition from the Sarawak Chamber of Commerce and Industry (SCCI). CMS' Annual Report 2010 was announced Runner-up of the Overall Excellence Award 2010 in Corporate Reporting by SCCI in November 2011. This recent recognition serves to prove CMS' consistency in continuing to demonstrate the highest corporate governance standards and transparency in corporate reporting for shareholders and the public. CMS has been a winner at the SCCI Awards programme on numerous occasions since the inception of the corporate reporting awards programme 13 years ago for Sarawak registered listed entities. This includes winning the Overall Excellence Award six times previously - in 1999, 2000, 2001, 2006, 2008 and 2009.

## 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 continues to maintain its record of zero reprimands from Bursa Malaysia.

## Investor Relations

Information relevant to investors is carried in a specific section of the CMS website www.cmsb.com.my. Apart from a dedicated section on financial statements and announcements to Bursa Malaysia, Shareholders and interested parties 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 for general consumption.

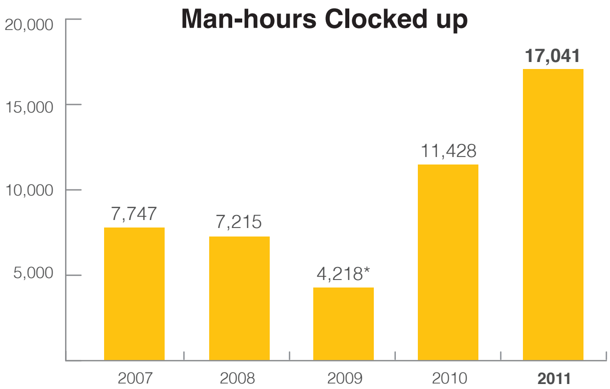
## Listening to & Understanding Our Customers

Listening to our 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 improvements.

All operating subsidiary companies including CMS Cement and CMS Roads have dedicated email addresses for customer enquiries or feedback in ensuring that our valued customers are given accessibility to updated information on the companies.

## CMS Employees Volunteer in 'Doing Good' Programmes

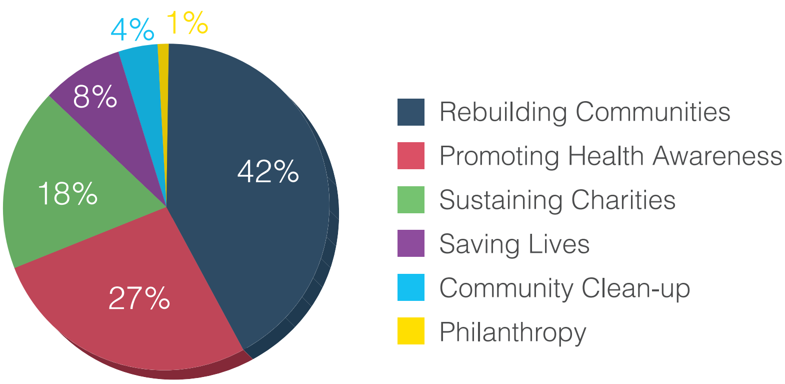
CMS employees clocked a whopping 17,041 man-hours for the year 2011 compared to 11,428 man-hours in 2010! Needless to say, this is by far the highest man-hours achieved since Corporate Social Responsibility (CSR) was introduced in CMS.




** excluding CMS Roads & CMS Pavement Tech's employees*

A variety of CSR initiatives were carried out throughout the year - from fundraising charity sales, rebuilding communities, blood donation drives, 'gotong-royong' and many more. The amount of cash raised through these initiatives totalled RM40,312.65, all through the efforts and sacrifices of our caring and generous employees who has made our CMS 'Doing Good' program a success!

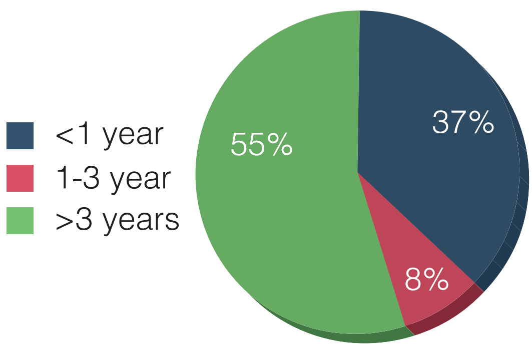
## How we spent our time 'Doing Good' in 2011




## Sustainability of CSR Projects in 2011

In terms of sustainability, CMS team's efforts in 2011 contributed to projects that were sustainable for:

| | | |
|---|---|---|
| Under 1 year | 37% | 6,367 man-hours |
| 1 - 3 years | 8% | 1,286 man-hours |
| More than 3 years | 55% | 9,388 man-hours |



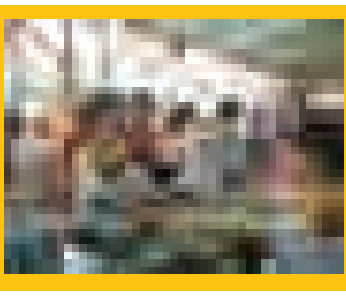
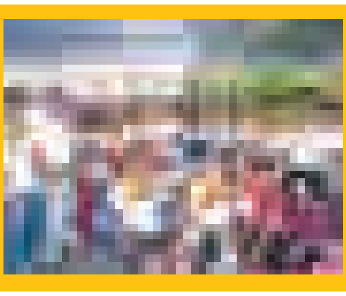
# Community

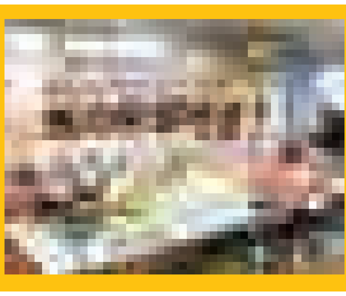
## CSR Highlights

### Charity Sales

CMS employees participated actively in most, if not all of the sale-of-work events held in and around Kuching. There is high enthusiasm and great team spirit amongst employees joining such events. During 2011, CMS teams set up stalls at fundraising events for PERKATA Special School, Salvation Army Children's Home, Sarawak Cheshire Home and Kuching Autistic Association.

In addition, seven employees raised RM14,017 for the 'Go Bald' event organised by the Sarawak Children's Cancer Society held on 15 May 2011 in Kuching.



### Rebuilding Communities

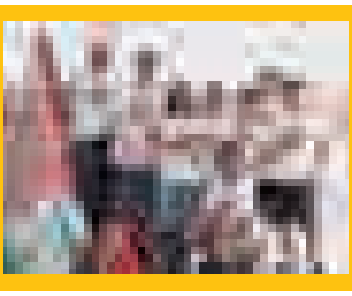
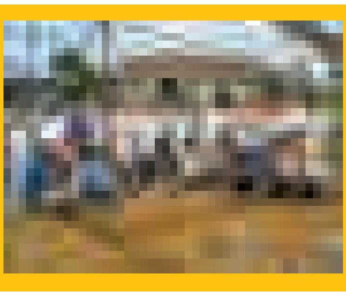
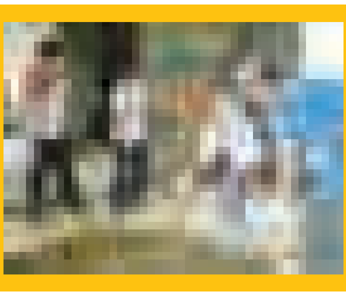
CMS employees are keen volunteers for home-build projects organised in collaboration with Habitat-for-Humanity which saw a total of 10 sessions held in 2011. This is an activity where most if not all of the volunteers find it very satisfying and wanting to go back and do more.

A group of CMS employee volunteers also helped re-paint the interior walls of the Salvation Army Children's Home and raised funds to provide new curtains and beddings for the childrens' Home.

For CMS operations outside Kuching, CMS employees participated in community projects in and around their areas, therefore making the 'Doing Good' effort even more meaningful.

PPES Works, CMS Roads (Betong and Sri Aman) and CMS Cement (Kuching and Bintulu) whose projects, amongst others included the resurfacing of a clinic's carpark in Kuching, patching of the access road to a school in Betong, repairs of suraus in Bintulu and constructing a playground platform for the Children's Home in Sri Aman. CMS Clinker painted a community hall at Mambong and CMS Infra Trading built a shed for a rehabilitation centre for the disabled.

Rumah Erok, a 30-door longhouse located opposite Kanowit town, which was razed to the ground in July 2011 also received prompt attention from our team at CMS Roads, Central Region who quickly responded by offering help to clear the debris from the aftermath of the fire so they could re-build a longhouse on the same site.


## CSR Highlights

### Saving Lives

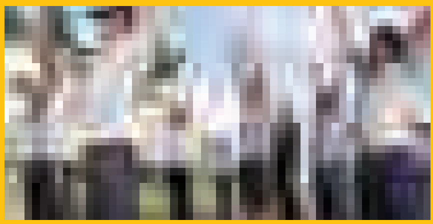
Regular participation in Blood Donation Drives by employees from CMS Cement (Kuching & Bintulu) and CMS Clinker amongst others continued to fill up the local blood banks in Kuching and Bintulu.

### Health Awareness

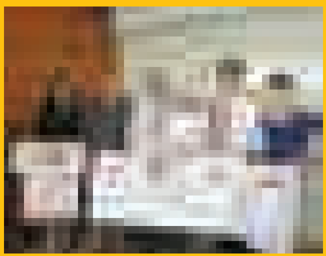
CMS Cement was serious in raising the bar on health awareness by organising quarterly runs for their staff, both in Kuching and Bintulu.

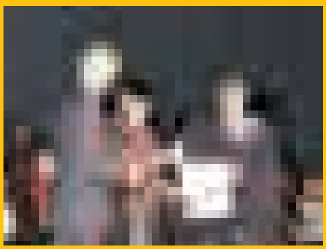
Annual events such as the World Heart Day's Walk-A-Mile Campaign and Malaysian Red Crescent Jog-a-thon events also attracted many participants from CMS group-wide.

The CMS Health Run held on 19 November 2011 saw 290 CMS employees and their families running, walking and jogging along the 6-km route which was flagged off at Tunku Putra School.



### Corporate Sponsorships & Donations





In total, CMS spent RM325,677 on sponsorships and donations during 2011 and these included:

- RM117,000 for the CMS Adopt-a-Mosque community programme benefiting 64 mosques and suraus across Sarawak;
- RM50,000 for the refurbishment and extension of Surau Darus Sakinah, Petra Jaya;
- RM38,888 towards Squash Racquets Association of Malaysia, Sarawak Branch for CMS Squash Star Search;
- RM20,000 for Kuching City South Chinese New Year celebrations for the community;
- RM15,000 donation to Malaysian Red Crescent's International Relief Fund;
- RM15,000 towards Warrior's Day celebrations in Kuching;
- RM25,000 towards Sarawak Regatta celebrations in Kuching;
- RM15,000 towards Baram Regatta celebrations in Marudi;
- RM2,000 towards Malaysian Red Crescent Society; and
- RM2,000 for Swinburne University (Sarawak Campus) Awards for Civil & Mechanical Engineering.

# GOVERNANCE

# Statement of Corporate Governance

Cahya Mata Sarawak's 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 emphasising 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 15 to 19 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 majority membership of the Group Audit Committee, Nomination and Remuneration Committee ("NRC") and ESOS Committee, the Independent Directors fulfill a self-regulating and key role in corporate accountability.

# Statement of Corporate Governance

**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, organisational 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. The guidelines set 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 (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965 ("Companies Act").

**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 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 ("COLA"), 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.

*Employees' Share Option Scheme ("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 three (3) months on either side.

Remuneration paid to the Directors of the Company during 2011, analysed into bands of RM50,000, is set out in Note 10 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 2011 are as follows:

| Remuneration Band (RM) | Number of Directors | |
|---|---|---|
| | Executive | Non-Executive |
| 50,001 – 100,000 | - | 3 |
| 100,001 – 150,000 | - | 1 |
| 200,001 – 250,000 | - | 1 |
| 700,001 – 750,000 | - | 1 |
| 750,001 – 800,000 | - | 1 |
| 1,600,001 – 1,650,000 | 1 | - |
| 2,600,001 - 2,650,000 | 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 | 3,243 | 1,370 | 4,613 |
| Defined contribution plans | 389 | 130 | 519 |
| Fees | - | 616 | 616 |
| Share option granted under ESOS | 644 | - | 644 |
| Estimated money value of benefits-in-kind | 196 | 75 | 271 |
| **Total** | **4,472** | **2,191** | **6,663** |

**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 2011, the Directors attended an in-house Directors' Retreat. 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 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.

# Statement of Corporate Governance

A summary of training, conferences, summits, briefings and seminars attended by the Directors in 2011 is as follows:

*Corporate Governance*
- Related Party Transactions: Ensuring Compliance of the Main Market Listing Requirements
- MICG Directors Duties & Governance 2011
- FIDE Program – Financial Institution Directors' Education by Bank Negara Malaysia
- Directors' Duties and Responsibilities – Talk by Mah Kamariyah & Philip Koh
- Scrutinising Financial Statement Fraud & Detection of Red Flags for Directors and Officers of PLCs and Government
- Regulatory Agencies
- Creating and Maintaining Boardroom Excellence

*Management*
- 30th Management Conference
- Senior Managers' Conference

*Financial*
- Economic Outlook and Implication on Financial and Banking Industries – Is Another Financial Crisis Imminent?
- Goods & Services Tax – Introduction, rationale, issues and the way forward
- Training on FRS by PricewaterhouseCoopers
- Competition Act 2010
- The Economic Recovery
- Investing in Bonds
- Implementation of Internal Capital Adequacy Assessment Process

## 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 2011 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, seven (7) Board meetings including three (3) Special meetings were held. Attendance of Directors at the Board meetings in 2011 is as follows:

| Name of Director | Attendance at Meetings (2011) |
|---|---|
| Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail<br>(Independent, Non-Executive) | 7 / 7 (100%) |
| Dato Sri Mahmud Abu Bekir Taib<br>(Non-Independent, Non-Executive) | 7 / 7 (100%) |
| Datuk Syed Ahmad Alwee Alsree<br>(Executive) | 7/ 7 (100%) |
| Dato' Richard Curtis<br>(Executive) | 7 / 7 (100%) |
| Dato Sri Liang Kim Bang<br>(Senior Independent, Non-Executive) | 7 / 7 (100%) |
| General (R) Tan Sri Mohd Zahidi Zainuddin<br>(Independent, Non-Executive) | 5 / 7 (71%) |
| Datuk Wan Ali Tuanku Yubi<br>(Independent, Non-Executive) | 6 / 7 (86%) |
| Datu Michael Ting<br>(Independent, Non-Executive) | 7 / 7 (100%) |
| Kevin How Kow<br>(Independent, Non-Executive) | 7 / 7 (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 staff, 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 2011, 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 2011 were:

- Approved the participation in a joint venture to develop a new township in Samalaju, Bintulu including the development of supporting light industries and service centres, construction and management of temporary workers' and executives' lodges in Samalaju Industrial Park, Bintulu.
- Approved the investment for the development of a manganese and ferro alloy smelting plant at Samalaju Industrial Park.
- Approved the commencement of a Bulk Terminals Project aimed to improve the cement distribution system and bulk import facilities across the State of Sarawak.
- Reviewed the cement operations' efficiencies.
- Approved and completed the acquisition of CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd.
- Approved the Directors' Code of Ethics for the Group.
- Reviewed and approved the revision of Group Limits of Authority and Procurement Policies & Procedures manuals.
- Detailed risk analysis and development of an integrated Business Continuity Plan (exercise continues in 2012).
- Overview of property development operations and The Isthmus development plan (continues in 2012).

## 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 | Nomination & Remuneration | 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) | | | ✔ | |
| 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) | ✔ | ✔ | | ✔ |
| Kevin How Kow (Independent, Non-Executive) | | ✔ (Chairman) | ✔ | |

The Company has four (4) principal Board Committees:

**(a) Nomination and Remuneration Committee ("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 the 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 (4) of the six (6) Directors on this Committee are Independent Non-Executive Directors. The members of the NRC together with their attendance at Committee meetings in 2011 are as follows:

| Name of Director | Attendance at Meetings (2011) |
|---|---|
| Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail<br>(Independent, Non-Executive)<br>- Chairman of NRC | 6 / 6 (100%) |
| Dato Sri Mahmud Abu Bekir Taib<br>(Non-Independent, Non-Executive) | 6 / 6 (100%) |
| Datuk Syed Ahmad Alwee Alsree<br>(Executive) | 4 / 6 (67%) |
| General (R) Tan Sri Mohd Zahidi Zainuddin<br>(Independent, Non-Executive) | 6 / 6 (100%) |
| Datuk Wan Ali Tuanku Yubi<br>(Independent, Non-Executive) | 4 / 6 (67%) |
| Datu Michael Ting<br>(Independent, Non-Executive) | 6 / 6 (100%) |

**(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 page 59 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 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 Committee meets at least once in every quarter. The members of the Group Risk Committee together with their attendance at Committee meetings in 2011 are as follows:

| Name of Director | Attendance at Meetings (2011) |
|---|---|
| Datuk Syed Ahmad Alwee Alsree<br>(Executive)<br>- Chairman of Group Risk Committee | 4 / 4 (100%) |
| Dato' Richard Curtis<br>(Executive) | 2 / 4 (50%) |
| Datuk Wan Ali Tuanku Yubi<br>(Independent, Non-Executive) | 2 / 4 (50%) |
| Kevin How Kow<br>(Independent, Non-Executive) | 4 / 4 (100%) |

**(d) ESOS Committee**

The ESOS Committee was established to administer the Company's ESOS which was implemented in 2010.

The ESOS Committee is comprised of six (6) Directors of whom four (4) are Independent Non-Executive Directors. The Committee meets 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 2011 are as follows:

| Name of Director | Attendance at Meetings (2011) |
|---|---|
| Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail<br>(Independent, Non-Executive)<br>- Chairman of ESOS Committee | 1 / 1 (100%) |
| Dato Sri Mahmud Abu Bekir Taib<br>(Non-Independent, Non-Executive) | 1 / 1 (100%) |
| Datuk Syed Ahmad Alwee Alsree<br>(Executive) | 1 / 1 (100%) |
| General (R) Tan Sri Mohd Zahidi Zainuddin<br>(Independent, Non-Executive) | 1 / 1 (100%) |
| Datuk Wan Ali Tuanku Yubi<br>(Independent, Non-Executive) | 0 / 1 (0%) |
| Datu Michael Ting<br>(Independent, Non-Executive) | 1 / 1 (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 5,300. 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 copy of the Annual Report and audited 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*

Dato' Richard Curtis
Group Managing Director
T +60 82 238 888 F +60 82 338 611
E shirlyac@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. 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.

# Statement of Corporate Governance

## 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 of 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 58 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 2011 amounted to RM15,000  (2010: RM44,200).

**This Statement is made in accordance with a resolution of the Board of Directors dated 3 April 2012.**

# 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.

# Statement on Internal Control

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 authorisation 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 the 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 3 April 2012.**

# 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 2011.

## Composition

The Group Audit Committee comprises the following Board members:

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

## 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.

## 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 Securities.

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.

# Group Audit Committee Report

## 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.

## 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, 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 verify the allocation of option pursuant to a share issuance scheme at the end of each financial year.

xi. 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.

xii. 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.

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

## 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 Securities.

## 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 each meeting, an agenda shall be sent to all members of the Committee. Minutes of each meeting shall be kept and distributed to each member of the Committee and the Board.

