



CAHYA MATA SARAWAK

OUR



TOGETHER
WE BUILD
A BETTER FUTURE

Annual Report 2012

Right: The New State Legislative Assembly Building or Dewan Undangan Negeri (DUN) Sarawak showcases PPES Works of CMS' capabilities in the construction of this 9-level building surrounded by majestic columns resembling the rainforest, and a massive 'Payung Negara' roof.



OUR VISION

To be the PRIDE of Sarawak & Beyond

OUR STAKEHOLDERS

Our Shareholders, Staff, Customers & Community

OUR MISSION

Producing Quality, On Spec & On Time

Respect & Integrity

Improving, Innovating & Investing in People

Delivering Sustainable Growth

Environmentally Conscious, Safe & Conducive Workplace

OUR BUSINESS

For nearly four decades, Cahya Mata Sarawak (CMS), as the largest private sector corporation in Sarawak, has played a significant role in developing Sarawak. Tracing its humble origins back to cement manufacturing, CMS has successfully diversified into manufacturing and trading of Cement & Construction Materials, Construction, Road Maintenance, Township, Property and Infrastructure Development, Education and Financial Services. As Sarawak moves into a new era of growth with the Sarawak Corridor of Renewable Energy (SCORE), CMS' expansion path is moving into a new trajectory to take advantage of the business investment opportunities in energy intensive industries and its infrastructure needs.

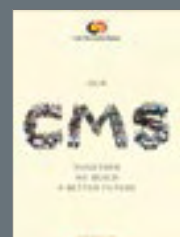
CMS is listed on the Main Market of Bursa Malaysia, the Malaysian stock exchange.

About The Cover: **OUR CMS**

TOGETHER WE BUILD A BETTER FUTURE

CMS' success thus far is owing to the hard work and commitment of our over 2,000 loyal employees, some of whom are in the cover photo. Their dedication to working together for the common good of CMS and the people of Sarawak speaks volumes of the new vigour and commitment to success that is evident throughout CMS. CMS is a transparent and dynamic organisation that is ready to capitalise on the many opportunities that the Sarawak Corridor of Renewable Energy is affording us.

Going forward, a united and more reinvigorated CMS will continue to strengthen its sustainable and profitable portfolio of businesses and move closer towards achieving its ambition of becoming the "Pride of Sarawak and Beyond". Together, we will build a better future for our Sarawak and our nation.





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Corporate Information

COMPANY NAME

Cahaya Mata Sarawak Berhad

COMPANY NUMBER

21076-T

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 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@
Ting Kok Ngie

Y Bhg Datu Hubert Thian Chong Hui

Mr Kevin How Kow

COMPANY SECRETARY

Denise Koo Swee Pheng

REGISTERED OFFICE

Level 6, Wisma Mahmud,
Jalan Sungai Sarawak,
93100 Kuching,
Sarawak, Malaysia

WEBSITE

www.cmsb.com.my

REGISTRAR

Symphony Share Registrars Sdn. Bhd.
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU, 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan

T +603 7841 8000

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AUDITORS

Ernst & Young

PRINCIPAL BANKERS

RHB Bank Berhad

Hong Leong Bank Berhad

Public Bank Berhad

OCBC Bank (Malaysia) Berhad

Kenanga Investment Bank Berhad

Bank Kerjasama Rakyat Malaysia Berhad

CIMB Bank Berhad

United Overseas Bank (Malaysia) Berhad

Citibank Berhad

STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad

Sector : Industrial Products

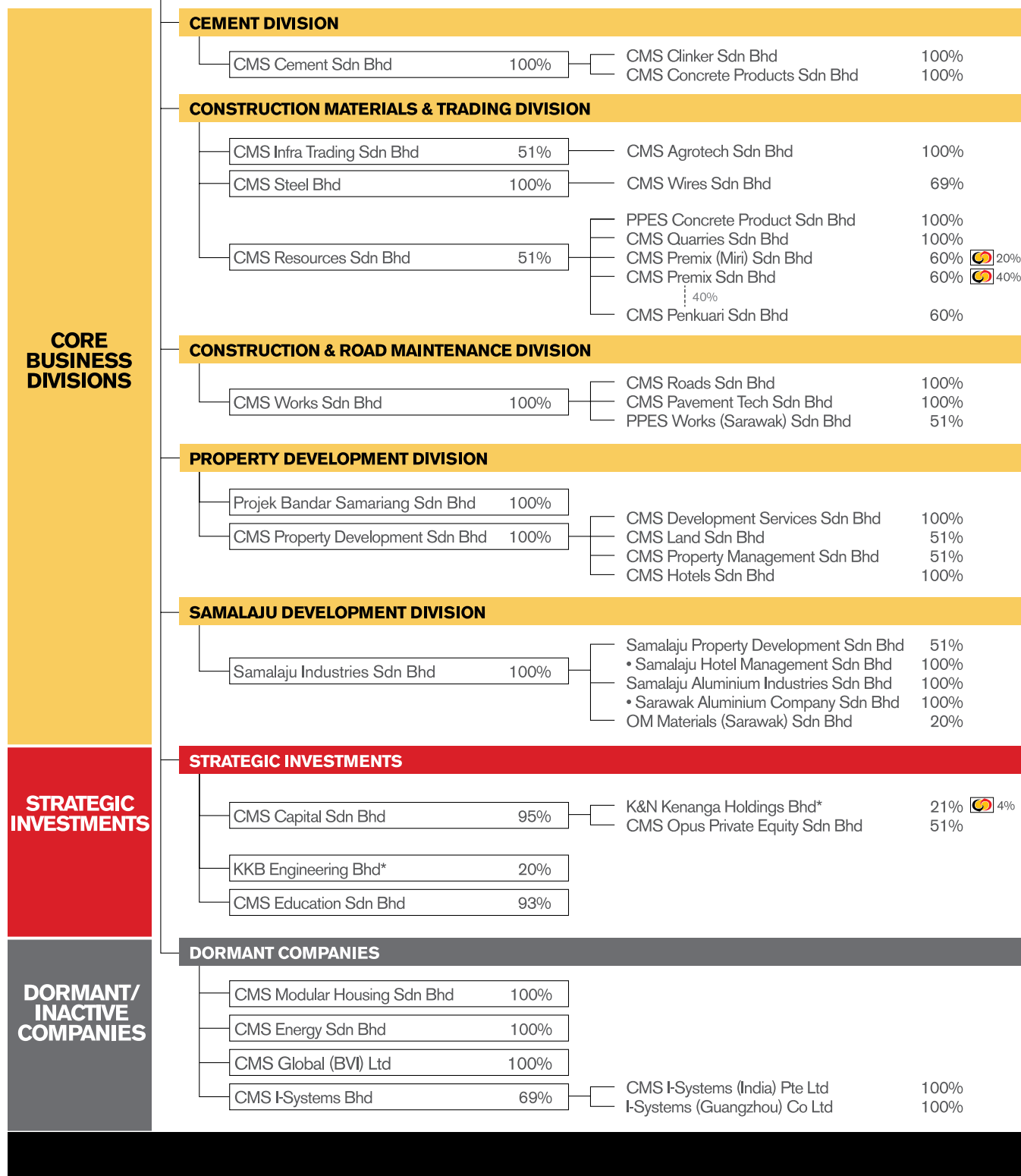
Stock Code : CMSB

Stock Number : 2852



CAHYA MATA SARAWAK BERHAD*

As at April 2013



*Listed on Main Market of Bursa Malaysia

Corporate Milestones

STRENGTHENING OUR GROUP FOR SUSTAINABLE GROWTH

17 January 2012

CMS Works Sdn Bhd and China Machinery Engineering Corporation signed a Consortium Agreement to bid for the Balingian Power Plant Project.

2 February 2012

The associate company, OM Materials (Sarawak) Sdn Bhd signed a Power Purchase Agreement with Sarawak Energy Berhad.

5 April 2012

RAM Ratings upgraded the rating of CMS' debt (CMS Income Securities) from A2 to A1.

7 June 2012

A Memorandum of Understanding (MOU) was signed between Samalaju Industries Sdn Bhd and Malaysian Phosphate Additives Sdn Bhd. The MOU provided for both parties to enter into negotiations for the joint-venture development of a 500,000 MT annual production capacity food and feed phosphates and fertiliser phosphate derivatives plant at Samalaju Industrial Park, Sarawak.

10 July 2012

COPE Opportunities 2 Sdn Bhd launched its 1st Islamic Private Equity Fund with a fund size of RM61 million.

27 September 2012

CMS completed its acquisition of an additional 30,070,000 shares equivalent to 4.92% equity interest in K&N Kenanga Holdings Berhad for a total purchase consideration of RM24.76 million.

3 October 2012

Following the signing of a Shareholders' Agreement and a Subscription Agreement on 19 October 2011, OM Materials (Sarawak) Sdn Bhd held a ground-breaking ceremony for the USD424 million ferroalloy smelting plant at Samalaju Industrial Park, officiated by Sarawak's Chief Minister, YAB Pehin Sri Abdul Taib Mahmud.

14 December 2012

Kenanga Investment Bank Bhd (KIBB), a subsidiary of K&N Kenanga Holdings Bhd completed its acquisition of ECM Libra Investment Bank Bhd. The merger placed KIBB as the third largest brokerage in Malaysia and the largest independent investment bank by trading volume and value.

28 December 2012

CMS fully redeemed all outstanding amounts pertaining to its RM400 million CMS Income Securities.

BUSINESS HIGHLIGHTS

21 March 2012

CMS Cement Sdn Bhd officially opened its cement terminal and packing facility in Sibul.

23 May 2012

CMS Cement Sdn Bhd officially opened its cement terminal and packing facility in Miri.

ENGAGING WITH STAKEHOLDERS

28 February 2012

CMS announced an indicative dividend policy of a minimum of 30% of its profit after tax and non-controlling interests.

28 February 2012

CMS recorded a revenue of RM1,012.27 million with a pre-tax profit of RM120.10 million for the year ended December 2011.

30 May 2012

CMS held its 37th Annual General Meeting for Shareholders for the financial year ended 31 December 2011.

30 May 2012

CMS held an Extraordinary General Meeting where the Shareholders approved the purchase of own shares by the Company of up to 10% of the total issued and paid-up ordinary share capital of the Company.

30 May 2012

CMS recorded a revenue of RM230.34 million with a pre-tax profit of RM36.40 million for 1Q 2012. These represented an increase of 2% and 16% respectively compared to the same quarter last year.

23 July 2012

CMS commenced purchasing its own shares under the share buy-back scheme which was approved by the Shareholders on 30 May 2012.

27 July 2012

CMS paid its first and final dividend amounting to RM37.08 million for the year ended 31 December 2011.

29 August 2012

CMS posted a revenue of RM292.20 million for 2Q 2012, a growth of 13% compared to the same quarter last year. Its pre-tax profit of RM70.11 million for the quarter was 58% higher than the preceding year's corresponding quarter. Year-on-year, CMS' pre-tax profits of RM120.01 million for the six-month period was 37% higher.

19 October 2012

CMS paid its interim dividend amounting to RM12.25 million for the year ended 31 December 2012.

29 November 2012

CMS posted a revenue of RM288.28 million for 3Q 2012, a growth of 20% compared to the same quarter last year. However, its pre-tax profits for the quarter came in at RM44.52 million, a decrease of 16% compared to the same quarter last year. Nevertheless, its profit for the nine months ended 30 September 2012 rose to RM164.53 million, a 17% increase from the corresponding period of last year. Revenue growth remained robust at RM810.83 million for the nine-month period, 12% higher compared to the same period last year.



The Signing Ceremony between CMS Works Sdn Bhd and China Machinery Engineering Corporation Agreement to bid for the Balingian Power Plant Project.