## Meetings In 2011

During the year ended 31 December 2011, the Committee held six meetings which were attended by the members as follows:

| Name of Director | Total Meetings Attended |
|---|---|
| Kevin How Kow | 6 / 6 (100%) |
| Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail | 6 / 6 (100%) |
| Datu Michael Ting Kuok Ngie | 6 / 6 (100%) |

The Committee held two meetings with the external auditors on 31 March 2011 and 24 November 2011 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 2011

The Committee carried out its duties in accordance with its term of reference during the financial year. The main activities undertaken by the Committee were as follows:

- 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 re-appointment of the external auditors of the Group and the audit fees;
- Reviewed the appraisal of the performance of the internal audit staff and the KPI of the Group Internal Auditor;
- Reviewed its term of reference and recommended to the Board for approval;
- Reviewed the results of the Audit Committee Self-Assessment checklist; and
- Verified the allocation of options pursuant to the Company's Employees' Share Option Scheme and the movement of options at the end of the financial year.

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

Paragraph 8.17(3) 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 2011 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 and independent assurance to the Committee of the adequacy of the systems of internal control within the Group. The purpose, authority and responsibility of the internal audit function are articulated in an Internal Audit Charter approved by the Audit Committee and the Board. 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 8 and the cost of maintaining the function in 2011 amounted to RM1,263,600 (2010: RM1,108,695).

**This Statement is made in accordance with a resolution of the Board of Directors dated 3 April 2012.**

# Additional Compliance Information

## Utilisation of Proceeds raised from Corporate Proposals

There were no proceeds raised by the Company from any corporate proposals during the financial year 2011.

## Share Buy-Backs

The Company did not seek any authorisation from the shareholders on any proposal for share buy-back during the financial year 2011.

## Options, Warrants or Convertible Securities

During the financial year ended 31 December 2011, a total of 35,000 options over ordinary shares were exercised pursuant to the Company's Employees' Share Option Scheme ("ESOS"). The Company did not issue any warrants or convertible securities during the financial year 2011.

## American Depository Receipt (ADR) / Global Depository Receipt (GDR)

The Company did not sponsor any ADR / GDR programme during the financial year 2011.

## Sanctions and / or Penalty

There were no sanctions or penalty imposed on the Company, its subsidiary companies, Directors or management by the relevant regulatory bodies during the financial year 2011.

## Non-Audit Fees

Non-audit fees of RM15,000 were paid to the external auditors for the financial year 2011.

## Variation in Results

There was no variance of 10% or more between the Audited Financial Statements 2011 and the unaudited financial results for the year ended 31 December 2011 as announced by the Company on 28 February 2012.

## Profit Guarantee

There was no profit guarantee given by the Company for the financial year 2011.

## Material Contracts

Save as disclosed below, there was no material contract involving Directors and major shareholders entered into during the financial year 2011 by the Company and/or its subsidiaries:

Share Sale Agreement dated 28 February 2011 between CMS Works Sdn Bhd, a wholly-owned subsidiary of the Company, and Putrajaya Perdana Berhad for the proposed acquisition of 1,000,000 ordinary shares representing 100% equity interest in CMS Roads Sdn Bhd and 5,000,000 ordinary shares representing 100% equity interest in CMS Pavement Tech Sdn Bhd for a total cash consideration of RM82,007,766 ("Proposed Acquisition"). The said proposed acquisition was completed on 6 May 2011.

## Revaluation Policy

There was no revaluation of properties of the Company during the financial year 2011.

## Recurrent Related Party Transactions of a Revenue Nature

At the 36th Annual General Meeting held on 26 May 2011, the Company obtained Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature.

Details of recurrent related party transactions conducted during the financial year 2011 pursuant to the Shareholders' Mandate are disclosed in Note 41 of the Audited Financial Statements 2011.

# 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 their results and cash flows for the financial year ended 31 December 2011.

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

The Directors consider that in preparing the financial statements for the year ended 31 December 2011 set out on pages 74 to 168, 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 and MMLR.

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

**This Statement is made in accordance with a resolution of the Board of Directors dated 3 April 2012.**

# FINANCIALS

# Financial Calendar

## 26 May 2011

Unaudited consolidated results for the 1st Quarter ended 31 March 2011 were announced.

## 26 May 2011

Cahya Mata Sarawak Berhad's 36th Annual General Meeting was held in Kuching.

## 22 July 2011

A first and final dividend of 5 sen per share less 25% taxation and a special dividend of 5 sen per share less 25% taxation for the year ended 31 December 2010 amounting to RM24,711,063 were paid to shareholders.

## 26 August 2011

Unaudited consolidated results for the 2nd Quarter ended 30 June 2011 were announced.

## 25 November 2011

Unaudited consolidated results for the 3rd Quarter ended 30 September 2011 were announced.

## 28 February 2012

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

### Unaudited Consolidated Results for 2011

| Profit Before Tax (RM) | 2011 | 2010 |
|---|---|---|
| Quarter ended 31 March | 43.10 million | 21.35 million |
| Quarter ended 30 June | 44.35 million | 16.62 million |
| Quarter ended 30 September | 52.74 million | 30.64 million |
| Quarter ended 31 December | 38.84 million | 50.19 million |

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 2011.

## 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, road maintenance, 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 attributable to: | | |
| - Owners of the Company | 120,021 | 143,853 |
| - Non-controlling interests | 24,461 | - |
| Profit net of tax | 144,482 | 143,853 |

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 as disclosed in the financial statements.

## Reserves

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

## Dividends

The amount of dividend paid by the Company since 31 December 2010 were as follows:

In respect of the financial year ended 31 December 2010 as reported in the directors' report of that year:

| | RM'000 |
|---|---|
| First and final dividend of 5% less 25% taxation, on 329,480,840 ordinary shares, declared on 26 May 2011 and paid on 22 July 2011 | 12,355 |
| Special dividend of 5% less 25% taxation, on 329,480,840 ordinary shares, declared on 26 May 2011 and paid on 22 July 2011 | 12,356 |
| | 24,711 |

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2011 of 15% less 25% taxation on 329,480,840 ordinary shares, amounting to a dividend payable of RM37,066,595 (11.25 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

# Directors' Report

## 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 |
| Datuk Syed Ahmad Alwee Alsree | Group Executive Director |
| Dato' Richard Alexander John Curtis | Group Managing Director |
| 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 | |

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-appointment 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, Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail and Datuk Wan Ali Tuanku Yubi 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 10 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 41 to the financial statements.

## 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 1.1.2011 and 31.12.2011** |
|---|---:|
| Direct interest: | |
| Dato Sri Mahmud Abu Bekir Taib | 29,400,085 |
| General (R) Tan Sri Dato' Seri Mohd Zahidi bin Zainuddin | 50,000 |
| | |
| Indirect interest*: | |
| Datuk Syed Ahmad Alwee Alsree | 45,630,102 |
| Datu Michael Ting Kuok Ngie @ Ting Kok Ngie | 19,000 |

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

| | **Number of options over ordinary shares of RM1 each At 1.1.2011 and 31.12.2011** |
|---|---:|
| Datuk Syed Ahmad Alwee Alsree | 1,000,000 |
| Dato' Richard Alexander John Curtis | 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.

## Issue of Shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM329,445,840 to RM329,480,840 by way of the issuance of 35,000 new ordinary shares of RM1 each issued to eligible employees of the Group under the Employees' Share Option Scheme at an exercise price of RM2.20 per ordinary share for cash.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

## 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 salient features and other terms of the ESOS are disclosed in Note 38 to the financial statements.

Pursuant to the Company's ESOS which came into effect on 23 June 2010, 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 38 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 1.1.2011 and 31.12.2011** |
|---|---|
| Syed Hizam bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff | 850,000 |
| Isaac Lugun | 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.

## Other Statutory Information (contd.)

(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.

## Subsequent Event

Details of a subsequent event are disclosed in Note 47 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 3 April 2012.

**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 74 to 167 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 2011 and of their financial performance and cash flows for the year then ended.

The supplementary 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 3 April 2012.

**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 74 to 167 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.

Subscribed and solemnly declared by the abovenamed **Syed Hizam bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff** at Kuching in the State of Sarawak on 3 April 2012.

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

Before me,

# 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 2011 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 74 to 167.*

*Directors' responsibility for the financial statements*

*The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.*

*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 of financial statements that give a true and fair view 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 2011 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.*

(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 168 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 VOON KAR***
*1769/04/14 (J/PH)*
*Chartered Accountant*

*Kuching, Malaysia*
*Date: 3 April 2012*

# Statements of Comprehensive Income
## For the financial year ended 31 December 2011

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| Revenue | 4 | **1,012,609** | 943,476 | **59,460** | 96,998 |
| Cost of sales | | **(753,243)** | (732,757) | **(9,865)** | (5,929) |
| **Gross profit** | | **259,366** | 210,719 | **49,595** | 91,069 |
| **Other items of income** | | | | | |
| Interest income | 5 | **1,637** | 2,791 | **-** | - |
| Other income | 6 | **20,759** | 12,963 | **167,253** | 6,900 |
| **Other items of expense** | | | | | |
| Administrative expenses | | **(56,894)** | (56,723) | **(29,568)** | (23,592) |
| Selling and marketing expenses | | **(7,432)** | (7,306) | **-** | - |
| Finance costs | 7 | **(19,946)** | (30,802) | **(12,824)** | (18,772) |
| Other expenses | | **(32,273)** | (17,301) | **(30,863)** | (36,545) |
| Share of results of associates | | **12,250** | 6,233 | **-** | - |
| Share of results of jointly controlled entities | | **1,248** | (1,778) | **-** | - |
| **Profit before tax** | 8 | **178,715** | 118,796 | **143,593** | 19,060 |
| Income tax expense | 11 | **(34,233)** | (29,096) | **260** | (3,584) |
| **Profit net of tax** | | **144,482** | 89,700 | **143,853** | 15,476 |
| **Other comprehensive income** | | | | | |
| Foreign currency translation, net of tax | | **156** | 56 | **-** | - |
| Share of other comprehensive income of associates, net of tax | | **356** | (1,285) | **-** | - |
| **Other comprehensive income for the year, net of tax** | | **512** | (1,229) | **-** | - |
| **Total comprehensive income for the year** | | **144,994** | 88,471 | **143,853** | 15,476 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | **120,021** | 65,781 | **143,853** | 15,476 |
| Non-controlling interests | | **24,461** | 23,919 | **-** | - |
| | | **144,482** | 89,700 | **143,853** | 15,476 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | **120,453** | 64,596 | **143,853** | 15,476 |
| Non-controlling interests | | **24,541** | 23,875 | **-** | - |
| | | **144,994** | 88,471 | **143,853** | 15,476 |
| **Earnings per share attributable to owners of the Company (sen per share):** | | | | | |
| Basic | 12 | **36.43** | 19.97 | | |
| Diluted | 12 | * | N/A | | |

* No diluted earnings per share is disclosed as the effect is anti-dilutive.

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

# Statements of Financial Position

## As at 31 December 2011

| | Note | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | **458,692** | 325,545 | **4,622** | 3,817 |
| Prepaid land lease payments | 14 | **18,507** | 19,235 | **11,416** | 11,842 |
| Land held for property development | 15(a) | **63,309** | 62,924 | **-** | - |
| Investment properties | 16 | **6,095** | 6,095 | **22,426** | 20,475 |
| Intangible assets | 17 | **2,288** | 3,352 | **901** | 1,311 |
| Goodwill | 18 | **61,709** | 61,709 | **-** | - |
| Investments in subsidiaries | 19 | **-** | - | **695,920** | 1,128,670 |
| Investments in associates | 20 | **291,840** | 278,152 | **32,302** | 32,302 |
| Investments in jointly controlled entities | 21 | **3,628** | 2,635 | **-** | - |
| Deferred tax assets | 22 | **10,810** | 16,700 | **110** | - |
| Other receivables | 24 | **-** | - | **3,156** | 3,730 |
| Investment securities | 27 | **300** | 300 | **-** | - |
| | | **917,178** | 776,647 | **770,853** | 1,202,147 |
| **Current assets** | | | | | |
| Property development costs | 15(b) | **134,830** | 130,152 | **-** | - |
| Inventories | 23 | **90,333** | 86,727 | **-** | - |
| Trade and other receivables | 24 | **192,641** | 206,961 | **54,364** | 84,285 |
| Other current assets | 25 | **12,786** | 39,849 | **-** | - |
| Investment securities | 27 | **88,709** | 87,904 | **88,709** | 87,904 |
| Tax recoverable | | **12,546** | 13,098 | **6,976** | 11,836 |
| Cash and bank balances | 28 | **650,272** | 773,484 | **625,542** | 753,990 |
| | | **1,182,117** | 1,338,175 | **775,591** | 938,015 |
| **TOTAL ASSETS** | | **2,099,295** | 2,114,822 | **1,546,444** | 2,140,162 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Income tax payable | | **5,977** | 6,717 | **-** | - |
| Loans and borrowings | 29 | **148,444** | 219,900 | **85,507** | 85,544 |
| Trade and other payables | 32 | **226,042** | 210,707 | **344,634** | 978,406 |
| Other current liabilities | 33 | **9,562** | 12,595 | **-** | - |
| | | **390,025** | 449,919 | **430,141** | 1,063,950 |
| **Net current assets/(liabilities)** | | **792,092** | 888,256 | **345,450** | (125,935) |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 22 | **31,819** | 21,937 | **-** | 276 |
| Loans and borrowings | 29 | **67,303** | 174,686 | **-** | 85,242 |
| Trade and other payables | 32 | **9,400** | - | **-** | - |
| | | **108,522** | 196,623 | **-** | 85,518 |
| **TOTAL LIABILITIES** | | **498,547** | 646,542 | **430,141** | 1,149,468 |
| **Net assets** | | **1,600,748** | 1,468,280 | **1,116,303** | 990,694 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 34 | **329,481** | 329,446 | **329,481** | 329,446 |
| Share premium | 35 | **427,590** | 427,516 | **427,587** | 427,513 |
| Other reserves | 36 | **36,655** | 25,157 | **191,234** | 184,876 |
| Retained earnings | 37 | **621,089** | 530,548 | **168,001** | 48,859 |
| | | **1,414,815** | 1,312,667 | **1,116,303** | 990,694 |
| **Non-controlling interests** | | **185,933** | 155,613 | **-** | - |
| **TOTAL EQUITY** | | **1,600,748** | 1,468,280 | **1,116,303** | 990,694 |
| **TOTAL EQUITY AND LIABILITIES** | | **2,099,295** | 2,114,822 | **1,546,444** | 2,140,162 |

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

# Statements of Changes In Equity
## For the financial year ended 31 December 2011

| | | | | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Non-distributable | | | Distributable | |
| Group | Note | Equity, total RM'000 | Equity attributable to owners of the Company RM'000 | Share capital (Note 34) RM'000 | Share premium (Note 35) RM'000 | Other reserves (Note 36) RM'000 | Retained earnings RM'000 | Non-controlling interests RM'000 |
| **Opening balance at 1 January 2011** | | 1,468,280 | 1,312,667 | 329,446 | 427,516 | 25,157 | 530,548 | 155,613 |
| Total comprehensive income | | 144,994 | 120,453 | - | - | 432 | 120,021 | 24,541 |
| **Transactions with owners** | | | | | | | | |
| Issue of shares in subsidiaries | | 25,052 | - | - | - | - | - | 25,052 |
| Grant of equity-settled share options to employees | | 6,390 | 6,390 | - | - | 6,390 | - | - |
| Exercise of employee share options | | 77 | 77 | 35 | 74 | (32) | - | - |
| Share of associate's reserves | | - | - | - | - | 4,769 | (4,769) | - |
| Premium paid on acquisition of non-controlling interests | | - | (61) | - | - | (61) | - | 61 |
| Dividends on ordinary shares | 46 | (24,711) | (24,711) | - | - | - | (24,711) | - |
| Dividends paid to non-controlling interests | | (19,334) | - | - | - | - | - | (19,334) |
| Total transactions with owners | | (12,526) | (18,305) | 35 | 74 | 11,066 | (29,480) | 5,779 |
| **Closing balance at 31 December 2011** | | 1,600,748 | 1,414,815 | 329,481 | 427,590 | 36,655 | 621,089 | 185,933 |

# Statements of Changes In Equity
## For the financial year ended 31 December 2011 (contd.)

| | | | | Attributable to owners of the Company | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Non-distributable | | | Distributable | |
| | Note | Equity, total | Equity attributable to owners of the Company | Share capital (Note 34) | Share premium (Note 35) | Other reserves (Note 36) | Retained earnings | Non-controlling interests |
| **Group (contd.)** | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **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** | | | | | | | | |
| Issue 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 non-controlling interests | | (22,925) | (22,925) | - | - | (22,925) | - | - |
| Acquisition of non-controlling interests | | (27,075) | - | - | - | - | - | (27,075) |
| Disposal of subsidiaries | | (3,043) | 763 | - | - | 763 | - | (3,806) |
| Dividends on ordinary shares | 46 | (12,354) | (12,354) | - | - | - | (12,354) | - |
| Dividends paid to non-controlling 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 |

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

# Statements of Changes In Equity
## For the financial year ended 31 December 2011 (contd.)

| | Note | Equity, total | Non-distributable Share capital (Note 34) | Non-distributable Share premium (Note 35) | Non-distributable Other reserves (Note 36) | Distributable Retained earnings (Note 37) |
|---|---|---|---|---|---|---|
| **Company** | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Opening balance at 1 January 2011** | | **990,694** | **329,446** | **427,513** | **184,876** | **48,859** |
| Total comprehensive income | | **143,853** | - | - | - | **143,853** |
| **Transactions with owners** | | | | | | |
| Grant of equity-settled share options to employees | | **6,390** | - | - | **6,390** | - |
| Exercise of employee share options | | **77** | **35** | **74** | **(32)** | - |
| Dividends on ordinary shares | 46 | **(24,711)** | - | - | - | **(24,711)** |
| Total transactions with owners | | **(18,244)** | **35** | **74** | **6,358** | **(24,711)** |
| **Closing balance at 31 December 2011** | | **1,116,303** | **329,481** | **427,587** | **191,234** | **168,001** |
| **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 | 46 | (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 |

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

| Group | Note | 2011 RM'000 | 2010 RM'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | **178,715** | 118,796 |
| | | | |
| Adjustments for: | | | |
| Amortisation of intangible assets | 8 | **1,111** | 3,242 |
| Amortisation of prepaid land lease payments | 8 | **726** | 380 |
| Amortisation of transaction costs | 7 | **265** | 265 |
| Allowance for obsolete inventories | 8 | **216** | - |
| Bad debts written off | 8 | **243** | - |
| Depreciation of property, plant and equipment | 8 | **32,960** | 28,127 |
| Gain on acquisition on subsidiaries | 6 | **(11,424)** | - |
| Gain on disposal of property, plant and equipment | 6 | **(398)** | (116) |
| Gain on disposal of subsidiaries | 6 | **-** | (2,561) |
| Gain on redemption of redeemable preference shares | 6 | **(722)** | (593) |
| Grant of equity-settled share options to employees | 9 | **6,390** | 4,243 |
| Gross dividend income | 4 | **(11,846)** | (390) |
| Impairment loss on trade and other receivables | 8 | **4,018** | 5,865 |
| Impairment loss on investment in associate | 8 | **722** | - |
| Intangible assets written off | 8 | **-** | 8,102 |
| Interest expense | 7 | **19,334** | 30,286 |
| Interest income | 4,5 | **(12,464)** | (18,846) |
| Loss on disposal of an associate | 8 | **-** | 353 |
| Loss on disposal of investment in a jointly controlled entity | 8 | **255** | - |
| Loss on disposal of property, plant and equipment | 8 | **7** | - |
| Net realised gain on disposal of investment securities | 6 | **(230)** | (118) |
| Net fair value changes in investment securities | 6 | **(1,552)** | (3,032) |
| Project under study written off | 8 | **25,193** | - |
| Property, plant and equipment written off | 8 | **366** | 493 |
| Reversal of provision for resettlement costs | 6 | **400** | - |
| Share of results of associates | | **(12,250)** | (6,233) |
| Share of results of jointly controlled entities | | **(1,248)** | 1,778 |
| Unrealised foreign exchange (gain)/loss | 8 | **(254)** | 123 |
| Write down of inventories | 8 | **-** | 1,243 |
| Total adjustments | | **39,818** | 52,611 |
| **Operating cash flows before changes in working capital** | | **218,533** | 171,407 |
| | | | |
| Changes in working capital | | | |
| (Increase)/decrease in property development costs | | **(4,678)** | 39,084 |
| Increase in land held for development | | **(385)** | (22,669) |
| Increase in inventories | | **(3,822)** | (1,230) |
| Decrease/(increase) in other current assets | | **12,094** | (5,423) |
| Decrease/(increase) in receivables | | **58,829** | (1,458) |
| (Decrease)/increase in payables | | **(4,616)** | 13,374 |
| Decrease in other current liabilities | | **(4,196)** | (54,370) |
| Total changes in working capital | | **53,226** | (32,692) |
| **Cash flows from operations** | | **271,759** | 138,715 |
| | | | |
| Interest received | | **12,464** | 18,846 |
| Interest paid | | **(19,878)** | (31,909) |
| Income taxes paid, net of refund | | **(23,981)** | (34,017) |
| **Net cash flows from operating activities** | | **240,364** | 91,635 |