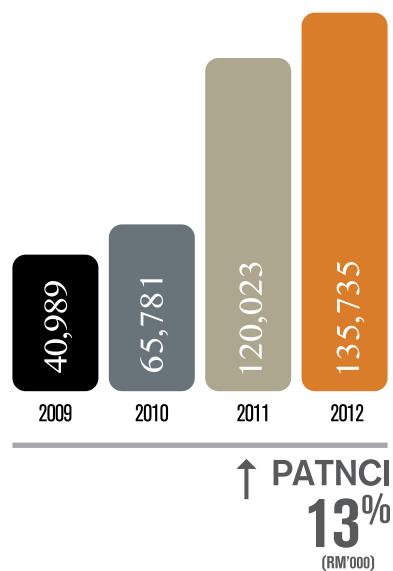
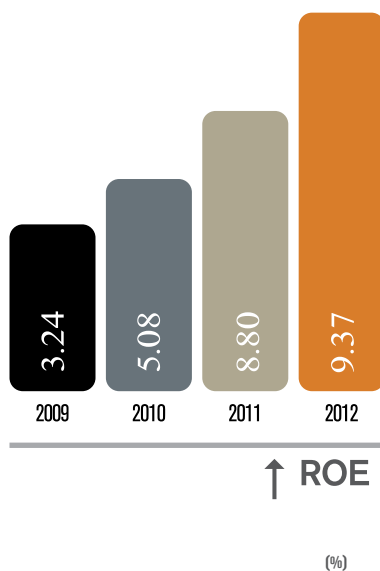
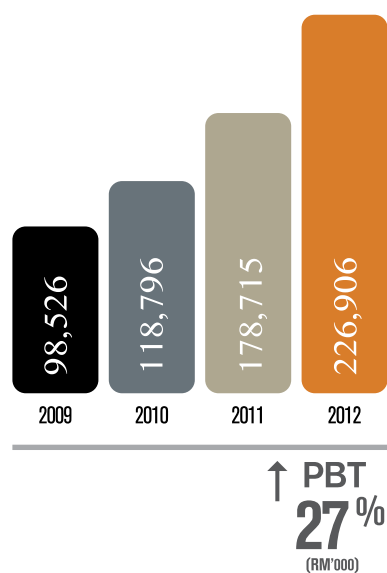
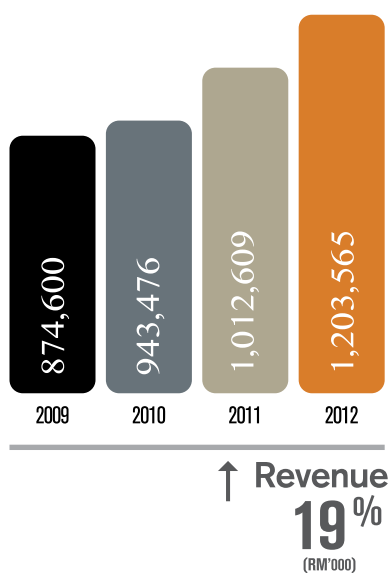


CMS' 37th Annual General Meeting



Ground-breaking Ceremony of OM Materials (Sarawak) Sdn Bhd's ferroalloy smelting plant at Samalaju Industrial Park.

Performance at a Glance



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

Financial Highlights

	2008	2009	2010	2011	2012
Revenue (RM'000)	893,033	874,600	943,476	1,012,609	1,203,565
Profit before taxation (RM'000)	150,570	98,526	118,796	178,715	226,906
Profit attributable to owners of the Company (RM'000)	95,770	40,989	65,781	120,023	135,735
Weighted average number of shares ('000)	329,446	329,446	329,446	329,469	327,928
Basic earnings per share (sen)	29.07	12.44	19.97	36.43	41.39
Gross dividends per share (sen)	5	5	10	15	17
Total shareholders' funds (RM'000)	1,248,825	1,277,970	1,312,667	1,416,025	1,480,923
Total assets (RM'000)	2,327,137	2,289,302	2,114,822	2,100,572	2,140,240
Net tangible assets per share (RM)	3.56	3.65	3.79	4.10	4.37
Net assets per share (RM)	3.79	3.88	3.98	4.30	4.56
Return on average shareholders' equity (%)	7.70	3.24	5.08	8.80	9.37
Return on total assets (after tax) (%)	4.12	1.79	3.11	5.71	6.34
Total borrowings (RM'000)	649,767	534,236	394,586	215,747	89,825
Gearings (times)	0.52	0.42	0.30	0.15	0.06
Current assets (RM'000)	890,595	1,515,346	1,338,175	1,182,117	1,141,742
Current liabilities (RM'000)	509,145	528,523	449,919	390,025	371,725
Current ratio (times)	1.75	2.87	2.97	3.03	3.07
CMS Share Price Information (RM)					
Low	1.02	1.06	1.45	1.70	2.06
High	2.48	1.84	3.14	2.90	3.50
Closing	1.14	1.48	2.66	2.09	3.33





DEAR SHAREHOLDERS

Your company, **Cahya Mata Sarawak Berhad**, turned in a commendable performance on the financial and operational fronts in 2012, further entrenching its position as Sarawak's leading infrastructure facilitator. Despite a challenging operating environment, our core divisions made good strides forward, their growth a reflection of the State's own unwavering growth. Today, we continue to make steady progress in the way of our core businesses, future growth projects and key strategic investments to ensure our long term growth and success. At the same time, we are exploring opportunities to capitalise on the many opportunities that the Sarawak Corridor of Renewable Energy (SCORE) is affording us. As we undertake measures to strengthen our sustainable and profitable portfolio of businesses, we are quickly moving closer towards achieving our ambition of becoming the "PRIDE of Sarawak and Beyond".

On behalf of the Board of Directors, I am pleased to present the Annual Report of Cahya Mata Sarawak Berhad (CMS or the Group) for the financial year ended 31 December 2012.

FINANCIAL PERFORMANCE

CMS delivered a commendable performance for the year ended 31 December 2012 (FY 2012). The Group's profit before tax (PBT) grew by 27% to RM226.91 million from PBT of RM178.72 million recorded in the preceding year. Revenue grew by 19% to RM1.20 billion in comparison to revenue of RM1.01 billion registered in FY 2011.

The 19% improvement to 2012's revenue was largely due to the increases in revenue of the Cement Division followed by the Construction Materials & Trading, the Construction & Road Maintenance, and the Samalaju Development Divisions.

The Group's 2012 PBT was driven by the Construction & Road Maintenance Division, followed by the Cement and the Construction Materials & Trading Divisions. The Samalaju Development and the Property Development Divisions too contributed sizeable PBT in FY 2012.

For the first time ever, the Construction & Road Maintenance Division became the largest contributor to the Group's PBT surpassing the Cement Division. The Division registered a 36% jump (excluding a gain on acquisition of subsidiaries in FY 2011) in PBT mainly due to the increase in the contract rate for State road routine maintenance works.

Chairman's Statement

The Cement Division, comprising CMS Cement, CMS Clinker and CMS Concrete Products, recorded a 34% drop in its PBT in FY 2012. Despite a higher sales volume, this Division's PBT was dragged down by the underperformance of CMS Clinker, due to the prolonged delay in the clinker plant upgrading project. Though not the largest PBT contributor in FY 2012 (unlike previous years), this Division is still a considerable contributor to the Group's profit after tax and non-controlling interests (PATNCI).

The Construction Materials & Trading Division, comprising the Group's quarrying, premix, wires and trading businesses, saw its PBT increasing by 62%, largely on the back of Jabatan Kerja Raya (JKR) sales through State government special funding.

The Samalaju Development Division (which commenced operations in the second quarter of 2011) reported a commendable hike in PBT of 88% (excluding a write-off of expenses relating to a project under study totalling RM25.19 million in FY 2011) in FY 2012. The Division's revenue and profitability increased as more blocks of workers' accommodation were built and occupied.

The Property Development Division's PBT improved in FY 2012 compared to the preceding year's PBT as a result of the recognition of profits from the sale of land. A management reshuffle and Sarawak's accelerating growth is expected to inject new life into this business going forward.

The Strategic Investments portfolio (excluding our associate companies) recorded a higher loss in FY 2012 on the back of higher losses by CMS Capital and the education company. These were partially mitigated by a higher profit recorded by our private equity company.

The Group also recorded lower shares of profit from associate companies K&N Kenanga Holdings Berhad (KNKH) and KKB Engineering Berhad (KKB) in FY 2012 as compared to FY 2011. KNKH, our associate company in the stockbroking and investment banking industry, reported a lower pre-tax profit largely due to one-off expenses from strategic investments to build revenue opportunities and hone a longer-term advantage. Our associate, KKB, which is involved in steel fabrication and the manufacture of steel pipes, posted lower than expected profits in FY 2012 which was affected by a drop in revenue for its engineering and manufacturing segments. Going forward, both companies are expected to perform better in FY 2013.

The Group has a 20% equity stake in a joint venture ferrosilicon and manganese alloys smelter with OM Holdings Ltd, an Australian-listed miner, manufacturer and trader of manganese, iron and chrome ore and alloys. The associate company, OM Materials (Sarawak) Sdn Bhd (OM Materials Sarawak), recorded a marginal loss in FY 2012 pending finalisation of financing and construction arrangements for the smelter's construction.

We are pleased with the progress made by all our core business divisions and remain confident of their sustainable growth over the long-term. Going forward, Shareholders can be rest assured that we will not rest on our laurels but will continue to build upon the good momentum gained thus far.

SHAREHOLDER VALUE CREATION

The Group's basic earnings per share (EPS) for the 12 months ended 31 December 2012 rose to 41.39 sen from basic EPS of 36.43 sen previously. The Group's Return on Equity (ROE) rose to 9.37% for the 12 months ended 31 December 2012 in comparison to a ROE of 8.80% in the preceding year.

In 2011, the Board of Directors announced the adoption of an indicative dividend policy with effect from FY 2012. This dividend policy calls for the distribution of a minimum of 30% of the PATNCI annually to its Shareholders, subject to a minimum of at least 5 sen per share, the level of available cash and cash equivalents, ROE, retained earnings and projected levels of capital expenditure and other investment plans.

In line with this, the Board of Directors is proposing to reward shareholders with a final dividend of 12 sen per share (less 25% taxation) for FY 2012. Together with the interim dividend of 5 sen per share (less 25% taxation) paid on 19 October 2012, this brings the total dividend pay-out for FY 2012 to 17 sen (less 25% taxation) or an amount of RM41.49 million payable to shareholders (FY 2011: 15 sen per share less 25% tax amounting to RM37.08 million paid to shareholders).

Today, CMS has a healthy balance sheet and a comfortable level of gearing. From a gearing of 0.15 times in FY 2011, we further reduced our gearing to 0.06 times in FY 2012, thereby freeing up our cash for future investment.

RESPONSIBLE CORPORATE PRACTICES

Your Board of Directors continues to proactively uphold and implement the highest standards of corporate governance, risk management and internal control practices throughout our organisation. These measures are ensuring the sustainable growth of the Group's businesses, the preservation of our corporate reputation and continued shareholder value creation. In 2012, we undertook several measures to align our corporate governance practices with the principles and recommendations set out in the Malaysian Code of Corporate Governance 2012. We also adopted a Whistleblowing Policy and agreed to take steps to include women directors on the Board. The details of our corporate governance measures, risk management practices and internal control policies are set out in the relevant sections of this Annual Report.

As Sarawak's leading infrastructure facilitator and a conscientious corporate citizen, CMS is genuinely committed to growing in a profitable and responsible manner. In line with our vision of becoming "the PRIDE of Sarawak and Beyond,"

we are committed to balancing our robust financial performance with responsible social and environmental behaviour that is beneficial to our stakeholders, namely our shareholders, employees, customers and the communities we operate in. The details of these initiatives as well as the many responsible and sustainable practices within our operations are spelt out in the Corporate Responsibility section of this Annual Report.

OUTLOOK AND PROSPECTS

The Malaysian economy is expected to remain on a steady growth path with GDP growth of between 5% and 6% in 2013. Economic activity will be anchored by the continued resilience of domestic demand, and supported by a gradual improvement in the external sector. Nevertheless, we need to be vigilant and continuously monitor the global economy as concerns remain on several issues in other parts of the world.