# Statements of Cash Flows

## For the financial year ended 31 December 2011 (contd.)

| Group (contd.) | Note | 2011 RM'000 | 2010 RM'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | 13 | **(153,092)** | (21,825) |
| Proceeds from disposal of property, plant and equipment | | **645** | 381 |
| Payment of prepaid land lease payments | 14 | **-** | (11,500) |
| Proceeds from disposal of investment securities | | **160,770** | 76,650 |
| Additional costs incurred on intangible assets | 17 | **(47)** | (1,115) |
| Additional investments in associates | | **(11,867)** | (720) |
| Redemption of redeemable preference shares | | **4,002** | 3,439 |
| Dividends received from associates | | **6,783** | 9,171 |
| Dividends received from investments | | **11,797** | 333 |
| Purchase of investment securities | | **(159,650)** | (58,578) |
| Distribution of profit from jointly controlled entities | | **-** | 1,650 |
| Net cash inflow from disposal of subsidiaries | 19(d) | **-** | 745 |
| Net cash inflow from disposal of an associate | | **-** | 464,265 |
| Net cash outflow arising from acquisition of subsidiaries | 19(b)(i) | **(25,441)** | - |
| Acquisition of additional interest in existing subsidiaries | | **-** | (50,000) |
| Proceeds from issuance of shares to non-controlling interests | | **25,052** | 281 |
| **Net cash flows (used in)/from investing activities** | | **(141,048)** | 413,177 |
| | | | |
| **Financing activities** | | | |
| Drawdown of borrowings | | **119,283** | 121,035 |
| Repayment of borrowings | | **(212,790)** | (179,057) |
| Repayment of CMS Income Securities | 30 | **(85,000)** | (80,000) |
| Proceeds from exercise of employee share options | | **77** | - |
| Dividends paid to owners of the Company | 46 | **(24,711)** | (12,354) |
| Dividends paid to non-controlling interests | | **(19,334)** | (18,893) |
| **Net cash flows used in financing activities** | | **(222,475)** | (169,269) |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(123,159)** | 335,543 |
| **Cash and cash equivalents at 1 January** | | **773,431** | 437,888 |
| **Cash and cash equivalents at 31 December** | 28 | **650,272** | 773,431 |

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

# Statements of Cash Flows

## For the financial year ended 31 December 2011

| Company | Note | 2011<br>RM'000 | 2010<br>RM'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | **143,593** | 19,060 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 8 | **457** | 448 |
| Amortisation of prepaid land lease payments | 8 | **426** | 79 |
| Amortisation of transaction costs | 7 | **265** | 265 |
| Depreciation of property, plant and equipment | 8 | **972** | 858 |
| Distribution of surplus cash by a subsidiary on liquidation | 6 | **(160,148)** | - |
| Fair value adjustments on investment properties | 8 | **1,464** | - |
| Gain on disposal of property, plant and equipment | 6 | **(1)** | (4) |
| Gross dividend income | 4 | **(46,344)** | (79,729) |
| Impairment loss on advances to subsidiaries | 8 | **30,807** | 5,668 |
| Impairment loss on investment in a subsidiary | 8 | **-** | 30,877 |
| Interest expense | 7 | **22,242** | 24,226 |
| Interest income | 4 | **(12,516)** | (16,669) |
| Net fair value changes in investment securities | 6 | **(1,552)** | (3,032) |
| Net realised gain on disposal of investment securities | 6 | **(230)** | (118) |
| Property, plant and equipment written off | 8 | **-** | 2 |
| Grant of equity-settled share options to employees | 9 | **2,061** | 1,362 |
| Total adjustments | | **(162,097)** | (35,767) |
| **Operating cash flows before changes in working capital** | | **(18,504)** | (16,707) |
| Changes in working capital | | | |
| Increase in receivables | | **(475)** | (36,581) |
| (Decrease)/increase in payables | | **(633,753)** | 520,911 |
| Total changes in working capital | | **(634,228)** | 484,330 |
| **Cash flows (used in)/from operations** | | **(652,732)** | 467,623 |
| Interest received | | **12,516** | 16,669 |
| Interest paid | | **(22,786)** | (25,850) |
| Tax refunded | | **8,983** | 827 |
| **Net cash flows (used in)/from operating activities** | | **(654,019)** | 459,269 |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | 13 | **(1,953)** | (1,178) |
| Proceeds from disposal of property, plant and equipment | | **177** | 51 |
| Acquisition of prepaid land leases | 14 | **-** | (11,500) |
| Purchase of investment securities | | **(159,650)** | (58,278) |
| Proceeds from disposal of investment securities | | **160,771** | 76,650 |
| Proceeds from distribution of surplus cash by a subsidiary on liquidation | | **605,648** | - |
| Additional costs incurred on intangible assets | 17 | **(47)** | - |
| Additional costs incurred on investment properties | 16 | **(3,415)** | (3) |
| Dividends received | | **42,095** | 66,476 |
| Acquisition of additional interest in existing subsidiaries | | **(12,750)** | (92,750) |
| **Net cash flows from/(used in) investing activities** | | **630,876** | (20,532) |
| **Financing activities** | | | |
| Repayment of CMS Income Securities | 30 | **(85,000)** | (80,000) |
| Dividends paid on ordinary shares | 46 | **(24,711)** | (12,354) |
| Proceeds from subsidiaries for allocation of share options to their employees | | **4,329** | 2,881 |
| Proceeds from exercise of employee share options | | **77** | - |
| **Net cash flows used in financing activities** | | **(105,305)** | (89,473) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(128,448)** | 349,264 |
| **Cash and cash equivalents at 1 January** | | **753,990** | 404,726 |
| **Cash and cash equivalents at 31 December** | 28 | **625,542** | 753,990 |

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

## 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 2011 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 of the Group and of the Company 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 2011, 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 2011.

- Amendments to FRS 132: Classification of Rights Issues
- 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
- 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

## 2. Summary of significant accounting policies (contd.)

### 2.2 Changes in accounting policies (contd.)

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

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

The adoption of the two revised standards affects the way in which the Group accounts for business combinations and the preparation of its consolidated financial statements. Under the revised FRS 3, all acquisition-related costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred. All considerations transferred, including contingent considerations, are measured at fair value as at the acquisition date. Any equity interests held prior to the date control is obtained is remeasured at fair value, with the resulting gains or losses recognised in the statement of comprehensive income. There is now an option on a case to case basis to measure non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the net identifiable assets of the assets acquired.

Goodwill arising from the business combination is measured as the difference between the aggregate fair value of consideration transferred, any non-controlling interests in the acquiree and the fair value at acquisition date of any previously-held equity interest in the acquiree, and the fair value of identifiable assets acquired and liabilities assumed (including contingent liabilities) at acquisition date.

The revised FRS 127 requires that changes in ownership interest which do not result in a loss of control be accounted for as equity transactions, instead of in the statement of comprehensive income. Where changes in ownership interest results in loss of control, any remaining interest in the entity is remeasured at fair value and any resulting gains or losses is recognised in the statement of comprehensive income. Total comprehensive income will be proportionately allocated to non-controlling interests, even if it results in the non-controlling interests being in a deficit position.

The revised FRS 3 and FRS 127 apply prospectively to acquisitions occurring on or after 1 January 2011. For the acquisitions of Samalaju Property Development Sdn. Bhd. on 1 January 2011 as well as CMS Roads Sdn. Bhd. and CMS Pavement Tech Sdn. Bhd. on 28 February 2011, the Group has chosen to measure the non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Amendments to FRS 7: Improving Disclosures about Financial Instruments

The amended standard requires enhanced disclosure about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy (Level 1, Level 2 and Level 3), by class, for all financial instruments recognised at fair value. A reconciliation between the beginning and ending balance for Level 3 fair value measurements is required. Any significant transfers between levels of the fair value hierarchy and the reasons for those transfers need to be disclosed. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 42. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 43(b).

## 2. Summary of significant accounting policies (contd.)

### 2.3 Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be preparing financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2012. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has established a project team to plan and manage the adoption of the MFRS Framework.

The Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the year ended 31 December 2011 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

### 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 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 acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

## 2. Summary of significant accounting policies (contd.)

### 2.4 Basis of consolidation (contd.)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statements of financial position. The accounting policy for goodwill is set out in Note 2.11(a). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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.

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 non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the Group's statement of comprehensive income and within equity in the Group's statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### 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.

## 2. Summary of significant accounting policies (contd.)

### 2.6 Foreign currency (contd.)

#### (b) Foreign currency transactions (contd.)

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.

### 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.

## 2. Summary of significant accounting policies (contd.)

### 2.7 Property, plant and equipment (contd.)

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 have unlimited useful lives and therefore are not amortised. Leasehold land are amortised over their lease terms. 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 property, 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.

### 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.

## 2. Summary of significant accounting policies (contd.)

### 2.9 Land held for property development and property development costs (contd.)

#### (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.

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. Summary of significant accounting policies (contd.)

### 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.

## 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.

## 2. Summary of significant accounting policies (contd.)

### 2.13 Associates (contd.)

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.

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 associates 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.

## 2. Summary of significant accounting policies (contd.)

### 2.15 Impairment of non-financial assets (contd.)

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.

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 and consumables: costs of purchases on a first-in first-out method or 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 reliably estimated, 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 are likely to 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. Summary of significant accounting policies (contd.)

### 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.

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, loans and receivables and available-for-sale financial assets.

**(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.

## 2. Summary of significant accounting policies (contd.)

### 2.18 Financial assets (contd.)

#### (c) Available-for-sale financial assets (contd.)

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.

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.

## 2. Summary of significant accounting policies (contd.)

### 2.19 Impairment of financial assets (contd.)

**(b) Unquoted equity securities carried at cost classified as available-for-sale financial assets**

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.

### 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.

## 2. Summary of significant accounting policies (contd.)

### 2.21 Financial liabilities (contd.)

**Other financial liabilities (contd.)**

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.

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. Summary of significant accounting policies (contd.)

### 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 disposals 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.

**(a) Sale of goods**

Revenue from sale of goods is recognised net of discounts 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.

## 2. Summary of significant accounting policies (contd.)

### 2.26 Revenue (contd.)

**(e) Road maintenance contracts**

For road maintenance contracts, revenue for routine maintenance fees are based on fixed rate and is recognised upon performance of work in accordance to the terms as stipulated in the road maintenance agreements. Revenue from work orders fees outside the scope of the road maintenance agreements are based on 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) Supervision and management fees**

Supervision and management fees are recognised when services are rendered.

**(j) Camp management and food catering fees**

Camp management and food catering fees are recognised progressively in accordance with the terms of the agreements.

### 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.

**(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.

## 2. Summary of significant accounting policies (contd.)

### 2.27 Income taxes (contd.)

#### (b) Deferred tax (contd.)

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. Summary of significant accounting policies (contd.)

### 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.

#### (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 45, 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 judgements and 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.

### 3.1 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

**Classification between investment properties and property, plant and equipment**

The Group has develop certain criteria based on FRS 140 in making its judgement on whether a property qualifies as an investment property. An investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

### 3.2 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) Useful lives of property, plant and equipment**

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 50 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 13. A 10% difference in the expected useful lives of the property, plant and equipment from management's estimates would result in approximately 3.22% (2010: 2.28%) and 0.27% (2010: 1.67%) variance in the Group's and the Company's profit for the year.

**(b) 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.

## 3. Significant accounting judgements and estimates (contd.)

### 3.2 Key sources of estimation uncertainty (contd.)

#### (c) 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 24. If the present value of estimated future cash flows varies by 10% from management's estimates, the Group's allowance for impairment will increase by RM1,027,189 (2010: RM3,582,663).

#### (d) 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. A 10% difference in the estimated total property development revenue or costs would result in approximately 1.01% (2010: 1.62%) variance in the Group's revenue and 1.29% (2010: 2.12%) variance in the Group's cost of sales.

#### (e) 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 26. A 10% difference in the estimated total contract revenue or costs would results in approximately 0.58% (2010: 0.66%) variance in the Group's revenue and 0.72% (2010: 0.54%) variance in the Group's cost of sales.

#### (f) 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.

## 3. Significant accounting judgements and estimates (contd.)

### 3.2 Key sources of estimation uncertainty (contd.)

#### (f) 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 2011 was RM10,810,000 (2010: RM16,700,000) and the recognised unabsorbed capital allowances, unutilised tax losses, reinvestment and infrastructure allowances and provisions of the Group was RM33,973,000 (2010: RM43,398,000) and the unrecognised tax losses, capital allowances and provisions of the Group was RM103,271,000 (2010: RM118,579,000). If the taxable profits of the Group differ by 10% due to the change in estimates of the Group's future results from operating activities, the Group's deferred tax assets and recognised unabsorbed capital allowances and utilised reinvestment and infrastructure allowances will vary by RM354,337 and RM1,417,347, respectively.

#### (g) Employee 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 38.

#### (h) Impairment of investment in subsidiaries and interest in associates

The Group assesses whether there is any indication that an investment in subsidiaries and interest in associates may be impaired at each reporting date.

If indicators are present, these assets are subject to impairment review. The impairment review comprises a comparison of the carrying amount of the investment and the investment's estimated recoverable amount.

Judgements made by management in the process of applying the Group's accounting policies in respect of investment in subsidiaries and interest in associates are as follows:

(i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes and fundamentals.

## 3. Significant accounting judgements and estimates (contd.)

### 3.2 Key sources of estimation uncertainty (contd.)

**(h) Impairment of investment in subsidiaries and interest in associates (contd.)**

(ii) Depending on their nature and the industries in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted cash flow, realisable net asset value and sector average price-earning ratio methods.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks, and expected future outcome of certain past events.

Management believes that no reasonably expected possible change in the key assumptions described above would cause the carrying amounts of the investments to materially exceed their recoverable amount.

## 4. Revenue

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Sales of goods | **596,286** | 584,266 | **-** | - |
| Contract revenue | **186,035** | 76,137 | **-** | - |
| Property development | **102,596** | 163,423 | **-** | - |
| Trading and services | **93,145** | 98,217 | **-** | - |
| Financial services | **1,892** | 3,870 | **-** | - |
| Interest income from short term deposits and investment securities | **10,827** | 16,055 | **10,827** | 16,055 |
| Rental income | **9,982** | 1,118 | **600** | 600 |
| Dividend income from investment securities | **676** | 390 | **676** | 390 |
| Dividend income from wholesale fund | **11,170** | - | **11,170** | - |
| Dividend income from subsidiaries | **-** | - | **25,454** | 74,333 |
| Dividend income from associates | **-** | - | **9,044** | 5,006 |
| Interest income from subsidiaries | **-** | - | **1,689** | 614 |
| | **1,012,609** | 943,476 | **59,460** | 96,998 |

## 5. Interest income

| | Group | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| Interest income from: | | |
| - Loans and receivables | **543** | 809 |
| - Short term deposits | **501** | 107 |
| - Unwinding of discount (Note 24) | **593** | 1,875 |
| | **1,637** | 2,791 |

## 6. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Consultancy fees | **198** | 365 | **-** | - |
| Deferred income | **-** | 1,398 | **-** | - |
| Fee income | **-** | - | **4,807** | 3,700 |
| Gain on disposal of property, plant and equipment | **398** | 116 | **1** | 4 |
| Gain on redemption of redeemable preference shares | **722** | 593 | **-** | - |
| Gain on acquisition of subsidiaries (Note 19(b)(i)) | **11,424** | - | **-** | - |
| Gain on disposal of subsidiaries (Note 19(d)) | **-** | 2,561 | **-** | - |
| Insurance settlement | **1,902** | - | **77** | - |
| Miscellaneous | **2,678** | 1,592 | **438** | 46 |
| Net realised gain on disposal of investment securities | **230** | 118 | **230** | 118 |
| Net fair value changes in investment securities | | | | |
| - Fair value through profit or loss | **1,552** | 3,032 | **1,552** | 3,032 |
| Reversal of allowance for impairment of trade and other receivables | **760** | 2,665 | **-** | - |
| Reversal of provision of resettlement costs | **400** | - | **-** | - |
| Supervision fees | **495** | 523 | **-** | - |
| Distribution of surplus cash by a subsidiary on liquidation (Note 19(iii)) | **-** | - | **160,148** | - |
| | **20,759** | 12,963 | **167,253** | 6,900 |

## 7. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest expense on: | | | | |
| - Bank loans and bank overdraft | **6,941** | 11,613 | **4** | 2 |
| - Central cash management accounts | **-** | - | **9,782** | 5,847 |
| - Hire-purchase and finance lease liabilities | **27** | 65 | **-** | - |
| - CMS Income Securities (Note 30) | **12,456** | 18,377 | **12,456** | 18,377 |
| - Unwinding of discount | **237** | 491 | **-** | - |
| | **19,661** | 30,546 | **22,242** | 24,226 |
| Less: Interest expense capitalised in property, plant and equipment (Note 13) | **(327)** | (260) | **-** | - |
| | **19,334** | 30,286 | **22,242** | 24,226 |
| Add: Other charges | | | | |
| Bank charges and commitment fee | **244** | 120 | **79** | 80 |
| Facility fee | **103** | 131 | **103** | 131 |
| Amortisation of transaction costs | **265** | 265 | **265** | 265 |
| | **612** | 516 | **447** | 476 |
| | **19,946** | 30,802 | **22,689** | 24,702 |
| Less: Amounts charged to cost of sales | | | | |
| Interest expense | **-** | - | **(9,786)** | (5,850) |
| Commitment fee | **-** | - | **(79)** | (80) |
| | **-** | - | **(9,865)** | (5,930) |
| | **19,946** | 30,802 | **12,824** | 18,772 |

## 8. Profit before tax

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Advisory fees paid to a director | **45** | 80 | **-** | - |
| Amortisation of intangible assets (Note 17) | **1,111** | 3,242 | **457** | 448 |
| Amortisation of prepaid land lease payments (Note 14) | **726** | 380 | **426** | 79 |
| Impairment loss on investment in an associate | **722** | - | **-** | - |
| Allowance for obsolete inventories | **216** | - | **-** | - |
| Auditors' remuneration: | **465** | 456 | **98** | 98 |
| Statutory audit | | | | |
| - current year | **420** | 379 | **75** | 55 |
| - under provision in previous years | **30** | 35 | **11** | 5 |
| Other services | **15** | 42 | **12** | 38 |
| Bad debts written off | **243** | - | **-** | - |
| Depreciation on property, plant and equipment (Note 13) | **32,960** | 28,127 | **972** | 858 |
| Employee benefits expense (Note 9) | **92,150** | 70,078 | **18,652** | 14,725 |
| Fair value adjustments on investment properties (Note 16) | **-** | - | **1,464** | - |
| Unrealised foreign exchange (gain)/loss | **(254)** | 123 | **-** | - |
| Impairment loss on financial assets: | | | | |
| - trade and other receivables | **4,018** | 5,865 | **-** | - |
| - advances to subsidiaries | **-** | - | **30,807** | 5,668 |
| - investment in a subsidiary | **-** | - | **-** | 30,877 |
| Intangible assets written off (Note 17) | **-** | 8,102 | **-** | - |
| Loss on disposal of property, plant and equipment | **7** | - | **-** | - |
| Loss on disposal of investment | **255** | - | **-** | - |
| Loss on disposal of an associate | **-** | 353 | **-** | - |
| Non-executive directors' remuneration (Note 10) | **2,116** | 1,996 | **1,802** | 1,811 |
| Operating leases: | **20,673** | 7,374 | **1,232** | 1,221 |
| - minimum lease payments on land and buildings | **3,791** | 3,984 | **1,232** | 1,221 |
| - minimum lease payments on wharf | **1,622** | 1,525 | **-** | - |
| - minimum lease payments on motor vehicles | **372** | - | **-** | - |
| - minimum lease payments on plant and equipment | **14,888** | 1,865 | **-** | - |
| Project under study written off | **25,193** | - | **-** | - |
| Property, plant and equipment written off | **366** | 493 | **-** | 2 |
| Write down of inventories | **-** | 1,243 | **-** | - |

## 9. Employee benefits expense

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Salaries, allowances and bonuses | **76,688** | 59,217 | **14,807** | 11,873 |
| Contributions to defined contribution plan | **8,389** | 6,330 | **1,712** | 1,436 |
| Social security contributions | **667** | 496 | **60** | 54 |
| Share options granted under ESOS | **6,390** | 4,243 | **2,061** | 1,362 |
| Termination benefits | **16** | 821 | **12** | - |
| | **92,150** | 71,107 | **18,652** | 14,725 |
| Less: Amount capitalised in project under study (Note 25) | **-** | (1,029) | **-** | - |
| Total employee benefits expense (Note 8) | **92,150** | 70,078 | **18,652** | 14,725 |

Included in employee benefits expense of the Group and of the Company (including amounts capitalised) are executive directors' remuneration amounting to RM4,276,000 (2010: RM3,241,000) as further disclosed in Note 10.