Sarawak is expected to remain relatively insulated from external developments due to the long-term nature of its economic drivers in SCORE which are now taking off. Fuelled by the developments in SCORE, the State is expected to exceed the current growth rate of 5% to 6% by 2015, possibly outpacing the projected average national growth of 6.0%. The implementation of SCORE continues to accelerate with several heavy industrial projects having commenced production in 2012. The State's plan to develop long-term, energy intensive industries under SCORE, as well as strengthen the consequential infrastructure required across the State, bodes well for CMS' businesses. The many initiatives under the Government Transformation Programme and Economic Transformation Programme too are expected to continue benefiting our businesses.

By virtue of our being Sarawak's largest and most integrated infrastructure development company, and in line with our robust financial position, CMS is in a position to invest in the unparalleled investment opportunities arising from the energy intensive industries locating themselves in SCORE. The first of these investments comes in the way of our equity stake in OM Materials Sarawak's ferrosilicon and manganese alloys smelter which is expected to commence operations in late 2014. Investments such as these are expected to create new platforms to accelerate our growth and increase shareholder value.

We are continuously leveraging on the synergies between our respective core competencies and exploring ways and means to optimise operational efficiency, lower costs and drive growth. Together with our strong track record in construction materials manufacturing, infrastructure development and maintenance, our healthy balance sheet and low gearing, our strong professional working relationships across Sarawak and our proven commitment to be the State's best ally in development, CMS is on track to be the best proxy investment for Sarawak's accelerating economic potential. The Board is confident that the Group will deliver a satisfactory performance in the next financial year.

ACKNOWLEDGEMENTS

FY 2012 was the year in which CMS firmly entrenched itself as a prime mover in Sarawak's growth story. On behalf of the Board, I wish to extend my sincere appreciation to the many parties who contributed to the Group's success.

Firstly, I would like to express my utmost gratitude to you, our Shareholders, for your continued trust and confidence in CMS.

I would also like to convey my deep gratitude to the Group's over 2,000 direct employees, the Management and the Boards of all our Group's companies for their dedication, hard work and commitment to excellence. Their efforts have brought us thus far and I am confident that as we work together, we will attain new heights of success.

We also acknowledge the many external partners that work with or alongside us. We extend our heartfelt appreciation to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and others who are working with us for their steadfast support and cooperation.

At this time, I would like to take the opportunity to pay tribute to a valued member of the Board, the late Y Bhg Dato Sri Liang Kim Bang, a Senior Independent, Non-Executive Director of CMS. We acknowledge the worthy contributions that the late Dato Sri Liang made to strengthen CMS and Sarawak. He will be sadly missed.

We trust that all our stakeholders will continue to lend us their worthy support as we embrace the many opportunities before us and face all challenges that come our way. Together, we can truly make CMS "the PRIDE of Sarawak and Beyond".

Thank you.

Yours sincerely,



Y A M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Group Chairman
30 April 2013

Group Managing Director's Review of Operations



CMS cement plant in Kuching

DEAR SHAREHOLDERS,

I am pleased to report that despite a challenging operating backdrop, CMS' core business divisions made strong strides forward and delivered robust performance across their key financial and operational metrics in FY 2012.

The Group's 19% growth in revenue to RM1.20 billion was largely due to the increases in revenue of the Cement Division (contributing 43% of Group revenue), followed by the Construction Materials & Trading Division (23% of Group revenue), the Construction & Road Maintenance Division (20% of Group revenue), and the Samalaju Development Division (6% of Group revenue).

The Group's 27% growth in profit before tax (PBT) to a record RM226.91 million was driven mainly by the Construction & Road Maintenance Division (contributing 36% of Group PBT), followed by the Cement and the Construction Materials & Trading Divisions (contributing 29% and 18% of Group PBT respectively). For the first time ever, the PBT of the Construction & Road Maintenance Division exceeded that of the Cement Division. The Samalaju Development and the Property Development Divisions too contributed sizeable PBT of 11% each to the Group in FY 2012.

CEMENT DIVISION

The Group's Cement Division, comprising our cement, clinker and concrete product operations, is our largest revenue driver. The Division contributed 43% and 29% of Group revenue and PBT respectively in FY 2012. As the sole cement and clinker manufacturer in Sarawak, the Division is well positioned to leverage on increased construction activities in the State.

In FY 2012, the Cement Division achieved higher revenue of RM523 million on the back of a cement price increase and higher cement and ready-mix concrete sales volume. However, PBT declined by 34% to RM66.37 million as the result of the underperformance of its clinker plant following the prolonged shutdown of the plant for an upgrading project. The plant suffered a further setback when a fire broke out during commissioning in September 2012. The shutdown of about eight months affected production volume whilst fixed costs continued to be incurred.

CEMENT DIVISION
REVENUE
RM 523
MILLION
FY 2012

Cement Operations

The Division's cement operations are undertaken by CMS Cement Sdn Bhd, Sarawak's sole cement manufacturer. CMS Cement's plants in Kuching and Bintulu produce Portland Cement and Cemplast Masonry Cement for the entire Sarawak market. The annual production capacity of the two plants is 1.75 million MT per annum, well in excess of existing market demand (approximately 1.64 million MT in 2012). Our cement operations continue to capitalise on healthy demand growth. For the period 2009 to 2011, the combined average

utilisation rate of the two plants was 80%. With local demand expected to outgrow local cement production between 2012 and 2014, the plants are expected to run at over 90% of their capacity with any shortfall being met by imported cement.

To meet the anticipated increase in demand, plans are in the offing to construct a new 1.0 million MT per annum grinding plant adjoining our Mambong clinker plant to commence production in late 2015. The additional grinding capacity will not only allow us to meet growing demand, it will provide us reserve capacity in case the other cement plants need to be shut down for maintenance.

To date, we have invested some RM55 million to significantly upgrade our cement distribution capabilities across Sarawak. This includes 6,000 MT flat store cement terminals equipped with packing and bulk cement distribution facilities in Sibu and Miri, as well as bulk cement loading and unloading facilities at the Kuching plant. These developments are noteworthy in that these terminals are among the first in Asia to utilise innovative aeration panel, fluidised transfer and pneumatic conveying technologies from Europe. This innovation enables the Kuching plant both to import bulk cement in the event of an emergency, as well as ship out bulk cement to the two terminals using two purpose-built 7,000 MT barges on a continuous basis.