## 10. Directors' remuneration

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

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| **Executive:** | | | | |
| Salaries and other emoluments | **3,243** | 2,528 | **3,243** | 2,528 |
| Defined contribution plans | **389** | 303 | **389** | 303 |
| Share option granted under ESOS | **644** | 410 | **644** | 410 |
| Total executive directors' remuneration (excluding benefits-in-kind) (Note 9) | **4,276** | 3,241 | **4,276** | 3,241 |
| Estimated money value of benefits-in-kind | **196** | 190 | **196** | 190 |
| Total executive directors' remuneration (including benefits-in-kind) | **4,472** | 3,431 | **4,472** | 3,431 |
| **Non-executive:** | | | | |
| Fees | **616** | 522 | **432** | 432 |
| Other emoluments | **1,370** | 1,344 | **1,240** | 1,249 |
| Defined contribution plans | **130** | 130 | **130** | 130 |
| Total non-executive directors' remuneration (excluding benefits-in-kind) (Note 8) | **2,116** | 1,996 | **1,802** | 1,811 |
| Estimated money value of benefits-in-kind | **75** | 84 | **75** | 69 |
| Total non-executives directors' remuneration (including benefits-in-kind) | **2,191** | 2,080 | **1,877** | 1,880 |
| Total directors' remuneration | **6,663** | 5,511 | **6,349** | 5,311 |

## 10. Directors' remuneration (contd.)

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 | |
|---|---|---|
| | **2011** | 2010 |
| **Executive Directors:** | | |
| RM1,250,001 to RM1,300,000 | **-** | 1 |
| RM1,500,001 to RM1,550,000 | **-** | 1 |
| RM1,600,001 to RM1,650,000 | **1** | - |
| RM2,600,001 to RM2,650,000 | **1** | - |
| | | |
| **Non-executive Directors:** | | |
| RM50,001 to RM100,000 | **3** | 3 |
| RM100,001 to RM150,000 | **1** | 2 |
| RM200,001 to RM250,000 | **1** | - |
| RM650,001 to RM700,000 | **-** | 1 |
| RM700,001 to RM750,000 | **1** | - |
| RM750,001 to RM800,000 | **1** | 1 |

## 11. Income tax expense

The major components of income tax expense for the years ended 31 December 2011 and 2010 are:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Statements of comprehensive income:** | | | | |
| Current income tax: | | | | |
| - Malaysian income tax | **32,450** | 34,966 | **730** | 10,400 |
| - Over provision in respect of previous years | **(12,123)** | (8,860) | **(604)** | (6,673) |
| | **20,327** | 26,106 | **126** | 3,727 |
| Deferred income tax (Note 22): | | | | |
| - Origination and reversal of temporary differences | **8,775** | 2,606 | **(361)** | (24) |
| - Under/(over) provision in respect of previous years | **5,131** | 384 | **(25)** | (119) |
| | **13,906** | 2,990 | **(386)** | (143) |
| Income tax expense recognised in profit or loss | **34,233** | 29,096 | **(260)** | 3,584 |

## 11. Income tax expense (contd.)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2011 and 2010 are as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Accounting profit before tax | **178,715** | 118,796 |
| Taxation at Malaysian statutory tax rate of 25% (2010: 25%) | **44,679** | 29,699 |
| Adjustments: | | |
| Share of results of associates | **(3,062)** | (1,558) |
| Share of results of jointly controlled entities | **(312)** | 445 |
| Group tax relief transferred from a subsidiary | **(405)** | (396) |
| Non-deductible expenses | **17,142** | 8,430 |
| Income not subject to tax | **(7,975)** | (1,677) |
| Benefits from previously unrecognised tax losses and unabsorbed capital allowances | **(1,967)** | (933) |
| Benefits from utilisation of reinvestment allowances | **(8,082)** | - |
| Deferred tax assets not recognised | **1,207** | 3,562 |
| Over provision of income tax in respect of previous years | **(12,123)** | (8,860) |
| Under provision of deferred tax in respect of previous years | **5,131** | 384 |
| Income tax expense recognised in profit or loss | **34,233** | 29,096 |

| | Company | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Accounting profit before tax | **143,593** | 19,060 |
| Taxation at Malaysian statutory tax rate of 25% (2010: 25%) | **35,898** | 4,765 |
| Adjustments: | | |
| Group tax relief transferred from a subsidiary | **(405)** | (396) |
| Non-deductible expenses | **12,756** | 13,475 |
| Income not subject to tax | **(47,880)** | (7,468) |
| Over provision of income tax in respect of previous years | **(604)** | (6,673) |
| Over provision of deferred tax in respect of previous years | **(25)** | (119) |
| Income tax expense recognised in profit or loss | **(260)** | 3,584 |

Income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

Tax savings during the financial year arising from:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | **RM'000** | **RM'000** |
| Utilisation of current tax losses | **-** | 30 |
| Utilisation of previously unrecognised tax losses | **1,932** | 898 |
| Utilisation of previously unrecognised capital allowances | **16** | - |

## 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 Company by the weighted average number of ordinary shares outstanding during the financial year.

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| Profit net of tax attributable to owners of the Company (RM'000) | **120,021** | 65,781 |
| Weighted average number of ordinary shares in issue ('000) | **329,469** | 329,446 |
| Basic earnings per share (sen) | **36.43** | 19.97 |

### (b) Diluted earnings per share

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

For the current financial year ended 31 December 2011, the diluted earnings per share is the same as basic earnings per share as the effect of dilutive potential ordinary shares is anti-dilutive.

## 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 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) |
| Exchange differences | - | - | (31) | (31) |
| **At 31 December 2010 and 1 January 2011** | **174,160** | **562,608** | **64,292** | **801,060** |
| Additions | **61,736** | **80,696** | **10,660** | **153,092** |
| Disposals | **-** | **(100)** | **(1,309)** | **(1,409)** |
| Written off | **-** | **(1)** | **(995)** | **(996)** |
| Reclassifications | **11** | **(85)** | **74** | **-** |
| Transferred from prepaid land lease payments (Note 14) | **20** | **-** | **-** | **20** |
| Arising from acquisition of subsidiaries | **3,540** | **13,949** | **13,559** | **31,048** |
| Exchange differences | **-** | **-** | **(27)** | **(27)** |
| **At 31 December 2011** | **239,467** | **657,067** | **86,254** | **982,788** |

## 13. Property, plant and equipment (contd.)

| Group (contd.) | *Land and buildings RM'000 | Plant and machinery RM'000 | Office equipment and motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Accumulated depreciation:** | | | | |
| **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 8) | 4,151 | 19,360 | 4,616 | 28,127 |
| Capitalised in construction costs (Note 26) | - | 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 and 1 January 2011** | **56,316** | **367,008** | **52,191** | **475,515** |
| Depreciation charge for the year: | **5,742** | **21,603** | **5,943** | **33,288** |
| Recognised in profit or loss (Note 8) | **5,742** | **21,429** | **5,789** | **32,960** |
| Capitalised in construction costs (Note 26) | **-** | **174** | **154** | **328** |
| Disposals | **-** | **(34)** | **(1,121)** | **(1,155)** |
| Written off | **-** | **-** | **(630)** | **(630)** |
| Arising from acquisition of subsidiaries | **88** | **8,064** | **8,907** | **17,059** |
| Transferred from prepaid land lease payments (Note 14) | **18** | **-** | **-** | **18** |
| Exchange differences | **-** | **-** | **1** | **1** |
| **At 31 December 2011** | **62,164** | **396,641** | **65,291** | **524,096** |
| **Net carrying amount:** | | | | |
| At 31 December 2010 | 117,844 | 195,600 | 12,101 | 325,545 |
| **At 31 December 2011** | **177,303** | **260,426** | **20,963** | **458,692** |

## 13. Property, plant and equipment (contd.)

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

| Cost: | Freehold land RM'000 | Buildings, jetty, roads and drainage RM'000 | Leasehold land RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 1 January 2010** | 416 | 134,374 | 35,502 | 170,292 |
| Additions | - | 3,851 | 56 | 3,907 |
| Written off | - | (39) | - | (39) |
| **At 31 December 2010 and 1 January 2011** | **416** | **138,186** | **35,558** | **174,160** |
| Additions | **-** | **61,736** | **-** | **61,736** |
| Reclassification | **-** | **11** | **-** | **11** |
| Transferred from prepaid land lease payments (Note 14) | **-** | **-** | **20** | **20** |
| Arising from acquisition of subsidiaries | **-** | **3,540** | **-** | **3,540** |
| **At 31 December 2011** | **416** | **203,473** | **35,578** | **239,467** |
| **Accumulated depreciation:** | | | | |
| **At 1 January 2010** | - | 46,084 | 6,117 | 52,201 |
| Depreciation charge for the year | - | 3,525 | 626 | 4,151 |
| Written off | - | (36) | - | (36) |
| **At 31 December 2010 and 1 January 2011** | **-** | **49,573** | **6,743** | **56,316** |
| Depreciation charge for the year | **-** | **5,114** | **628** | **5,742** |
| Transferred from prepaid land lease payments (Note 14) | **-** | **-** | **18** | **18** |
| Arising from acquisition of subsidiaries | **-** | **88** | **-** | **88** |
| **At 31 December 2011** | **-** | **54,775** | **7,389** | **62,164** |
| **Net carrying amount:** | | | | |
| At 31 December 2010 | 416 | 88,613 | 28,815 | 117,844 |
| **At 31 December 2011** | **416** | **148,698** | **28,189** | **177,303** |

## 13. Property, plant and equipment (contd.)

| Company | Motor vehicles RM'000 | Office equipment RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost:** | | | |
| **At 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 and 1 January 2011** | **5,960** | **6,370** | **12,330** |
| Additions | **1,629** | **324** | **1,953** |
| Disposals | **(953)** | **(6)** | **(959)** |
| Written off | **(1)** | **-** | **(1)** |
| **At 31 December 2011** | **6,635** | **6,688** | **13,323** |
| **Accumulated depreciation:** | | | |
| **At 1 January 2010** | 3,295 | 4,745 | 8,040 |
| Depreciation charge for the year (Note 8) | 398 | 460 | 858 |
| Disposals | (382) | - | (382) |
| Written off | - | (3) | (3) |
| **At 31 December 2010 and 1 January 2011** | **3,311** | **5,202** | **8,513** |
| Depreciation charge for the year (Note 8) | **482** | **490** | **972** |
| Disposals | **(777)** | **(6)** | **(783)** |
| Written off | **(1)** | **-** | **(1)** |
| **At 31 December 2011** | **3,015** | **5,686** | **8,701** |
| **Net carrying amount:** | | | |
| At 31 December 2010 | 2,649 | 1,168 | 3,817 |
| **At 31 December 2011** | **3,620** | **1,002** | **4,622** |

## 13. Property, plant and equipment (contd.)

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 RM41,432,179 (2010: RM13,452,344) which relate to expenditure for plants 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 RM327,055 (2010: RM260,200) as disclosed in Note 7.

**Assets held under finance leases**

The carrying amount of plant and equipment held under finance leases at the reporting date was RM91,437 (2010: RM745,707).

Details of the finance leases are disclosed in Note 29.

**Fully depreciated assets**

The gross carrying amounts of fully depreciated property, plant and equipment that are still in use at the reporting date were RM115,047,424 (2010: RM99,879,111) and RM3,843,079 (2010: RM3,605,989) for the Group and Company, respectively.

## 14. Prepaid land lease payments

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| **At 1 January** | | | | |
| As previously stated | **23,578** | 47,580 | **11,925** | 425 |
| Effects of adopting the amendments of FRS117 | **-** | (35,502) | **-** | - |
| As restated | **23,578** | 12,078 | **11,925** | 425 |
| Additions | **-** | 11,500 | **-** | 11,500 |
| Transferred to property, plant and equipment (Note 13) | **(20)** | - | **-** | - |
| **At 31 December** | **23,558** | 23,578 | **11,925** | 11,925 |
| **Accumulated amortisation:** | | | | |
| **At 1 January** | | | | |
| As previously stated | **4,343** | 10,080 | **83** | 4 |
| Effects of adopting the amendments of FRS117 | **-** | (6,117) | **-** | - |
| As restated | **4,343** | 3,963 | **83** | 4 |
| Amortisation for the year (Note 8) | **726** | 380 | **426** | 79 |
| Transferred to property, plant and equipment (Note 13) | **(18)** | - | **-** | - |
| **At 31 December** | **5,051** | 4,343 | **509** | 83 |
| **Net carrying amount** | **18,507** | 19,235 | **11,416** | 11,842 |
| Amount to be amortised: | | | | |
| - Not later than one year | **725** | 726 | **426** | 426 |
| - Later than one year but not later than five years | **2,901** | 2,477 | **1,278** | 1,278 |
| - Later than five years | **14,881** | 16,032 | **9,712** | 10,138 |

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 45 years (2010: 1 to 46 years) and 27 to 45 years (2010: 28 to 46 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 2010** | 34,697 | 5,558 | 40,255 |
| Additions | 22,374 | 380 | 22,754 |
| Disposals | (59) | (26) | (85) |
| **At 31 December 2010 and 1 January 2011** | **57,012** | **5,912** | **62,924** |
| Additions | **-** | **385** | **385** |
| **At 31 December 2011** | **57,012** | **6,297** | **63,309** |

The landed property of a subsidiary has been pledged to secure revolving credit facilities granted (Note 29).

### (b) Property development costs

| Group | Leasehold land RM'000 | Development expenditure RM'000 | Total RM'000 |
|---|---|---|---|
| **Cumulative property development costs:** | | | |
| **At 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 and 1 January 2011** | **83,458** | **399,433** | **482,891** |
| Costs incurred during the year | **7,753** | **94,368** | **102,121** |
| Disposals | **(5,019)** | **-** | **(5,019)** |
| **At 31 December 2011** | **86,192** | **493,801** | **579,993** |
| **Cumulative costs recognised in profit or loss:** | | | |
| **At 1 January 2010** | (579) | (193,602) | (194,181) |
| Recognised during the year | (2,064) | (156,494) | (158,558) |
| **At 31 December 2010 and 1 January 2011** | **(2,643)** | **(350,096)** | **(352,739)** |
| Recognised during the year | **110** | **(92,534)** | **(92,424)** |
| **At 31 December 2011** | **(2,533)** | **(442,630)** | **(445,163)** |
| **Property development costs:** | | | |
| At 31 December 2010 | 80,815 | 49,337 | 130,152 |
| **At 31 December 2011** | **83,659** | **51,171** | **134,830** |

## 16. Investment properties

| Group | Long term leasehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **At 1 January 2010** | 3,177 | 2,918 | 6,095 |
| Fair value adjustments (Note 8) | - | - | - |
| **At 31 December 2010 and 1 January 2011** | **3,177** | **2,918** | **6,095** |
| Fair value adjustments (Note 8) | **-** | **-** | **-** |
| **At 31 December 2011** | **3,177** | **2,918** | **6,095** |
| **Company** | | | |
| **At 1 January 2010** | 5,828 | 14,644 | 20,472 |
| Additions | - | 3 | 3 |
| Fair value adjustments (Note 8) | - | - | - |
| **At 31 December 2010 and 1 January 2011** | **5,828** | **14,647** | **20,475** |
| Additions | **-** | **3,415** | **3,415** |
| Fair value adjustments (Note 8) | **(205)** | **(1,259)** | **(1,464)** |
| **At 31 December 2011** | **5,623** | **16,803** | **22,426** |

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.

## 17. Intangible assets

| Group | Computer software RM'000 | Development expenditure RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Cost:** | | | | |
| **At 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 and 1 January 2011** | **5,127** | **-** | **926** | **6,053** |
| Additions | **47** | **-** | **-** | **47** |
| **At 31 December 2011** | **5,174** | **-** | **926** | **6,100** |
| **Accumulated amortisation:** | | | | |
| **At 1 January 2010** | 2,544 | 7,845 | 492 | 10,881 |
| Amortisation charge for the year (Note 8) | 1,730 | 1,434 | 78 | 3,242 |
| Written off | (2,048) | (9,279) | - | (11,327) |
| Disposal of subsidiary | (95) | - | - | (95) |
| **At 31 December 2010 and 1 January 2011** | **2,131** | **-** | **570** | **2,701** |
| Amortisation charge for the year (Note 8) | **1,034** | **-** | **77** | **1,111** |
| **At 31 December 2011** | **3,165** | **-** | **647** | **3,812** |
| **Net carrying amount:** | | | | |
| At 31 December 2010 | 2,996 | - | 356 | 3,352 |
| **At 31 December 2011** | **2,009** | **-** | **279** | **2,288** |

| Company | Computer software RM'000 |
|---|---|
| **Cost:** | |
| **At 1 January 2010** | 2,239 |
| Additions | - |
| **At 31 December 2010 and 1 January 2011** | **2,239** |
| Additions | **47** |
| **At 31 December 2011** | **2,286** |
| **Accumulated amortisation:** | |
| **At 1 January 2010** | 480 |
| Amortisation charge for the year (Note 8) | 448 |
| **At 31 December 2010 and 1 January 2011** | **928** |
| Amortisation charge for the year (Note 8) | **457** |
| **At 31 December 2011** | **1,385** |
| **Net carrying amount:** | |
| At 31 December 2010 | 1,311 |
| **At 31 December 2011** | **901** |

In the previous financial year ended 31 December 2010, the carrying amount of intangible assets of RM8,102,000 was written off under the line item "other expenses" in the Group's statement of comprehensive income (Note 8).

## 18. Goodwill

| | Group 2011 RM'000 | Group 2010 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 2011 RM'000 | Group 2010 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 | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| CMS Clinker Sdn. Bhd. | **19.4%** | 15.6% | **6.60%** | 6.30% |

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 and 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 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|
| Unquoted shares, at cost | **854,317** | 1,287,067 |
| Impairment losses | **(158,397)** | (158,397) |
| | **695,920** | 1,128,670 |

Details of the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Principal activities | Proportion of ownership interest 2011 % | Proportion of ownership interest 2010 % |
|---|---|---|---|---|
| **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 | Dormant | **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 | Malaysia | Dormant | **68.8** | 68.8 |
| CMS Modular Housing Sdn. Bhd. | Malaysia | Dormant | **100.0** | 100.0 |
| CMS Premix Sdn. Bhd. (i) | Malaysia | Production and sale of premix | **40.0** | 40.0 |
| CMS Premix (Miri) Sdn. Bhd. (i) | Malaysia | Production and sale of premix | **20.0** | 20.0 |
| CMS Property Development Sdn. Bhd. | Malaysia | Property holding, property development and project management | **100.0** | 100.0 |
| CMS Resources Sdn. Bhd. | Malaysia | Investment and property holding | **51.0** | 51.0 |
| CMS River Bus Sdn. Bhd.(ii) | 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.(iii) | Malaysia | Dormant | **-** | 100.0 |
| Projek Bandar Samariang Sdn. Bhd. | Malaysia | Property development and related construction works | **100.0** | 100.0 |
| Samalaju Industries Sdn. Bhd. | Malaysia | Investment holding and provision of supervisory services | **100.0** | 100.0 |

## 19. Investments in subsidiaries (contd.)

| Name of subsidiaries | Country of incorporation | Principal activities | Proportion of ownership interest 2011 % | 2010 % |
|---|---|---|---|---|
| **Subsidiaries of CMS Capital Sdn. Bhd.** | | | | |
| CMS Mezzanine Sdn. Bhd. (ii) | Malaysia | Dormant | **100.0** | 100.0 |
| CMS Opus Private Equity Sdn. Bhd. | Malaysia | Management of private equity investments | **51.0** | 51.0 |
| **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 | Provision of software related services | **99.9** | 99.9 |
| ETA CMS I Solutions Private Ltd.* | India | Provide solutions for motor claim segment for insurance companies | **82.5** | 80.0 |
| Interventure Capital Sdn. Bhd. (iv) | Malaysia | Dormant | **100.0** | 100.0 |
| I-Systems (Guangzhou) Co. Ltd. * | People's Republic of China | Software development and provision of e-business solutions | **100.0** | 100.0 |

## 19. Investments in subsidiaries (contd.)

| Name of subsidiaries | Country of incorporation | Principal activities | Proportion of ownership interest 2011 % | 2010 % |
|---|---|---|---|---|
| **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. (v) | 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 | **69.1** | 69.1 |
| **Subsidiaries of CMS Works Sdn. Bhd.** | | | | |
| CMS Roads Sdn. Bhd. | Malaysia | Road assessment, maintenance and management | **100.0** | - |
| CMS Pavement Tech Sdn. Bhd. | Malaysia | Pavement works covering, construction, rehabilitation and maintenance | **100.0** | - |
| PPES Works (Sarawak) Sdn. Bhd. | Malaysia | Civil engineering contractor | **51.0** | 51.0 |

## 19. Investments in subsidiaries (contd.)

| Name of subsidiaries | Country of incorporation | Principal activities | Proportion of ownership interest 2011 % | 2010 % |
|---|---|---|---|---|
| **Subsidiaries of Samalaju Industries Sdn. Bhd.** | | | | |
| Samalaju Aluminium Industries Sdn. Bhd. | Malaysia | Investment holding | **100.0** | 100.0 |
| Samalaju Property Development Sdn. Bhd. | Malaysia | Provision and management of temporary accommodation of new township at Samalaju Industrial Park | **51.0** | - |
| **Subsidiary of Samalaju Aluminium Industries Sdn. Bhd.** | | | | |
| Sarawak Aluminium Company Sdn. Bhd. | Malaysia | Dormant | **100.0** | 100.0 |
| **Subsidiary of Samalaju Property Development Sdn. Bhd.** | | | | |
| Samalaju Hotel Management Sdn. Bhd. | Malaysia | Dormant | **100.0** | - |

* audited by firms other than Ernst & Young.

(i) Another 60% is held by CMS Resources Sdn. Bhd.
(ii) Placed under voluntary liquidation.
(iii) Placed under voluntary liquidation. An amount of RM160,148,000 representing the surplus cash on liquidation was distributed to the Company (Note 6).
(iv) Placed under voluntary liquidation subsequent to year end.
(v) Another 40% is held by CMS Premix Sdn. Bhd.

## 19. Investments in subsidiaries (contd.)

### (a) Increase in paid-up share capital of subsidiary

During the current financial year, the Company has subscribed an additional 12,750,000 ordinary shares of RM1 each in CMS Property Development Sdn. Bhd. for a total cash consideration of RM12,750,000.

### (b) Acquisition of subsidiaries

#### (i) CMS Roads Sdn. Bhd. and CMS Pavement Tech Sdn. Bhd.

During the financial year, the Group acquired 100% equity interest in CMS Roads Sdn. Bhd. and 100% equity interest in CMS Pavement Tech Sdn. Bhd., both incorporated in Malaysia.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

| | Recognised acquisition values RM'000 |
|---|---|
| **Assets** | |
| Property, plant and equipment (Note 13) | 13,989 |
| Tax recoverable | 555 |
| Amount due from customers on contract | 9,888 |
| Trade and other receivables | 48,483 |
| Cash and bank balances | 57,353 |
| | 130,268 |
| **Liabilities** | |
| Trade and other payables | (29,351) |
| Amount due to customers on contract | (763) |
| Income tax payable | (4,070) |
| Deferred tax liabilities (Note 22) | (1,866) |
| | (36,050) |
| Fair value of net assets | 94,218 |
| Purchase consideration satisfied by cash | (82,008) |
| | 12,210 |
| Transaction costs paid in cash | (786) |
| Gain on acquisition (Note 6) | 11,424 |
| Total cash outflow on acquisition was as follows: | |
| Purchase consideration satisfied by cash | 82,008 |
| Costs attributable to the acquisition, paid in cash | 786 |
| Total cash outflow of the Group | 82,794 |
| Cash and cash equivalents of subsidiaries acquired | (57,353) |
| Net cash outflow of the Group | 25,441 |

The acquired subsidiaries have contributed the following results to the Group:

| | 2011 RM'000 |
|---|---|
| Revenue | 112,140 |
| Profit net of tax | 29,444 |

If the acquisition had occurred on 1 January 2011, the Group's profit net of tax would have been RM149,574,519.

## 19. Investments in subsidiaries (contd.)

### (b) Acquisition of subsidiaries (contd.)

#### (ii) Samalaju Property Development Sdn. Bhd.

During the year, the Group acquired 51% equity interest in Samalaju Property Development Sdn. Bhd. ("SPD") for cash consideration of RM2. Upon the acquisition, SPD became a subsidiary of the Group.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

| | Recognised acquisition values RM'000 |
|---|---|
| Trade and other receivables | 179 |
| Cash and cash equivalents | - |
| | 179 |
| Trade and other payables | (179) |
| | - |

The acquired subsidiary has contributed the following results to the Group:

| | 2011 RM'000 |
|---|---|
| Revenue | 26,314 |
| Profit net of tax | 10,502 |

There were no acquisitions subsequent to 31 December 2011.

### (c) Acquisition of non-controlling 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 non-controlling interests for cash consideration of RM10,500,000 and RM1,500,000, respectively. At the date of acquisition, the carrying values of the additional interests 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 were reflected in equity as gain on acquisition of non-controlling interests.

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

On 30 November 2010, the Company acquired an additional 40% equity interest in PBS from its non-controlling 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 was reflected in equity was premium paid on acquisition of non-controlling interests.

### 19. Investments in subsidiaries (contd.)

#### (d) Disposals of subsidiaries

The Group disposed of its 71%, 51% 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 2010:

| | **Up to disposal date RM'000** |
|---|---|
| Total assets | 15,448 |
| Total liabilities | (1,510) |
| Identifiable net assets | 13,938 |
| Less: Non-controlling interests | (3,807) |
| | 10,131 |
| Total disposal proceeds | (12,692) |
| Gain on disposal of subsidiaries (Note 6) | 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 |

### 20. Investments in associates

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011 RM'000** | **2010 RM'000** | **2011 RM'000** | **2010 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 |
| | | | | |
| Redeemable preference shares, at cost | **16,861** | 17,474 | **-** | - |
| Less: Accumulated impairment losses | **(722)** | - | **-** | - |
| | **16,139** | 17,474 | **-** | - |
| Unquoted shares, at cost | **9,315** | 115 | **-** | - |
| | **272,926** | 265,061 | **32,302** | 32,302 |
| Share of post-acquisition reserves | **18,914** | 13,091 | **-** | - |
| | **291,840** | 278,152 | **32,302** | 32,302 |
| | | | | |
| Fair value of investments in associates for which there is published price quotation | **186,002** | 207,073 | **87,856** | 98,192 |

## 20. Investments in associates (contd.)

Details of the associates are as follows:

| Name of associates | Country of incorporation | Principal activities | Proportion of ownership interest 2011 % | 2010 % |
|---|---|---|---|---|
| **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. (i) | 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 |
| OM Materials (Sarawak) Sdn. Bhd. (ii) | Malaysia | Processing, smelting and trading of ferro alloy products | **20.0** | - |

(i) Placed under voluntary liquidation subsequent to year end.
(ii) Has not commenced business operations.

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

| | Group 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **Assets and liabilities:** | | |
| Total assets | **4,026,849** | 3,897,120 |
| Total liabilities | **(2,909,526)** | (2,835,137) |
| **Results:** | | |
| Revenue | **475,606** | 556,590 |
| Profit for the year | **55,907** | 32,593 |

### 21. Investments in jointly controlled entities

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Unquoted shares, at cost | **2,200** | 2,455 |
| Share of post-acquisition reserves | **1,428** | 180 |
| | **3,628** | 2,635 |

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

| Name of jointly controlled entities | Principal activities | Proportion of ownership interest 2011 % | Proportion of ownership interest 2010 % |
|---|---|---|---|
| PPES Works (Sarawak) Sdn. Bhd./ Naim Cendera Sdn. Bhd. JV | Construction of buildings | **55** | 55 |
| PPES Works (Sarawak) Sdn. Bhd./ Advance Praise Sdn. Bhd. JV* | Green waste management and composting | **-** | 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 |
| PPES Works Wibawa JV | Connection of water supply and all submarine related works | **50** | - |

* Dissolved during the year.

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 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| **Assets and liabilities:** | | |
| Current assets | **8,667** | 8,151 |
| Non-current assets | **4** | 10 |
| Total assets | **8,671** | 8,161 |
| Current liabilities | **(5,044)** | (5,526) |
| **Income and expenses:** | | |
| Income | **2,001** | 4,396 |
| Expenses | **(1,039)** | (6,171) |

## 22. Deferred tax

| Group | As at 1 January 2010 RM'000 | Recognised in statements of comprehensive income RM'000 | Disposal of subsidiary RM'000 | As at 31 December 2010 RM'000 | Recognised in statements of comprehensive income RM'000 | Acquisition of subsidiaries RM'000 | As at 31 December 2011 RM'000 |
|---|---|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | | | |
| Revaluation of leasehold land and buildings | (228) | 2 | - | (226) | **21** | **-** | **(205)** |
| Property, plant and equipment | (49,873) | 1,496 | 4 | (48,373) | **(1,868)** | **(2,246)** | **(52,487)** |
| Intangible assets | (36) | - | - | (36) | **36** | **-** | **-** |
| Property development costs | - | - | - | - | **(7,805)** | **-** | **(7,805)** |
| | (50,137) | 1,498 | 4 | (48,635) | **(9,616)** | **(2,246)** | **(60,497)** |
| **Deferred tax assets:** | | | | | | | |
| Provision for liabilities | 186 | 59 | - | 245 | **(20)** | **-** | **225** |
| Allowance for impairment | 92 | (92) | - | - | **-** | **-** | **-** |
| Unabsorbed capital allowances, unutilised tax losses and unutilised reinvestment and infrastructure allowances | 47,551 | (4,407) | - | 43,144 | **(4,277)** | **380** | **39,247** |
| Others | 57 | (48) | - | 9 | **7** | **-** | **16** |
| | 47,886 | (4,488) | - | 43,398 | **(4,290)** | **380** | **39,488** |
| | (2,251) | (2,990) | 4 | (5,237) | **(13,906)** | **(1,866)** | **(21,009)** |

# Notes to the Financial Statements
## For the financial year ended 31 December 2011

### 22. Deferred tax (contd.)

| Company | As at 1 January 2010 RM'000 | Recognised in statements of comprehensive income RM'000 | As at 31 December 2010 RM'000 | Recognised in statements of comprehensive income RM'000 | As at 31 December 2011 RM'000 |
|---|---|---|---|---|---|
| **Deferred tax liability:** | | | | | |
| Property, plant and equipment | (419) | 143 | (276) | **276** | **-** |
| **Deferred tax asset:** | | | | | |
| Unabsorbed capital allowances | - | - | - | **110** | **110** |
| | (419) | 143 | (276) | **386** | **110** |

| | Group 2011 RM'000 | Group 2010 RM'000 | Company 2011 RM'000 | Company 2010 RM'000 |
|---|---|---|---|---|
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | **10,810** | 16,700 | **110** | - |
| Deferred tax liabilities | **(31,819)** | (21,937) | **-** | (276) |
| | **(21,009)** | (5,237) | **110** | (276) |

## 22. Deferred tax (contd.)

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

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Unutilised tax losses | **99,657** | 114,772 |
| Unabsorbed capital allowances | **3,614** | 3,487 |
| Provisions | **-** | 320 |
| | **103,271** | 118,579 |

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 (2010: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 46).

## 23. Inventories

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| **Cost** | | |
| Raw materials | **24,523** | 24,371 |
| General stores | **51,731** | 47,511 |
| Work-in-progress | **95** | 123 |
| Finished goods | **13,115** | 12,621 |
| Completed development units | **222** | 1,388 |
| | **89,686** | 86,014 |
| **Net realisable value** | | |
| Finished goods | **647** | 713 |
| | **90,333** | 86,727 |

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM504,641,893 (2010: RM391,079,718).

## 24. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Current** | | | | |
| **Trade receivables** | | | | |
| Third parties | 186,721 | 190,044 | - | - |
| Amount due from associate | - | 76 | - | - |
| Retention sums on construction contracts (Note 26) | 43 | 2,175 | - | - |
| Advance given on contract (Note 26) | 9,000 | - | - | - |
| | 195,764 | 192,295 | - | - |
| Less: Allowance for impairment | | | | |
| - Third parties | (10,706) | (7,467) | - | - |
| - Retention sum | - | (82) | - | - |
| | (10,706) | (7,549) | - | - |
| Trade receivables, net | 185,058 | 184,746 | - | - |
| **Other receivables** | | | | |
| Other receivables | 4,166 | 14,096 | 799 | 316 |
| Amount due from jointly controlled entities | 71 | 324 | - | - |
| Amount due from associates | - | 4,063 | - | - |
| Amount due from subsidiaries: | | | | |
| - Central cash management accounts | - | - | 37,379 | 28,832 |
| - Current accounts | - | - | 14,833 | 51,649 |
| - Loans | - | - | 574 | 573 |
| Other deposits | 2,262 | 1,526 | 349 | 334 |
| Interest receivable | 875 | 2,584 | 430 | 2,581 |
| Retention monies | 757 | 316 | - | - |
| | 8,131 | 22,909 | 54,364 | 84,285 |
| Less: Allowance for impairment | | | | |
| - Other receivables | (548) | (694) | - | - |
| Other receivables, net | 7,583 | 22,215 | 54,364 | 84,285 |
| | 192,641 | 206,961 | 54,364 | 84,285 |
| **Non-current** | | | | |
| **Other receivables** | | | | |
| Amount due from subsidiary: | | | | |
| - Loan | - | - | 3,156 | 3,730 |
| **Total trade and other receivables (current and non-current)** | 192,641 | 206,961 | 57,520 | 88,015 |
| Add: Cash and bank balances (Note 28) | 222,880 | 773,484 | 198,150 | 753,990 |
| **Total loans and receivables** | 415,521 | 980,445 | 255,670 | 842,005 |

## 24. Trade and other receivables (contd.)

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 day (2010: 30 to 120 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group's trade receivables relate to a large number of diversified customers, accordingly there is no significant concentration of credit risk.

**Ageing analysis of trade receivables**

The ageing analysis of the Group's trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Neither past due nor impaired | **123,139** | 121,506 |
| 1 to 30 days past due not impaired | **21,941** | 10,494 |
| 31 to 60 days past due not impaired | **1,938** | 3,720 |
| 61 to 90 days past due not impaired | **1,616** | 2,278 |
| 91 to 120 days past due not impaired | **3,145** | 2,550 |
| More than 121 days past due not impaired | **23,398** | 4,752 |
| | **52,038** | 23,794 |
| Impaired | **20,587** | 46,995 |
| | **195,764** | 192,295 |

**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 RM52,037,770 (2010: RM23,794,161) that are past due at the reporting date but not impaired. These receivables are unsecured. None of the past due account holders has history of default records. The Management is confident in making collection from these receivables in near future.

## 24. Trade and other receivables (contd.)

### (a) Trade receivables (contd.)

**Receivables that are impaired**

The Group's trade receivables that are individually impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

| | 2011<br>RM'000 | 2010<br>RM'000 |
|---|---|---|
| Trade receivables | **20,587** | 46,995 |
| Less: Allowance for impairment | **(10,706)** | (7,549) |
| | **9,881** | 39,446 |
| Movement in allowance accounts: | | |
| At 1 January | **7,549** | 3,770 |
| Effects of adopting FRS 139 | **-** | 3,520 |
| Charges for the year | **4,010** | 5,865 |
| Written off | **-** | (1,066) |
| Reversal of impairment loss | **(635)** | (2,665) |
| Unwinding of discount (Note 5) | **(593)** | (1,875) |
| Acquisition of subsidiaries | **375** | - |
| At 31 December | **10,706** | 7,549 |

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 4.30% to 5.00% (2010: 5.00%) per annum.

**(ii) Current accounts**

These amounts are unsecured, interest-free and are repayable on demand.

**(iii) Loan**

The interest and principal repayments from a subsidiary are in accordance with the terms of shareholders' loan as described in Note 29.

Further details on related party transactions are disclosed in Note 41.

### (c) Amounts due from associates and jointly controlled entities

These amounts are unsecured, interest-free and are repayable on demand.

Further details on related party transactions are disclosed in Note 41.

## 25. Other current assets

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Prepaid operating expenses | **3,475** | 6,465 |
| Project under study | **-** | 25,185 |
| Amount due from customers for contract work (Note 26) | **9,311** | 8,199 |
| | **12,786** | 39,849 |

**Project under study**

This was in relation to expenditure that was directly attributable to conducting studies including professional charges and other expenses incurred on a proposed aluminum smelter project. In the last financial year, the costs included employee benefits expense of RM1,029,093.