The two barges on long-term charter to CMS Cement, are equipped with fully enclosed pneumatic self-loading and unloading systems as well as cargo holds fitted with aeration panels and a fluidised cement transfer system. As the loading, unloading, storage, packing and delivery facilities are fully

enclosed and protected from all weather conditions, this reduces air pollution as well as the risk of weather-induced disruptions. The quality and freshness of our cement is further preserved by the aeration panels and fluidised transfer technology on the barges.

For 2013, CMS Cement plans to make further investments in dedicated facilities like jetties and cranes as a part of efforts to upgrade our logistics capabilities.

Clinker Operations

CMS Cement owns CMS Clinker Sdn Bhd, Sarawak's sole clinker manufacturer that has adjoining raw material reserves of over 50 years. CMS Clinker operates a plant at Mambong on the outskirts of Kuching which has a current production capacity of 0.8 million MT per annum. The plant is currently running at full capacity and is able to meet up to 77% of the clinker demand from CMS Cement's plant in Kuching.

In the clinker industry, three main factors contribute significantly to a plant's performance. These include the stability of the manufacturing operations, the ability to maintain continuous full production, and the ability to lower fuel costs. To date, some RM78 million has been invested in the clinker plant to raise its existing production capacity by 10% to approximately 0.9 million MT per annum. At the same time, the plant has been modified to run on cheaper locally mined coal of lower caloric value. Despite some initial teething issues, the plant upgrading exercise in FY 2012 is expected to achieve the projected improved performance in terms of reliability, output and lower fuel costs, thereby lowering the plant's overall production costs.



CMS clinker plant in Mambong

Group Managing Director's Review of Operations



CMS concrete products batching plant

Concrete Products Operations

CMS Concrete Products Sdn Bhd is a leading manufacturer of pre-formed concrete products. Its offerings include reinforced concrete square piles, bridge beams, culverts, kerbs, cement sand bricks, ready-mixed concrete and Industrialised Building System (IBS) components. The Company possesses a 70,000 MT per annum facility for concrete products, which is currently running at a 50% to 60% utilisation rate. On top of this, it has a 60,000 m² per annum capacity IBS plant which produces a full range of IBS components including precast wall panels, beams and columns as well as half slabs and pre-stressed slabs. The IBS plant is currently running at 82% of its capacity.

CMS Concrete Products began producing pre-fabricated IBS components in 2011 as a response to the Government's call for the construction industry to tap innovation to reduce Malaysia's reliance on foreign labour as well as to enhance the quality and speed of construction. Today, the Company is also involved in coordinating design and installation services for its customers. Going forward, CMS Concrete Products is looking into the development of new IBS and concrete products and is establishing a manufacturing plant in the Bintulu area to meet growing demands. We are currently exploring various measures to improve the operational efficiency of both these facilities.

CONSTRUCTION MATERIALS & TRADING DIVISION

The Construction Materials & Trading Division, encompassing CMS' quarrying, premix, wire manufacturing and trading operations is one of the Group's core revenue and earnings drivers. It accounted for 23% of Group revenue and 18% of our earnings in FY 2012. This Division's activities complement the cement, construction, road maintenance and property development divisions' activities.

The Division recorded revenue of RM281 million in FY 2012 while its PBT increased by 63% to RM40.66 million in FY 2012 from RM25.01 million previously on the back of the Public Works Department, also known as Jabatan Kerja Raya (JKR) or JKR-related sales. Benefitting from funding under the State Government's Malaysian Road Records Information System (MARRIS) fund, the quarry and premix companies undertook improvement and maintenance works for JKR relating to State and rural roads. In addition, the premix companies also secured contracts from State and Federal road maintenance concessionaires and contracts within the Samalaju Industrial Park in Bintulu.

The premix operations turned in good results notwithstanding the temporary shutdown of the Miri premix plant following a diesel leak into the river adjoining the plant. The leakage was quickly contained with the ensuing investigation finding that the incident may have been caused by an attempted (and bungled) theft of diesel. The Miri plant was otherwise in full compliance with all regulatory and safety requirements at the time of the incident.

Quarrying Operations

The Group's quarrying operations are undertaken by CMS Quarries Sdn Bhd and CMS Penkuari Sdn Bhd which produce granite, microtonalite and limestone aggregates.

CONSTRUCTION
MATERIALS &
TRADING DIVISION
REVENUE
RM 281
MILLION
FY 2012

The Group's five operating quarries in Stabar, Penkuari, Akud, Sebuyau and Sibanyis have quarrying licenses of up to 20 years. With a combined annual rated capacity of 3.15 million MT per annum, our group of quarries commands an approximate 23% market share of the stone aggregates sold in Sarawak.

Our newest quarry at Gunung Sibanyis outside Kuching commenced full commercial operations in July 2011. The stone reserves of approximately 69 million MT at Gunung Sibanyis are expected to last more than 100 years based on the existing quarry plant annual capacity of 900,000 MT. In view of the Sibanyis quarry's strategic location to the large and growing markets in the Kuching and Kota Samarahan divisions, coupled with easy access to a dedicated jetty in Pending for outstation sales, CMS Quarries will continue to provide a steady supply of good quality stone aggregates at competitive prices to meet demand throughout Sarawak.

We are currently awaiting the final approvals for the construction of a new riverine jetty in Kuching for upstate deliveries by barge. In the pipeline also are plans to establish quarries in the north of Sarawak.



CMS quarrying operations at Sibanyis

Group Managing Director's Review of Operations



CMS premix plant
in Kuching



Steel wire coils

Premix Operations

CMS Premix Sdn Bhd and CMS Premix (Miri) Sdn Bhd have an approximate 60% share of Sarawak's high quality asphaltic concrete (premix) and bitumen emulsion market. These materials are used in the construction of roads, flyovers and airport runways in Sarawak. Our premix operations are undertaken by our six plants in Kuching, Sarikei, Sibul, Miri, Bintulu and Limbang which manufacture, deliver and lay premix, bitumen emulsion and cutback bitumen. Two of the Group's premix plants have rated capacities of 250 MT per hour, another two have a rated capacity of 150 MT per hour, and the remaining two have a rated capacity of 100 MT per hour or below.