## 26. Gross amount due from/(to) customers for contract work-in-progress

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Construction contract costs incurred to-date | **492,196** | 442,259 |
| Attributable profits less recognised losses | **50,266** | 39,916 |
| | **542,462** | 482,175 |
| Less: Progress billings | **(536,529)** | (476,059) |
| | **5,933** | 6,116 |
| Presented as: | | |
| Amount due from customers for contract work (Note 25) | **9,311** | 8,199 |
| Amount due to customers for contract work (Note 33) | **(3,378)** | (2,083) |
| | **5,933** | 6,116 |
| Retention sums on construction contract included in: | | |
| Trade receivables (Note 24) | **43** | 2,175 |
| Trade payables (Note 32) | **1,646** | 6,964 |
| Advance on construction contract included in: | | |
| Trade receivables (Note 24) | **9,000** | - |
| Trade payables (Note 32) | **10,000** | - |

The costs incurred to-date on construction contracts include the following charges made during the financial year:

| | Group 2011 RM'000 | Group 2010 RM'000 |
|---|---|---|
| Depreciation of property, plant and equipment (Note 13) | **328** | 684 |
| Operating leases: | | |
| - minimum lease payments on land and buildings | **23** | 29 |
| - minimum lease payments on equipment | **1,622** | 1,540 |

## 27. Investment securities

| | Group/Company | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Carrying amount RM'000 | Market value of quoted investments RM'000 | Carrying amount RM'000 | Market value of quoted investments RM'000 |
| **Current** | | | | |
| **Fair value through profit or loss** | | | | |
| Fixed income debt securities (unquoted in Malaysia) | **52,838** | **-** | 48,993 | - |
| Equity instruments (quoted in Malaysia) | **8,314** | **8,314** | 12,153 | 12,153 |
| Unit trust funds (quoted in Malaysia) | **27,557** | **27,557** | 26,758 | 26,758 |
| Total current investment securities | **88,709** | **35,871** | 87,904 | 38,911 |

| | Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| **Non-current** | | |
| **Available-for-sale financial assets** | | |
| Equity instruments (unquoted in Malaysia), at cost | **300** | 300 |

The unquoted equity instruments are carried at cost as there are no other methods of reasonably estimating the fair values.

## 28. Cash and bank balances

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Cash in hand and at bank | **48,700** | 43,877 | **29,686** | 26,357 |
| Short term deposits with licensed banks | **174,180** | 729,607 | **168,464** | 727,633 |
| Wholesale fund | **427,392** | - | **427,392** | - |
| Cash and bank balances | **650,272** | 773,484 | **625,542** | 753,990 |

The wholesale fund invests only in short-term money market instruments and fixed deposits with financial institutions.

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 2011 for the Group and the Company were 3.36% (2010: 3.07%) and 3.40% (2010: 3.08%), respectively.

Short term deposits of the Group amounting to RM110,013 (2010: RM107,330) 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 RM29,355,982 (2010: RM25,598,889) 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 RM18,500,000 (2010: RM54,400,000) being deposits placed with a banking subsidiary of an associate.

## 28. Cash and bank balances (contd.)

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| Cash and short term deposits | **650,272** | 773,484 | **625,542** | 753,990 |
| Bank overdrafts (Note 29) | **-** | (53) | **-** | - |
| Cash and cash equivalents | **650,272** | 773,431 | **625,542** | 753,990 |

## 29. Loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| **Current** | | | | |
| **Secured:** | | | | |
| Bank overdrafts (Note 28) | **-** | 53 | **-** | - |
| Revolving credits | **15,000** | 13,136 | **-** | - |
| Hire purchase and finance lease liabilities (Note 39(d)) | **138** | 218 | **-** | - |
| | **15,138** | 13,407 | **-** | - |
| **Unsecured:** | | | | |
| Shareholders' loan | **551** | 551 | **-** | - |
| Bankers' acceptances | **25,808** | 38,958 | **-** | - |
| Revolving credits | **-** | 60,000 | **-** | - |
| Term loan | **21,440** | 21,440 | **-** | - |
| CMS Income Securities (Note 30) | **85,507** | 85,544 | **85,507** | 85,544 |
| | **133,306** | 206,493 | **85,507** | 85,544 |
| | **148,444** | 219,900 | **85,507** | 85,544 |
| **Non-current** | | | | |
| **Secured:** | | | | |
| Hire purchase and finance lease liabilities (Note 39(d)) | **32** | 181 | **-** | - |
| **Unsecured:** | | | | |
| Shareholders' loan | **3,031** | 3,583 | **-** | - |
| Term loan | **64,240** | 85,680 | **-** | - |
| CMS Income Securities (Note 30) | **-** | 85,242 | **-** | 85,242 |
| | **67,271** | 174,505 | **-** | 85,242 |
| | **67,303** | 174,686 | **-** | 85,242 |
| Total loans and borrowings | **215,747** | 394,586 | **85,507** | 170,786 |

## 29. Loans and borrowings (contd.)

The remaining maturities of the loans and borrowings as at 31 December 2011 are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Maturity period of borrowings:** | | | | |
| Repayable within one year | **148,444** | 219,900 | **85,507** | 85,544 |
| One year to five years | **66,476** | 173,308 | **-** | 85,242 |
| Over five years | **827** | 1,378 | **-** | - |
| | **215,747** | 394,586 | **85,507** | 170,786 |

(i) The revolving credits of a subsidiary are secured by legal charges over landed properties of the subsidiary (Note 15).

(ii) The interest rates of the Group are as follows:

| | **2011** | **2010** |
|---|---|---|
| | **%** | **%** |
| Bank overdrafts | **7.60** | 7.05 |
| Bankers' acceptances | **3.09 to 4.30** | 3.05 to 4.48 |
| Revolving credits | **4.73** | 3.81 to 7.05 |
| Term loan | **5.10** | 4.70 |

(iii) The shareholders' loan is charged interest at 5% (2010: 5%) per annum and is repayable from June 2010 to June 2018.

## 30. 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 31).

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.

## 30. 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.

## 30. CMS Income Securities (contd.)

(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 | |

(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.

## 30. CMS Income Securities (contd.)

The CMSIS are classified as debt instruments and hence are reported as liabilities.

| | Group/Company | |
|---|---|---|
| | 2011 | 2010 |
| | RM'000 | RM'000 |
| The CMSIS are accounted for in the statements of financial position as follows: | | |
| Proceeds from issue of CMSIS | **442,403** | 442,403 |
| Less: Unamortised transaction costs | **(265)** | (530) |
| | **442,138** | 441,873 |
| Interest expense recognised in statements of comprehensive income: | | |
| At 1 January | **110,469** | 92,092 |
| Recognised during the year (Note 7) | **12,456** | 18,377 |
| At 31 December | **122,925** | 110,469 |
| Interest expense on the NCRPS paid: | | |
| At 1 January | **(151,556)** | (131,556) |
| Paid during the year | **(13,000)** | (20,000) |
| At 31 December | **(164,556)** | (151,556) |
| Bonds principal repayment and NCRPS redemption: | | |
| At 1 January | **(230,000)** | (150,000) |
| Paid during the year | **(85,000)** | (80,000) |
| At 31 December | **(315,000)** | (230,000) |
| Amount included in loans and borrowings (Note 29) | **85,507** | 170,786 |

The effective interest rate on the CMSIS is 7.27% (2010: 7.27%) per annum.

The CMSIS are repayable over the following periods:

| | | |
|---|---|---|
| Not later than 1 year | **85,772** | 85,544 |
| Later than 1 year and not later than 2 years | **-** | 85,772 |
| | **85,772** | 171,316 |
| Less: Unamortised transaction costs | **(265)** | (530) |
| | **85,507** | 170,786 |

## 31. Non-convertible redeemable preference shares ("NCRPS")

| | Group/Company | | | |
|---|---|---|---|---|
| | Number of NCRPS of RM1 each | | Amount | |
| | 2011 | 2010 | 2011 RM | 2010 RM |
| **Nominal value-issued and fully paid** | | | | |
| At 1 January | **170** | 250 | **170** | 250 |
| Redeemed during the year | **(85)** | (80) | **(85)** | (80) |
| At 31 December | **85** | 170 | **85** | 170 |
| **Authorised** | | | | |
| At 1 January and 31 December | **400** | 400 | **400** | 400 |

| | Group/Company | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| **Share premium** | | |
| At 1 January | **170** | 250 |
| Redemption during the year | **(85)** | (80) |
| At 31 December | **85** | 170 |
| Amount included in CMSIS | **85** | 170 |

The interest expense are charged to the CMSIS in the period in which they are incurred.

## 32. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Current** | | | | |
| **Trade payables** | | | | |
| Third parties | **137,411** | 95,109 | **-** | - |
| Deposits payable | **9,600** | - | **-** | - |
| Advance received on contract (Note 26) | **10,000** | - | **-** | - |
| Retention sums on construction contracts (Note 26) | **1,646** | 6,964 | **-** | - |
| | **158,657** | 102,073 | **-** | - |
| **Other payables** | | | | |
| Other payables | **28,568** | 63,378 | **2,444** | 1,748 |
| Accrued operating expenses | **33,465** | 41,919 | **539** | 696 |
| Amount due to subsidiaries: | | | | |
| - Central cash management accounts | **-** | - | **341,581** | 370,293 |
| - Current accounts | **-** | - | **70** | 605,669 |
| Deposits payable | **1,916** | 1,756 | **-** | - |
| Interest payable | **1,365** | 1,572 | **-** | - |
| Retention monies | **2,071** | 9 | **-** | - |
| | **67,385** | 108,634 | **344,634** | 978,406 |
| | **226,042** | 210,707 | **344,634** | 978,406 |
| **Non-current** | | | | |
| **Trade payable** | | | | |
| Deposits payable | **9,400** | - | **-** | - |
| **Total trade and other payables (current and non-current)** | **235,442** | 210,707 | **344,634** | 978,406 |
| Add: Loans and borrowings (Note 29) | **215,747** | 394,586 | **85,507** | 170,786 |
| **Total financial liabilities carried at amortised cost** | **451,189** | 605,293 | **430,141** | 1,149,192 |

### (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 2.69% to 3.08% (2010: 1.94% to 2.73%) per annum.

#### (ii) Current accounts

These amounts are unsecured, interest-free and are repayable on demand.

Further details on related party transactions are disclosed in Note 41.

## 33. Other current liabilities

| | Group | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| Progress billings in respect of property development costs | **6,184** | 10,112 |
| Amount due to customers for contract work (Note 26) | **3,378** | 2,083 |
| Provision for liabilities | **-** | 400 |
| | **9,562** | 12,595 |

Provision for liabilities was in relation to the provision for resettlement costs.

## 34. Share capital

| | Group/Company | | | |
|---|---|---|---|---|
| | Number of ordinary shares of RM1 each | | Amount | |
| | 2011 '000 | 2010 '000 | 2011 RM'000 | 2010 RM'000 |
| **Issued and fully paid** | | | | |
| At 1 January | **329,446** | 329,446 | **329,446** | 329,446 |
| Exercise of employee share options (Note 38) | **35** | - | **35** | - |
| At 31 December | **329,481** | 329,446 | **329,481** | 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.

The Company has an employee share option plan under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

## 35. Share premium

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 RM'000 | 2010 RM'000 | 2011 RM'000 | 2010 RM'000 |
| At 1 January | **427,516** | 427,516 | **427,513** | 427,513 |
| Exercise of employee share options | **74** | - | **74** | - |
| At 31 December | **427,590** | 427,516 | **427,587** | 427,513 |

## 36. Other reserves

| Group | Capital reserve RM'000 | Translation reserve RM'000 | Merger (deficit)/ reserve RM'000 | Statutory reserve RM'000 | Fair value reserve RM'000 | Premiun paid on acquisition of non-controlling interests RM'000 | Employees' share option reserve RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 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 non-controlling 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 |

## 36. Other reserves (contd.)

| Group (contd.) | Capital reserve RM'000 | Translation reserve RM'000 | Merger (deficit)/ reserve RM'000 | Statutory reserve RM'000 | Fair value reserve RM'000 | Premiun paid on acquisition of non-controlling interests RM'000 | Employees' share option reserve RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2011** | 46,491 | (2,262) | (12,000) | 10,911 | 699 | (22,925) | 4,243 | 25,157 |
| **Other comprehensive income:** | | | | | | | | |
| Foreign currency translation | - | 93 | - | - | - | - | - | 93 |
| Share of other comprehensive income of associates | - | 360 | - | - | (21) | - | - | 339 |
| | - | 453 | - | - | (21) | - | - | 432 |
| **Transactions with owners:** | | | | | | | | |
| Grant of equity-settled share options to employees | - | - | - | - | - | - | 6,390 | 6,390 |
| Exercise of employee share options | - | - | - | - | - | - | (32) | (32) |
| Transfer from retained earnings | - | - | - | 4,769 | - | - | - | 4,769 |
| Premium paid on acquisition of non-controlling interests | - | - | - | - | - | (61) | - | (61) |
| | - | - | - | 4,769 | - | (61) | 6,358 | 11,066 |
| **At 31 December 2011** | 46,491 | (1,809) | (12,000) | 15,680 | 678 | (22,986) | 10,601 | 36,655 |

## 36. Other reserves (contd.)

| | Capital reserve RM'000 | Merger reserve RM'000 | Employees' share option reserve RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **At 1 January 2010** | 12,633 | 168,000 | - | 180,633 |
| Grant of equity-settled share options to employees | - | - | 4,243 | 4,243 |
| **At 31 December 2010 and 1 January 2011** | **12,633** | **168,000** | **4,243** | **184,876** |
| Grant of equity-settled share options to employees | **-** | **-** | **6,390** | **6,390** |
| Exercise of employee share options | **-** | **-** | **(32)** | **(32)** |
| **At 31 December 2011** | **12,633** | **168,000** | **10,601** | **191,234** |

### (a) Capital reserve

Capital reserve of the Group comprises accretion from shares issued by subsidiaries, retained earnings capitalised for bonus issues by subsidiaries, surplus arising from revaluation of land and buildings as well as share of capital reserve in an associate.

Capital reserve of the Company represents surplus arising from revaluation of land and buildings.

### (b) Translation reserve

Translation reserve of the Group represents foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates whose functional currencies are different from that of the Group's presentation currency.

### (c) Statutory reserve

Statutory reserve 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 reserve

Fair value reserve comprises the cumulative fair value changes, net of tax, of available-for-sale financial assets of an associate until they are disposed off or impaired.

### (e) Employees' share option reserve

Employees' share option reserve represents the equity-settled share options granted to employees (Note 38). 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.

## 37. 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 (2010: RM104 million) as at 31 December 2011, subject to agreement of the Inland Revenue Board.

As at 31 December 2011, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

## 38. 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 employees 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.

## 38. Employee benefits (contd.)

Details of share options under ESOS are as follows:

### (a) Movement of share options during the financial year

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **No. of options ('000)** | **WAEP (RM)** | **No. of options ('000)** | **WAEP (RM)** |
| Outstanding at 1 January | **20,197** | **2.20** | - | - |
| Granted | **-** | **-** | 20,197 | 2.20 |
| Exercised | **(35)** | **2.20** | - | - |
| Cancelled | **(1,037)** | **2.20** | - | - |
| Outstanding at 31 December | **19,125** | **2.20** | 20,197 | 2.20 |
| Exercisable at 31 December | **3,801** | **2.20** | - | 2.20 |

Details of share options outstanding at the end of the period:

| | Exercise Price RM/Share | Exercise period |
|---|---|---|
| **31.12.2011/31.12.2010** | | |
| First offer | 2.20 | 23.6.2010 to 22.6.2015 |

Options exercisable in a particular year but not exercised can be carried forward to the subsequent years provided that no options shall be exercised beyond the date of expiry of the Scheme.

The aggregate maximum allocation of share options to executive directors and senior management of the Group and the Company shall not exceed 50%. The actual allocation of share options to executive directors and senior management is 20.6% as at 31 December 2011.

The weighted average fair value of options granted during the previous financial year was RM0.93.

### (b) Share options exercised during the financial period

| | 2011 | 2010 |
|---|---|---|
| Weighted average share price at the date of exercise of the options exercised (RM) | **2.19** | - |
| Proceeds received on exercise of options over ordinary shares (RM'000) | **77** | - |

## 38. Employee benefits (contd.)

### (c) Fair value of share options granted

The fair value of the share options granted during the previous financial year was 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 first offer granted in 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.

## 39. Commitments

### (a) Capital commitments

Capital expenditures as at the reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011 RM'000** | **2010 RM'000** | **2011 RM'000** | **2010 RM'000** |
| Approved and contracted for: | | | | |
| - Property, plant and equipment | **34,109** | 134,417 | **-** | - |
| - Others | **16,667** | 6,000 | **-** | - |
| | **50,776** | 140,417 | **-** | - |
| Approved and not contracted for: | | | | |
| - Property, plant and equipment | **150,555** | 44,342 | **617** | 1,888 |
| - Others | **16,667** | 30,000 | **-** | - |
| | **167,222** | 74,342 | **617** | 1,888 |
| | **217,998** | 214,759 | **617** | 1,888 |

## 39. Commitments (contd.)

### (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 1 and 13 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 notice for the termination of those agreements.

The future minimum lease payments under operating leases contracted at reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Not later than 1 year | **3,843** | 3,051 | **1,373** | 1,188 |
| Later than 1 year and not later than 5 years | **8,131** | 8,118 | **915** | - |
| Later than 5 years | **17,798** | 19,007 | **-** | - |
| | **29,772** | 30,176 | **2,288** | 1,188 |

The lease payments recognised in profit or loss during the financial year is disclosed in Note 8.

### (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 | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Not later than 1 year | **548** | 660 | **150** | 600 |
| Later than 1 year and not later than 5 years | **431** | 979 | **-** | 150 |
| | **979** | 1,639 | **150** | 750 |

Investment property rental income recognised in profit or loss during the financial year is disclosed in Note 4.

## 39. Commitments (contd.)

### (d) Finance lease commitments

The Group has finance leases for certain items of equipment (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 | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Minimum lease payments: | | |
| Not later than 1 year | **147** | 223 |
| Later than 1 year and not later than 2 years | **18** | 151 |
| Later than 2 years and not later than 5 years | **16** | 34 |
| Total minimum lease payments | **181** | 408 |
| Less: Amounts representing finance charges | **(11)** | (9) |
| Present value of minimum lease payments | **170** | 399 |
| | | |
| Present value of payments: | | |
| Not later than 1 year | **138** | 218 |
| Later than 1 year and not later than 2 years | **16** | 149 |
| Later than 2 years and not later than 5 years | **16** | 32 |
| Present value of minimum lease payments | **170** | 399 |
| Less: Amount due within 12 months (Note 29) | **(138)** | (218) |
| Amount due after 12 months (Note 29) | **32** | 181 |

## 40. Contingencies

### (a) Contingent liabilities

(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) A legal suit has been filed by a former employee in the Industrial Court of Malaysia against a subsidiary alleging wrongful dismissal and claiming reinstatement to his former position and/or other relief that the Court deems fit and proper. As the Industrial Court has yet to make a decision/award in the matter, it is not possible to determine the Group's potential liability (if any) at this juncture.

(iii)

| | Group | |
|---|---|---|
| | **2011** | **2010** |
| | **RM'000** | **RM'000** |
| Share of contingent liabilities of associates | **3,071** | 3,071 |

## 40. Contingencies (contd.)

### (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.

On 6 January 2012, the Arbitrator awarded in favour of a subsidiary various amount due for work done for debtor as invoiced (RM5,466,968), damages for wrongful termination of the software development agreement (RM1,106,784), damages for loss of maintenance (RM701,347), and interest at 2.9% on each amount on invoices computed from date of invoice, reasonable costs including fees for preparing and presenting the arbitration. The debtor's counterclaim was dismissed.

A settlement was reached with the debtor whereby the debtor agrees to pay RM8,558,117 in full and final settlement of the Arbitrator's Award. On 29 March 2012, the Court recorded consent judgment for the payment of the settlement sum of RM8,558,117 by the debtor on or before 6 April 2012.

## 41. 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 | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income received from: | | | | |
| - Associates | **(1,015)** | (1,936) | **(1,015)** | (1,936) |
| - Subsidiaries | **-** | - | **(1,689)** | (614) |
| Interest expense paid to subsidiaries | **-** | - | **9,782** | 5,847 |
| Fee received from subsidiaries | **-** | - | **(4,513)** | (3,219) |
| Management fees received from: | | | | |
| - Subsidiaries | **-** | - | **(265)** | (202) |
| - COPE-KPF Opportunities 1 Sdn. Bhd. | **(1,892)** | (1,578) | **-** | - |
| Rental received from a subsidiary | **-** | - | **(600)** | (600) |
| Sale of materials to associates | **(11)** | (28) | **-** | - |
| Purchase of materials from an associate | **5,737** | 5,047 | **-** | - |
| Payment for services to: | | | | |
| - Associates | **3,965** | 3,641 | **41** | 267 |
| - Achi Jaya Communications Sdn. Bhd. | **19** | 32 | **2** | 3 |
| - Centigrade Resources Sdn. Bhd. | **683** | 688 | **608** | 604 |
| - Satria Realty Sdn. Bhd. | **908** | 920 | **824** | 824 |
| - KTA (Sarawak) Sdn. Bhd. | **6** | 394 | **-** | - |
| - Borneo Isthmus Development Sdn. Bhd. | **121** | 41 | **46** | 36 |
| - AGI Asset Management Ltd. | **-** | 227 | **-** | - |
| - Opus Asset Management Sdn. Bhd. | **161** | 161 | **161** | 155 |
| - Opus Capital Sdn. Bhd. | **127** | 42 | **-** | - |

## 41. Related party transactions (contd.)

### (a) Sales and purchases of goods and services (contd.)

(i) One of the directors of the Company, Dato Sri Mahmud Abu Bekir Taib, through his 15.65% (2010: 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 RM19,473 (2010: RM31,526) from AJC. There was an outstanding amount of RM7,991 (2010: RM18,059) 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 RM908,081 (2010: RM920,086). No balance with the company was outstanding at the reporting date (2010: 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 RM683,126 (2010: RM687,939). There was an outstanding amount of RM37,085 (2010: RM4,511) 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 RM5,771 (2010: RM394,448). There was no outstanding balance with KTA at the reporting date (2010: 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 RM120,676 (2010: RM41,212) with BID. There was no outstanding balance with BID at the reporting date (2010: Nil).

(vi) During the year, the Group has not incurred any expenses relating to management advisory services and accommodation with AGI Asset Management Ltd. (“AGI”), a firm controlled by a director of a former subsidiary, Ian Tham Khean Hin (2010: RM226,542). There was no outstanding balance with AGI at the reporting date (2010: 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 RM160,930 (2010: RM161,260). There was an outstanding amount of RM27,342 (2010: RM26,358) 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 a contract for the provision of advisory services to the Group for an amount of RM127,200 (2010: RM42,000). There was no outstanding balance with OPUSCAP at the reporting date (2010: Nil).

## 41. Related party transactions (contd.)

### (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Short-term employee benefits | **6,576** | 6,767 | **4,494** | 5,039 |
| Defined contribution plan | **789** | 718 | **539** | 533 |
| Share-based payments | **1,370** | 872 | **924** | 588 |
| | **8,735** | 8,357 | **5,957** | 6,160 |

During the previous 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.

## 42. Fair value of financial instruments

### (a) Determination of fair value

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:

#### (i) Cash and bank deposits, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the relatively short term nature of these financial instruments.

#### (ii) 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.

#### (iii) 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.

#### (iv) Investment securities

The fair values of quoted investment securities are determined by reference to their stock exchange quoted closing bid price at the end of the reporting period.

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 estimate the fair values with sufficient reliability without incurring excessive costs.

#### (v) Bank borrowings and term loan

The carrying values of bank borrowings and term loan 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. Fair value of financial instruments (contd.)

### (b) Fair value hierarchy

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

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

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

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

The following table shows an analysis of financial instruments carried at fair values by level of fair value hierarchy:

| **Group/Company** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **2011** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Financial assets** | | | | |
| Fixed income debt securities | **-** | **52,838** | **-** | **52,838** |
| Equity instruments | **8,314** | **-** | **-** | **8,314** |
| Unit trust funds | **27,557** | **-** | **-** | **27,557** |
| | **35,871** | **52,838** | **-** | **88,709** |

Comparative figures have not been presented for 31 December 2010 by virtue of paragraph 44G of FRS 7.

There have been no transfers between Level 1 and Level 2 during the financial year.

## 43. 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 on the 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 on 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.

## 43. Financial risk management objectives and policies (contd.)

### (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 statements 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 in Note 24. Management believes that no additional credit risk beyond that provided for is inherent in the Group's trade and other receivables.

### (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.

## 43. Financial risk management objectives and policies (contd.)

### (b) Liquidity risk (contd.)

**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.

| Group | Carrying amount RM'000 | Cash Flows: On demand or within 1 years RM'000 | 1 to 5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 31 December 2011** | | | | | |
| Financial liabilities: | | | | | |
| Trade and other payables | **235,442** | **226,042** | **9,400** | **-** | **235,442** |
| Loans and borrowings | **215,747** | **161,136** | **80,855** | **2,362** | **244,353** |
| Total undiscounted financial liabilities | | **387,178** | **90,255** | **2,362** | **479,795** |
| **At 31 December 2010** | | | | | |
| Financial liabilities: | | | | | |
| Trade and other payables | 210,707 | 210,707 | - | - | 210,707 |
| Loans and borrowings | 394,586 | 238,575 | 192,429 | 3,023 | 434,027 |
| Total undiscounted financial liabilities | | 449,282 | 192,429 | 3,023 | 644,734 |
| **Company** | | | | | |
| **At 31 December 2011** | | | | | |
| Financial liabilities: | | | | | |
| Trade and other payables | **344,634** | **344,634** | **-** | **-** | **344,634** |
| Loans and borrowings | **85,507** | **92,000** | **-** | **-** | **92,000** |
| Total undiscounted financial liabilities | | **436,634** | **-** | **-** | **436,634** |
| **At 31 December 2010** | | | | | |
| Financial liabilities: | | | | | |
| Trade and other payables | 978,406 | 978,406 | - | - | 978,406 |
| Loans and borrowings | 170,786 | 98,000 | 92,000 | - | 190,000 |
| Total undiscounted financial liabilities | | 1,076,406 | 92,000 | - | 1,168,406 |

## 43. Financial risk management objectives and policies (contd.)

### (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 (2010: 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 RM1,017,076 (2010: 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.

The currencies giving rise to this risk are primarily United States Dollar (USD) and Euro. Exposure to foreign currency risk is monitored on an ongoing basis to ensure that the exposure is at an acceptable level. At 31 December 2011, 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 Profit net of tax | |
|---|---|---|
| | 2011 RM'000 | 2010 RM'000 |
| United States Dollars | **3,368** | 6,411 |
| Euro | **513** | 1,279 |

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.

## 43. Financial risk management objectives and policies (contd.)

### (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, 60% (2010: 56%) of the Group's and the Company's investment securities consist of fixed income securities, 9% (2010: 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 RM368,910 (2010: 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 amounts shown above.

## 44. 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 2011 and 2010.

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 Company.

The Group and the Company are in compliance with all externally imposed capital requirements in respect of their external borrowings for the financial years ended 31 December 2011 and 2010.

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Loans and borrowings (Note 29) | **215,747** | 394,586 | **85,507** | 170,786 |
| Equity attributable to the owners of the Company | **1,414,815** | 1,312,667 | **1,116,303** | 990,694 |
| Gearing ratio | **15%** | 30% | **8%** | 17% |

## 45. Segment information

Segmental information is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity.

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 and road maintenance - 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, lodging and catering services, education and others.

For each of the strategic business units, the Group Managing Director reviews the internal management reports on a monthly basis and conducts performance dialogues with the business units on a regular basis. The Group assesses the performance of the operating segments based on measure of revenue and profit before tax.

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 2011

### 45. Segment information (contd.)

| | Manu-facturing RM'000 | Construction and road maintenance 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 2011** | | | | | | | | | |
| **Revenue:** | | | | | | | | | |
| External customers | 444,977 | 184,706 | 155,796 | 103,336 | 65,810 | 57,984 | - | | 1,012,609 |
| Inter-segment | 18,457 | 10,932 | 37,622 | 184 | 10,154 | 36,788 | (114,137) | A | - |
| Total revenue | 463,434 | 195,638 | 193,418 | 103,520 | 75,964 | 94,772 | (114,137) | | 1,012,609 |
| **Results:** | | | | | | | | | |
| Interest income | 3,000 | 6,996 | 1,816 | 617 | 293 | 632 | (11,717) | | 1,637 |
| Depreciation and amortisation | 24,864 | 2,215 | 3,264 | 60 | 101 | 3,552 | 741 | | 34,797 |
| Share of results of associates | - | - | - | 69 | - | 12,181 | - | | 12,250 |
| Share of results of jointly controlled entities | - | 1,248 | - | - | - | - | - | | 1,248 |
| Other non-cash expenses | 2,337 | 937 | 3,771 | 228 | 154 | 28,174 | - | B | 35,601 |
| Segment profit/(loss) before tax | 101,366 | 69,481 | 20,233 | 2,651 | 4,834 | (13,512) | (6,338) | C | 178,715 |
| **Assets:** | | | | | | | | | |
| Investments in associates | - | - | - | 74 | - | 291,766 | - | | 291,840 |
| Investments in jointly controlled entities | - | 3,628 | - | - | - | - | - | | 3,628 |
| Additions to non-current assets | 95,101 | 2,753 | 21,850 | 420 | 22 | 29,963 | 3,415 | D | 153,524 |
| **Segment assets** | 622,513 | 283,724 | 186,365 | 249,212 | 35,489 | 869,879 | (147,887) | E | 2,099,295 |
| **Segment liabilities** | 41,735 | 90,775 | 86,706 | 74,764 | 16,609 | 423,849 | (235,891) | F | 498,547 |

## 45. Segment information (contd.)

| | Manu-facturing RM'000 | Construction and road maintenance 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 |
| Share of results of jointly controlled entities | - | (1,778) | - | - | - | - | - | | (1,778) |
| Other non-cash expenses | 1,330 | 1,567 | 1,890 | 144 | 98 | 6,322 | - | B | 11,351 |
| Segment profit/(loss) before tax | 79,652 | 41,877 | 31,626 | 1,834 | 5,217 | (21,366) | (20,044) | 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 |

## 45. 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 | 2011 RM'000 | 2010 RM'000 |
|---|---|---|---|
| Impairment loss on financial assets | 8 | **4,018** | 5,865 |
| Project under study written off | 8 | **25,193** | - |
| Write down of inventories | 8 | **-** | 1,243 |
| Share options granted under ESOS | 9 | **6,390** | 4,243 |
| | | **35,601** | 11,351 |

C The following items are added to/(deducted from) segment profit/ (loss) before tax to arrive at "Profit before tax" presented in the Group's statement of comprehensive income:

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Share of results of associates | **12,250** | 6,233 |
| Share of results of jointly controlled entities | **1,248** | (1,778) |
| Unallocated corporate expense | **(19,836)** | (24,499) |
| | **(6,338)** | (20,044) |

D Additions to non-current assets consist of:

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Property, plant and equipment | **153,092** | 21,825 |
| Prepaid land lease payments | **-** | 11,500 |
| Land held for property development | **385** | 22,754 |
| Intangible assets | **47** | 1,115 |
| | **153,524** | 57,194 |

E The following items are added to/(deducted from) segment assets to arrive at total assets reported in the Group's statement of financial position:

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Investments in associates | **291,840** | 278,152 |
| Investments in jointly controlled entities | **3,628** | 2,635 |
| Deferred tax assets | **10,810** | 16,700 |
| Inter-segment assets | **(454,165)** | (1,122,894) |
| | **(147,887)** | (825,407) |

F The following items are added to/(deducted from) segment liabilities to arrive at total liabilities reported in the Group's statement of financial position:

| | 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| Deferred tax liabilities | **31,819** | 21,937 |
| Income tax payable | **5,978** | 6,717 |
| Loans and borrowings | **215,747** | 394,586 |
| Inter-segment liabilities | **(489,435)** | (1,135,037) |
| | **(235,891)** | (711,797) |

## 46. Dividends

| | Group and Company 2011 RM'000 | 2010 RM'000 |
|---|---|---|
| **Recognised during the financial year:** | | |
| Dividends on ordinary shares: | | |
| - First and final dividend for 2010: 5 sen (2009: 5 sen) less 25% taxation per share | **12,355** | 12,354 |
| - Special dividend for 2010: 5 sen (2009: Nil) less 25% taxation per share | **12,356** | - |
| | **24,711** | 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 2011: 15 sen (2010: 5 sen) less 25% taxation per share | **37,067** | 12,354 |
| - Special dividend for 2011: Nil (2010: 5 sen) less 25% taxation per share | **-** | 12,354 |
| | **37,067** | 24,708 |

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2011 of 15% less 25% taxation on 329,480,840 ordinary shares, amounting to a dividend payable of RM37,066,595 (11.25 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2012.

## 47. Subsequent event

On 27 March 2012, the Company announced that the Heads of Agreement ("HoA") entered between Rio Tinto Aluminium (Malaysia) Sdn. Bhd. ("RTA"), a wholly-owned subsidiary of Rio Tinto Limited, a company registered in Australia, and Samalaju Aluminium Industries Sdn. Bhd., a wholly-owned subsidiary of Samalaju Industries Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, and the Memorandum of Understanding ("MOU") entered between Sarawak Energy Berhad, the Company and RTA have both been terminated amicably by mutual agreement.

The termination of the HoA and MOU which were entered into in 2007 and 2008 respectively, will not have any material effect on the earnings, net assets and gearing of the Group for the financial year ending 31 December 2012.

## 48. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 3 April 2012.

## 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 2011 and 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 | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Total retained profits of the Company and its subsidiaries: | | | | |
| - Realised | **549,337** | 659,507 | **167,961** | 49,953 |
| - Unrealised | **(21,079)** | (6,055) | **40** | (1,094) |
| Total share of retained profits from associates: | | | | |
| - Realised | **11,010** | 7,389 | **-** | - |
| - Unrealised | **7,903** | 6,511 | **-** | - |
| Total share of retained profits from jointly controlled entities | | | | |
| - Realised | **1,427** | 180 | **-** | - |
| | **548,598** | 667,532 | **168,001** | 48,859 |
| Less: Consolidation adjustments | **72,489** | (136,984) | **-** | - |
| Retained profits as per financial statements | **621,087** | 530,548 | **168,001** | 48,859 |

# OTHER INFORMATION

# Analysis of Shareholdings
## As at 28 March 2012

| | | |
|---|---|---|
| Authorised Share Capital | : | 1,000,000,000 ordinary shares of RM1.00 per share<br>400 non-cumulative redeemable preference shares of RM1.00 per share |
| Issued and Paid-up Share Capital | : | 329,517,840 ordinary shares of RM1.00 per share<br>85 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 | 0.02 | - | - |
| 3. Datuk Syed Ahmad Alwee Alsree | - | - | 45,630,102[2] | 13.85 |
| 4. Datu Michael Ting Kuok Ngie @ Ting Kok Ngie | - | - | 19,000[2] | 0.01 |

### Distribution of Shareholdings

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Ordinary Shares Held | % of Issued Capital |
|---|---|---|---|---|
| 1 to 99 | 47 | 0.89 | 1,285 | 0 |
| 100 to 1,000 | 1,365 | 25.70 | 1,292,525 | 0.39 |
| 1,001 to 10,000 | 3,103 | 58.43 | 13,070,528 | 3.97 |
| 10,001 to 100,000 | 696 | 13.10 | 19,605,000 | 5.95 |
| 100,001 to less than 5% of issued shares | 95 | 1.79 | 127,792,870 | 38.78 |
| 5% and above of issued shares | 5 | 0.09 | 167,755,632 | 50.91 |
| **Total** | **5,311** | **100.00** | **329,517,840** | **100.00** |

### Category of Shareholders

| Category | No. of Shareholders | % of Shareholders | No. of Ordinary Shares Held | % of Issued Capital |
|---|---|---|---|---|
| Individuals | 4,340 | 81.72 | 126,552,628 | 38.40 |
| Banks/Finance companies | 4 | 0.07 | 104,700 | 0.04 |
| Investment Trusts / Foundation / Charities | 0 | 0 | 0 | 0.00 |
| Industrial and Commercial Companies | 90 | 1.69 | 49,097,702 | 14.89 |
| Government Agencies / Institutions | 2 | 0.04 | 26,988,860 | 8.19 |
| Nominee Companies | 875 | 16.48 | 126,773,950 | 38.48 |
| **Total** | **5,311** | **100.00** | **329,517,840** | **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 | 13.63 |
| 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<br>*Pledged securities account for Dato Sri Mahmud Abu Bekir Taib* | 29,400,085 | 8.92 |
| 5. Sarawak Economic Development Corporation | 26,965,360 | 8.18 |
| 6. Pui Cheng Wui | 16,386,105 | 4.97 |
| 7. Citigroup Nominees (Asing) Sdn Bhd<br>*Exempt AN for Citibank NA, Singapore (Julius Baer)* | 15,223,000 | 4.62 |
| 8. DB (Malaysia) Nominee (Asing) Sdn Bhd<br>*Exempt AN for Deutsche Bank AG Singapore (PWM Asing)* | 11,819,100 | 3.59 |
| 9. Chua Sim Neo @ Diana Chua | 6,533,500 | 1.98 |
| 10. Malaysia Nominees (Asing) Sendirian Bhd<br>*Pretoria Limited* | 6,000,000 | 1.82 |

| | Name of Shareholder | No. of Ordinary Shares Held | % of Issued Capital |
|---|---|---|---|
| 11. | Malaysia Nominees (Asing) Sendirian Bhd<br>*Kimber Cove Corporation* | 6,000,000 | 1.82 |
| 12. | UOBM Nominees (Asing) Sdn Bhd<br>*Galliano Holdings Limited* | 6,000,000 | 1.82 |
| 13. | UOBM Nominees (Asing) Sdn Bhd<br>*Roundsun Assets Limited* | 5,646,200 | 1.71 |
| 14. | UOBM Nominees (Asing) Sdn Bhd<br>*Taminga Profits Limited* | 5,600,000 | 1.70 |
| 15. | Malaysia Nominees (Asing) Sendirian Bhd<br>*Fullstead Finance Corporation* | 5,287,695 | 1.61 |
| 16. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Employees Provident Fund Board (Nomura)* | 5,193,800 | 1.58 |
| 17. | Malaysia Nominees (Asing) Sendirian Bhd<br>*Bakerville Profits Limited* | 5,146,200 | 1.56 |
| 18. | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt An for Morgan Stanley & Co. LLC* | 3,471,100 | 1.05 |
| 19. | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt An for the Bank of New York Mellon (BNYM as E&A)* | 3,449,000 | 1.05 |
| 20. | Jimmy Thomas @ James Abraham Thomas | 3,387,900 | 1.03 |
| 21. | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt AN for HSBC Private Bank (Suisse) S.A. (Singapore Tst Accl)* | 1,845,000 | 0.56 |
| 22. | Citigroup Nominees (Asing) Sdn Bhd<br>*CBNY for Dimensional Emerging Markets Value Fund* | 1,807,700 | 0.55 |
| 23. | Ting Pik King | 832,600 | 0.25 |
| 24. | Citigroup Nominees (Asing) Sdn Bhd<br>*CBNY for DFA Emerging Markets Small Cap Series* | 823,600 | 0.25 |
| 25. | Datin Hanifah Hajar Taib | 705,000 | 0.22 |
| 26. | Kenanga Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Datuk Raziah @ Rodiah Binti Mahmud* | 545,000 | 0.17 |
| 27. | Mayban Securities Nominees (Asing) Sdn Bhd<br>*Pledged securities account for Ng Tiam Huat* | 531,400 | 0.16 |
| 28. | Loh Kah Wai | 490,000 | 0.15 |
| 29. | Yong Ai Ting | 456,400 | 0.14 |
| 30. | Ng Teng Song | 433,700 | 0.13 |
| | **Total** | **281,369,632** | **85.39** |

## 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 | - | 13.63 |
| 4. | Jamilah Hamidah Taib | - | 44,925,102[1] | 13.63 |
| 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 | - | 8.18 |