In December 2011, we set up a new 150 MT per hour premix plant at Bintulu with integrated emission controls to supplement the aging plant. This additional capacity is enabling CMS Premix to better meet demand in the Bintulu area, which has been accelerating on the back of increased activities in the Samalaju Industrial Park as well as activities under the Federal road maintenance programme.

Going forward, the premix business will look at the possible acquisition of mobile plants to service remote location contracts as well explore new surfacing technologies.

Wires Operations

CMS Wires Sdn Bhd manufactures steel drawn wires and wire mesh for the local construction industry and has a 15% market share. Its sole 5,500 MT per annum plant currently produces approximately 4,800 MT of steel wires and mesh per annum. Management is reviewing options to increase the plant's production capacity and efficiency and studies are underway to acquire a more modern, second hand machine. We are also exploring the viability of a second wires plant in Bintulu.

Trading Operations

Our trading arm, CMS Infra Trading Sdn Bhd, trades, either as an agent or distributor, in a range of products in water management (pipes and fittings, water treatment chemicals and systems), construction materials and 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. In FY 2012, CMS Agrotech commenced retail sales of Halal certified organic compost with encouraging response from the garden centre and hypermarket segments.

CONSTRUCTION
& ROAD MAINTENANCE
DIVISION
REVENUE
RM **235**
MILLION
FY 2012



Workers of PPES Works (Sarawak) removing a section of damaged pavement (top photo) and compacting pavement with a pedestrian roller (bottom photo).

**CONSTRUCTION &
ROAD MAINTENANCE DIVISION**

The Construction & Road Maintenance Division is involved in a wide range of construction and infrastructure construction projects (including specialist pavement laying) across Sarawak, principally through CMS Roads Sdn Bhd and PPES Works (Sarawak) Sdn Bhd. The former maintains approximately 4,800 km of State roads while the latter maintains approximately 680 km of Federal roads.

The Division continues to derive strong recurring income from its two road maintenance concessions. Altogether, the Division registered a combined revenue of RM235 million and became the largest contributor (36%) to the Group's PBT in FY 2012. Its PBT of RM80.69 million surpassed that of the Cement Division for the first time and was a 36% jump from PBT of RM59.30 million in FY 2011 (excluding a gain on the acquisition of CMS Roads and CMS Pavement Tech Sdn Bhd of RM11.42 million in FY 2011). The higher PBT was mainly attributable to the higher road length being maintained, instructed works and to an upward contractual revision in State road routine maintenance rates.

The Division's original role as a "cartel" breaker has long expired and it is now implementing several new strategies to maintain its competitive edge amidst an increasingly competitive and crowded construction sector. These include the provision of project management and contracting services in support of the Property Development Division; more bids for projects in consortiums to harness multiple competencies and better manage risks; and additional smaller scale non-tendered road works.

Going forward, the Division continues to place an emphasis on the quality of work it undertakes to be in line with the Group's mission of "Producing Quality, On Spec & On Time" so that customers readily view the Division as a contractor to be trusted within the State.

Group Managing Director's Review of Operations

Bandar Samariang Township



PROPERTY DEVELOPMENT DIVISION

The Property Development Division owns two large land banks in and around Kuching. These include the 4,211-acre land bank in Petra Jaya owned by Projek Bandar Samariang Sdn Bhd which is being developed into a riverine township called Bandar Samariang, and a 246-acre land bank in Muara Tebas owned by CMS Land Sdn Bhd which is being developed into Kuching's new central business district, The Isthmus.

The Division recorded revenue of RM60 million in FY 2012. Its PBT grew from RM2.59 million in FY 2011 to RM24.49 million in FY 2012 largely on the back of the recognition of profits from the sale of a land parcel in June 2012. The Division has strong potential for long-term sustainable growth given the vast undervalued development land bank that is now being unlocked.

The Division's profits will continue to be underpinned by periodic strategic land sales which will be structured to catalyse the development of the Division's own adjoining land parcels. Leveraging on an expanded management capability and Sarawak's accelerating growth; this business is expected to grow robustly.

BANDAR
SAMARIANG
GDV
RM **474**
MILLION
DEVELOPMENTS BETWEEN
2013 AND 2018

Bandar Samariang

The integrated township of Bandar Samariang is located 7 km from the Kuching city centre and within easy reach of the beaches of Damai and Santubong. Boasting a variety of residential homes, a commercial centre and schools as well as the scenic Santubong Mountain as its backdrop, Bandar Samariang is now home to some 25,000 residents. This development has an estimated gross

development value (GDV) of RM474 million (for developments between 2013 and 2018).

Interest in the township and sales have been on an upward trend due to improving road access, an increase in critical mass, visible affordability and CMS' improved build quality. The completion of the Federal Administrative Centre road, linking Bandar Samariang directly to the



The Isthmus

Sarawak River toll bridge and to the newly built loop road running north-south through the township, has radically transformed accessibility into the township.

Following the approval of a revised master plan for the entire township, development plans for Phase 2 have commenced. To date, one large land parcel in Phase 2 has been sold and works have commenced. Negotiations are also underway for the strategic sale of another land parcel to catalyse development further. This is in addition to CMS' own plans for development of other parcels, which include hypermarkets, schools, shop and industrial lots, public amenities and housing.

The Isthmus

The 246-acre The Isthmus development, which is intended to serve as Kuching's new central business district has been carefully planned to integrate a new business vibrancy and contemporary lifestyle with the city's natural beauty and charm.

The year 2012 saw The Isthmus beginning to take shape in a more concrete manner with 47 out of 246 acres having been developed at a cost (comprising built works and infrastructure) of approximately RM579 million. To date, The Isthmus' composition includes the 5,000-person capacity Borneo Convention Centre Kuching, a marina, Sarawak Energy Berhad's corporate headquarters (the State's first Green Building Index certified building) as well as a second bridge which links to new roads,

greatly speeding up access into Kuching's city centre and into the south of Kuching.