[1] *Deemed interest pursuant to Section 6A of the Companies Act, 1965*
[2] *Deemed interest pursuant to Section 134 (12) (c) of the Companies Act, 1965*

# List of Properties
## As at 31 December 2011

| Location | Date of acquisition / revaluation | Description | Usage | Tenure | Remaining lease period (expiry date) | Land Area/ Built Up Area (hectare/m$^2$) | Age of buildings | Net book value (RM'000) |
|---|---|---|---|---|---|---|---|---|
| Lot 4747, Block 18, Salak Land District, Kuching | 2009 | Mixed zone land | Vacant land | Leasehold | 45 years (2056) | 0.03/ N/A | - | 403 |
| Lot 449, Block 15, Salak Land District, Kuching | 2007 | Mixed zone land | Land & school | Leasehold | 56 years (2068) | 7.49/ 5,322 | 5 years | 22,426 |
| Lot 678, Section 66, Kuching Town Land District, Kuching | 2010 | Mixed zone land | Vacant land | Leasehold | 27 years (2038) | 3.20/ N/A | - | 11,014 |
| Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate, Kuching | 1996 | Land & cement mill | Office & factory | Leasehold | 25 years (2036) | 6.25/ 15,223 | 34 years* | 21,984 |
| * The age of the new office extention and canteen is 13 years | | | | | | | | |
| Lot 766, Block 20, Kemena Land District, Bintulu | 1997 | Land & cement mill | Office & factory | Leasehold | 51 years (2062) | 6.88/ 68,797 | 15 years | 16,345 |
| Lot 767, Block 20, Kemena Land District, Bintulu | 1997 | Land | Vacant land | Leasehold | 51 years (2062) | 10.13/ N/A | - | 6,762 |
| Lot 571, Block 4, Sentah Segu Land District, Kuching | 1992/ 2002 | Land & clinker mill | Office & factory | Leasehold | 32.4 years (2042) | 24.15/ 53,877 | 14 years | 49,801 |
| Lot 528, Block 4, Sentah Segu Land District, Kuching | 1996 | Land | Vacant land | Leasehold | 6 months (2011) | 0.11/ N/A | - | 0 |
| Lot 872, Block 4, Sentah Segu Land District, Kuching | 1996 | Land | Vacant land | Leasehold | 1.8 years (2012) | 0.22/ N/A | - | 117 |
| Lot 415, Block 32, Kemena Land District, Bintulu | 1996 | Industrial land | Held for rental income | Leasehold | 33 years (2044) | 2.23/ N/A | - | 1,903 |
| Lots 34 & 35, Section 15, Kuching Town Land District, Nanas Road, Kuching | 1994 | 4 storey shophouse | Held for rental income | Leasehold | 804 years (2815) | 0.41/ 1,400 | 15 years | 4,193 |
| Lot 9882, Section 64, Kuching Town Land District, Kuching | 2010 | Mixed zone land | Vacant land | Leasehold | 87 years (2098) | 3.186/ N/A | - | 22,374 |
| Lot 90, Block 11, Lambir Land District, KM17, Miri-Bintulu Road, Miri | 1994 | Mixed zone land | Premix operation | Leasehold | 43 years (2054) | 2.73/ N/A | - | 97 |

| Location | Date of acquisition / revaluation | Description | Usage | Tenure | Remaining lease period (expiry date) | Land Area/ Built Up Area (hectare/m$^2$) | Age of buildings | Net book value (RM'000) |
|---|---|---|---|---|---|---|---|---|
| Lot 444, Block 11, Seduan Land District, 8th Mile, Sibu Ulu Oya Road, Sibu | 1994 | Mixed zone land | Premix operation | Leasehold | 44 years (2055) | 2.76/ N/A | - | 120 |
| Lot 71, Block 17, Kuching Central Land District, Kuching | 1996 | Mixed zone land | Quarry operation | Leasehold | 45 years (2056) | 18.94/ N/A | - | 1,876 |
| Lot 294, Block 17, Kuching Central Land District, Kuching | 1996 | Mixed zone land | Quarry operation | Leasehold | 45 years (2056) | 2.75/ N/A | - | 453 |
| Lot 212, Block 17, Kuching Central Land District, Kuching | 1996 | Mixed zone land | Office & factory | Leasehold | 45 years (2056) | 5.04/ (i) 900 | 14 years | 1,068 |
| | | | | | | (ii) 2,000 | 1 year | 1,752 |
| Lot 353, Block 17, Kuching Central Land District, Kuching | 1996 | Mixed zone land | Premix operation | Leasehold | 45 years (2056) | 2.24/ N/A | 3 years | 385 |
| Lots 338, 340-345, Block 10, Sentah Segu Land District, Kuching | 1996 | Mixed zone land | Quarry operation | Leasehold | 27 years (2038) | 3.07/ N/A | - | 669 |
| Lots 302-304, 354-357, 362 and 363, Block 17, Kuching Central Land District, Kuching | 1999 | Mixed zone land | Quarry operation | Leasehold | 813 years (2824) | 4.27/ N/A | - | 3,443 |
| Lots 342-343, Block 17, Kuching Central Land District, Kuching | 1999 | Mixed zone land | Quarry operation | Leasehold | 13 years (2024) | 0.74/ N/A | - | 165 |
| Lot 134, Section 64, Kuching Town Land District, Kuching | 1998 | Mixed zone land | Jetty and land | Leasehold | 47 years (2058) | 0.43/ N/A | 13 years | 1,140 |
| Lot 2221, Block 17, Menuku Land District, Kuching | 2008 | Mixed zone land | Quarry operation | Freehold | In perpetuity | 0.82/ N/A | - | 161 |
| Lot 2128, Sublot 2, Kuching Town Land District, Kuching | 1998 | 3-Storey shophouse | Office | Leasehold | 49 years (2060) | 0.01/ 334 | 14 years | 376 |
| Lot 2116, Sublot 2, Kuching Town Land District, Kuching | 2003 | 3-Storey corner shophouse | Office | Leasehold | 49 years (2060) | 0.01/ 328 | 14 years | 466 |

# List of Properties
## As at 31 December 2011

| 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'000) |
|---|---|---|---|---|---|---|---|---|
| Lot 493, Block 5, Muara Tebas Land District, Sejingkat, Kuching | 1996 | Mixed zone land | Vacant land | Freehold | In perpetuity | 1.22/ N/A | - | 255 |
| Lot 494, Block 5, Muara Tebas Land District, Sejingkat, Kuching | 1998 | Mixed zone land | Vacant land | Leasehold | 26 years (2037) | 0.53/ N/A | - | 75 |
| Lot 488, Block 5, Muara Tebas Land District, Sejingkat, Kuching | 1996 | Mixed zone land | Vacant land | Leasehold | 15 years (2026) | 2.70/ N/A | - | 275 |
| Lots 220-222, Section 63 Kuching Town Land District, Kuching | 2007 | Intermediate 4-storey shophouses | Office | 860 years | 785 years (2797) | 0.04/ 4,452 | 2.5 years | 3,393 |
| Lot 1319, Block 7, Muara Tebas Land District, Sejingkat, Kuching | 1997 | Mixed zone land | Land held for development | Leasehold | 85 years (2096) | 26.42/ N/A | - | 22,376 |
| Lot 2342, Block 7, Muara Tebas Land District, Sejingkat, Kuching | 1997 | Mixed zone land | Land held for development | Leasehold | 85 years (2096) | 38.20/ N/A | - | 32,349 |
| Lot 2839, Block 7, Muara Tebas Land District, Sejingkat, Kuching | 1997 | Mixed zone land | Land held for development | Leasehold | 98 years (2109) | 1.67/ N/A | - | 1,413 |
| Lot 2850, Block 7, Muara Tebas Land District, Sejingkat, Kuching | 1997 | Mixed zone land | Land held for development | Leasehold | 98 years (2109) | 3.49/ N/A | - | 2,960 |
| Lot 2852, Block 7, Muara Tebas Land District, Sejingkat, Kuching | 1997 | Mixed zone land | Land held for development | Leasehold | 98 years (2109) | 2.59/ N/A | - | 2,196 |
| Lot 2855, Block 7, Muara Tebas Land District, Sejingkat, Kuching | 1997 | Mixed zone land | Land held for development | Leasehold | 98 years (2109) | 16.67/ N/A | - | 14,116 |
| Lot 622, Section 66, Kuching Town Land District, Kuching | 1998 | Mixed zone land | Land held for development | Leasehold | 47 years (2058) | 3.14/ N/A | - | 3,671 |
| Lot 744, Section 66, Kuching Town Land District, Kuching | 1998 | Mixed zone land | Land held for development | Leasehold | 47 years (2058) | 14.51/ N/A | 2 years | 17,293 |
| Lot 9244, Block 11, Muara Tebas Land District, Stutong, Kuching | 2011 | Mixed zone land | Land held for development | Leasehold | 60 years (2071) | 7.75/ N/A | - | 7,753 |

| 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'000) |
|---|---|---|---|---|---|---|---|---|
| Lots 6948, 7077, 7632 & 7686, Salak Land District, Kuching | 1999 | Mixed zone land | Land held for township development | Leasehold | 87 years (2098) | 1,473.94/ N/A | - | 11,451 |
| Lots 5569, 4751-4752, 3988-3990, 3992-3994 & 3712, Block 9, Salak Land District, Kuching | 1999 | Mixed zone land | Land held for township development | Leasehold | 87 years (2098) | 58.64/ N/A | - | 496 |
| Lot 1, Block 13, Salak Land District, Kuching | 1999 | Mixed zone land | Land held for township development | Leasehold | 87 years (2098) | 349.70/ N/A | - | 2,711 |
| Lot 2082, Section 66, Kuching Town Land District Kuching | 1996 | Land & factory | Office & factory | Leasehold | 34 years (2045) | 0.85/ 3,936 | 28 years | 2,458 |
| Parcel 42, Block 71, Kuching Central Land District, Kuching | - | ** | Quarry operation | - | - | N/A/ 1,262 | 19 years | 55 |
| G.N. No.100 Sebuyau, Kota Samarahan Division, Kuching | - | ** | Jetty | - | - | N/A | 12 years | 604 |
| Lot 360 & Lot 361, Block 17, Kuching Central Land District, Kuching | - | ** | Temporary sheet pile storage | - | - | N/A | 3 years | 319 |
| Lot 246, Block 5, Sentah Segu Land District, Kuching | - | ** | Quarry operation | - | - | N/A | 1 year | 8,534 |
| Jalan Bintulu-Miri (Coastal Road), Samalaju Industrial Park, Bintulu | - | ** | Quarters, office, lodge | - | - | N/A | 1 year | 21,690 |
| Lots 552-553, Upper Lanang Road, Sibu | - | ** | Bulk terminal | - | - | N/A/ 2,841 | 1 year | 8,123 |
| Lot 239, Lorong 5, Block 4, Jalan Krokop Riverside, Miri | - | ** | Bulk terminal | - | - | N/A/ 2,745 | 1 year | 9,192 |

** 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
T +60 82 238 888 F +60 82 333 828

Level 33 Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur
T +6 03 2078 9133 F +6 03 2078 7233

www.cmsb.com.my
www@hq.cmsb.com.my

## 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
www.cement.cmsb.com.my
www.cmsb.com.my/cement

**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
clinker@cmsb.com.my
www.cmsb.com.my/clinker

**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 +60 82 614 436 F +60 82 614 406
concrete@cmsb.com.my
www.cmsb.com.my/concrete

## 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 / 610 226 F +60 82 615 598
www.cmsb.com.my/quarries

**CMS Penkuari Sdn Bhd** (27895-T)
7th Mile, Kuching-Serian Road
93250 Kuching
T +60 82 614 913 F +60 82 614 923
www.cmsb.com.my/penkuari

**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
www.cmsb.com.my/premix

**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
www.cmsb.com.my/wires

## Samalaju Development

**Samalaju Industries Sdn Bhd** (783430-V)
**Samalaju Aluminium Industries Sdn Bhd** (782329-P)
**Sarawak Aluminium Company Sdn Bhd** (783974-K)
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 238 888 F +60 82 338 611

**Samalaju Property Development Sdn Bhd** (752695-D)
**Samalaju Hotel Management Sdn Bhd** (965442-M)
2nd Floor, No. 96 & 97, Lot 7317 & 7318
Medan Central Commercial Centre
Jalan Tanjung Kidurong
97800 Bintulu
T +60 86 335 995 F +60 86 337 995
samalaju@cmsb.com.my
www.spdsamalaju.com.my

## Construction & Road Maintenance

**CMS Works Sdn Bhd** (317052-H)
Lot 220 - 222 Section 63 KTLD
Lorong Ang Cheng Ho 9
Jalan Ang Cheng Ho
93100 Kuching
T +60 82 233311 / 233030 F +60 82 230 311

**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
works@cmsb.com.my
www.cmsb.com.my/works

**CMS Roads Sdn Bhd** (287718-K)
Lot 220 - 222 Section 63 KTLD
Lorong Ang Cheng Ho 9
Jalan Ang Cheng Ho
93100 Kuching
T +60 82 233311 / 233030 F +60 82 230 311
hotlinejlnraya@works.cmsb.com.my
www.cmsroads.com

**CMS Pavement Tech Sdn Bhd** (340934-W)
Level 3 & 4, Lot 220
Section 63 KTLD
Lorong Ang Cheng Ho 9
93100 Kuching
T +60 82 240 233 F +60 82 239 842
www.cmspavement.com

## Property Development

**Projek Bandar 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
E info@cmsproperty.com.my
sales@cmsp.cmsb.com.my
www.cmsproperty.com.my

**CMS Hotels Sdn Bhd** (690299-T)
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
trading@cmsb.com.my
agrotech@cmsb.com.my
www.cmsb.com.my/trading

**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
info@ tps.edu.my
www.tps.edu.my

## Others

**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
azam@opusasset.com
www.cmsb.com.my/opus

**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
kenanga@kenanga.com.my
www.kenanga.com.my

**KKB Engineering Berhad** (26495-D)
No. 22, 4th Floor
Jalan Tunku Abdul Rahman
93100 Kuching
T +60 82 419 877 F +60 82 419 977
kpl@kkbeb.com.my
www.kkbeb.com.my

# ANNUAL GENERAL MEETING 2012

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Thirty-Seventh Annual General Meeting of the Company will be held at Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak on Wednesday, 30 May 2012 at 11:00 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the year ended 31 December 2011 and the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**

2. To declare a first and final dividend of 15 sen gross per share less income tax of 25% for the financial year ended 31 December 2011. **(Ordinary Resolution 2)**

3. To re-elect the following Directors who retire pursuant to Article 110 of the Company's Articles of Association:-

   a) Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail **(Ordinary Resolution 3)**
   b) YBhg Datuk Wan Ali Tuanku Yubi **(Ordinary Resolution 4)**

4. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129(6) of the Companies Act, 1965:-

   a) "THAT YBhg Dato Sri Liang Kim Bang, retiring pursuant to Section 129(6) 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 YBhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie, retiring pursuant to Section 129(6) 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 financial year ended 31 December 2011. **(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, pass the following resolutions:

7. Authority to Directors to issue shares **(Ordinary Resolution 9)**

   "THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

8. Proposed renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature **(Ordinary Resolution 10)**

   "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 3.3 of the Circular to Shareholders dated 8 May 2012 ("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 3.4 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 3.8 of the Circular."

9. Proposed Amendments to the Articles of Association of the Company **(Special Resolution)**

"THAT the amendments to the Articles of Association of the Company as set out in Part A (II) of the Circular to Shareholders dated 8 May 2012 be and are hereby approved and adopted AND THAT the Directors be and are hereby authorised to give effect to the said amendments".

## NOTICE OF DIVIDEND PAYMENT

**NOTICE IS HEREBY GIVEN** that the first and final dividend of 15 sen gross per share less 25% tax for the financial year ended 31 December 2011, if approved at the above Annual General Meeting, will be paid on 27 July 2012 to Depositors whose names appear in the Record of Depositors on 30 June 2012.

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 2012 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
8 May 2012

**NOTES:**

1. For the purpose of determining a member who shall be entitled to attend the 37th AGM, the Company shall request Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 23 May 2012. Only a depositor whose name appears on the General Meeting Record of Depositors as at 23 May 2012 shall be entitled to attend the said meeting or to appoint proxies to attend and/or vote on his/her behalf.

2. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A corporation must complete this form of proxy under its common seal or under the hand of a duly authorised officer or attorney. 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.

3. The proposed Ordinary Resolution 9, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investments projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next AGM of the Company.

4. The proposed Ordinary Resolution 10, if passed, will allow the Group to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature pursuant to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Please refer to the Circular to Shareholders dated 8 May 2012 for further information.

5. The proposed Special Resolution, if passed, is to incorporate provisions as required by Bursa Malaysia Securities Berhad. Please refer to the Circular to Shareholders dated 8 May 2012 for further information.

Names of Directors who are standing for re-election at the 37th AGM:

a) Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail
b) YBhg Datuk Wan Ali Tuanku Yubi

Names of Directors who are seeking re-appointment at the 37th AGM:

a) YBhg Dato Sri Liang Kim Bang
b) YBhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie

**The profiles of the directors are set out on pages 15 to 19 of the Annual Report 2011. Their shareholdings in the Company are set out on page 170.**

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# Form of Proxy

CAHYA MATA SARAWAK BERHAD
(Company No. 21076-T)
(Incorporated in Malaysia)

| **No. of Shares Held:** |
|---|
| CDS Account No.: |

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-Seventh Annual General Meeting of the Company to be held at Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak on Wednesday, 30 May 2012 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 | | |
| **3.** | Re-election of Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail as Director | | |
| **4.** | Re-election of Y Bhg Datuk Wan Ali Tuanku Yubi as Director | | |
| **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 2011 | | |
| **8.** | Re-appointment of Auditors | | |
| **9.** | Authority to Directors to issue shares | | |
| **10.** | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions | | |
| **11.** | Proposed Amendments to the Articles of Association of the Company | | |

Date: ______________________ 2012 Signature: ______________________

**Notes**

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Only a depositor whose name appears on the General Meeting Record of Depositors as at 23 May 2012 shall be entitled to attend the said meeting or to appoint proxies to attend and/or vote on his/her behalf.

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. 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

Folding line

CAHYA MATA SARAWAK

CAHYA MATA SARAWAK BERHAD
(Company No. 21076-T)
Wisma Mahmud, Jalan Sungai Sarawak
93100 Kuching, Sarawak, Malaysia
T +60 82 238 888 F +60 82 333 828
www.cmsb.com.my

**CAHYA MATA SARAWAK**

**CAHYA MATA SARAWAK BERHAD**
(Company No. 21076-T)
(Incorporated in Malaysia)

ERRATA/ADDENDUM TO THE NOTICE OF THIRTY-SEVENTH ANNUAL GENERAL MEETING AND NOTICE OF DIVIDEND PAYMENT

To all Shareholders of Cahya Mata Sarawak Berhad,

Reference is made to the Notice of the Thirty-Seventh Annual General Meeting and Notice of Dividend Payment of Cahya Mata Sarawak Berhad ("the Company") which was dispatched to the Shareholders of the Company on 8 May 2012 together with the Annual Report 2011.

We wish to inform that:

(i) The entitlement date for Depositors whose names appear in the Record of Depositors in the Notice of Dividend Payment should be **29 June 2012** instead of 30 June 2012.

(ii) Note (3) should read as follows:

**The proposed Ordinary Resolution 9, if passed, is a new mandate sought from Shareholders for the Directors of the Company to issue and allot shares up to an aggregate amount not exceeding 10% of the issued and paid-up share capital of the Company for the time being for such purposes as the Directors would consider to be in the interest of the Company.**

**This abovesaid authority** would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investments, projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors may deem fit, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next AGM of the Company.

By Order of the Board

**DENISE KOO SWEE PHENG**
Group Company Secretary

Kuching, Sarawak
8 May 2012