These developments have gone a long way in helping CMS Land finalise terms and bring nearer to commencement, the many other developments currently in the pipeline. These include a hypermarket, retail shop houses, tertiary educational centre, river front cafe complex, hotel and serviced apartments, housing, petrol stations, sports facilities and two signature office buildings as well as the water taxi pontoon and jetty that is nearing completion. These developments also augur well for The Isthmus' role as a strategic State-supported CBD.

Other Developments

The Division also owns several other land parcels, which represent significant future development opportunities that will be unlocked as development within and around Kuching ramps up. In the offing are the planned launch of a boutique high-end residential development within the Fairway Villa guarded estate in Petra Jaya as well as a gated development in South Kuching's popular Tabuan Jaya area. Other parcels of land will be retained until the appropriate development opportunities arise.

Group Managing Director's Review of Operations

SAMALAJU
DIVISION
REVENUE
RM **72**
MILLION
FY 2012

SAMALAJU DEVELOPMENT DIVISION

Samalaju is one of the five growth nodes under the Sarawak Corridor of Renewable Energy (SCORE) initiative. It has a focus on heavy and energy intensive industries that have been attracted to Sarawak by the competitive edge afforded by comparatively cheaper renewable energy and the State's strategic proximity to growing East Asian markets. Samalaju offers CMS the opportunity to be a major local participant in SCORE and for the Samalaju Development Division to emerge as a major engine of growth for CMS.

The Group is involved in Samalaju by virtue of our 20% equity stake in OM Materials (Sarawak) Sdn Bhd for the development of a ferrosilicon and manganese alloys smelter; our provision of temporary accommodation and meal facilities for construction workers and executives at the Samalaju Industrial Park (SIP) (plus related services); and our development of a new township and service centre for Samalaju, among other things. The Samalaju Development Division also continues to spearhead the evaluation and negotiation of other major investment opportunities in SCORE. Several are in progress and any such investments would be expected to materially contribute to the future growth of CMS' long sustainable profitability.

Commencing operations in the second quarter of 2011, the Samalaju Development Division reported a commendable hike in revenue from RM26 million in FY 2011 to RM72 million in FY 2012. The Division's PBT rose by 88% (excluding a write-off of expenses relating to a project under study totalling RM25.19 million in FY 2011) from a PBT of RM13.45 million in FY 2011 to PBT of RM25.31 million in FY 2012. The Division's revenue and profitability increased in tandem with the higher number of workers being accommodated in FY 2012.

Samalaju Workers Lodge,
Executive Canteen.





Samalaju Development

The Samalaju Development Division is currently operating the only government-approved workers, supervisors and executive accommodation facilities in Samalaju catering to some 5,600 persons from many countries. In view of the global nature of industries locating to the SIP, the facilities and services provided are of international standard. Not only have the facilities been designed to ensure an orderly work environment that is conducive to workers' health and safety, they have set a new benchmark for construction workers' accommodation in Malaysia with innovations such as workers' smart cards, hygienically prepared multiple cuisine offerings, centralised laundry, landscaping and a selection of recreational and shopping facilities.

The contracts for the provision of the facilities may continue for up to 10 years more pending completion of the planned permanent township with the facilities also being used by workers and supervisors in the operating plants.

We are still finalising the master plan for the development of the new Samalaju permanent township to adjoin the SIP. The township, of initially 2,000 acres, is being developed on a fast-track basis with infrastructure support from the State. Phase 1, covering 1,300 acres is expected to be completed by 2020. Initially, the soil conditions in the area posed some problems to our fast-track approach, but these issues have been overcome. Construction of Phase 1A covering 600 acres (including 200 acres of industrial lots and accommodation for 5,000 people), is scheduled to kick off in late 2013.

Additional facilities will also be built on a fast track basis to meet the needs of factories commencing operations prior to the township being ready. These include a hotel and a commercial and services centre located within the SIP.

The first batch of homes in Phase I of the township are expected to be completed by late 2016. This phase will also incorporate public amenities such as a clinic with trauma handling facilities, a fire-station with industrial fire-fighting capabilities, a police station and even a golf course. Samalaju Property Development Sdn Bhd, as the township's master developer, continues to set its sight on two key objectives. 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 so that the township becomes a global reference for green industrial living.

Given the number of major industries intending to locate to the SIP, it is expected that the Samalaju township will have a population of approximately 45,000 people by 2018, reflecting the captive market demand created by the workers in the SIP and by the attractiveness and convenience of the township.

Group Managing Director's Review of Operations



Ferrosilicon and Manganese Alloys Smelting Project

CMS has a 20% equity stake in OM Materials (Sarawak) Sdn Bhd (OM Materials Sarawak) which is going to build and operate a green field ferrosilicon and manganese alloys smelter with the other 80% being owned by OM Holdings Ltd, an Australian-listed vertically integrated miner, smelter and trader of manganese and other ores and alloys. The project entails the development in SIP of a 600,000 MT capacity smelter in two phases at an approximate total project cost of USD 592 million.

In FY 2012, OM Materials (Sarawak) recorded a marginal loss pending finalisation of financing and construction arrangements for the smelter's construction.

The market demand for both ferrosilicon and manganese alloys from this smelter is expected to be strong. This will be driven by the long-term growth prospects for steel production in the East Asian region and the smelter's competitive first quartile position on the operating and delivery cost curve thanks to its comparatively cheaper energy costs and its strategic proximity to growing East Asian markets. All this, coupled with the change in industry dynamics, which is largely being driven by rising power prices and labour costs, growing demand from China for ferrosilicon alloys, higher environmental standards affecting older plants, and the Chinese Government's disincentives to export energy intensive products, augurs well for the smelter's future operations.

To date, OM Materials Sarawak has secured its project financing for the first phase and achieved an off-take agreements for over 60% of its production. On top of this, it has appointed Sinohydro Corporation (M) Sdn Bhd (Sinohydro) as its lump-sum turnkey engineering, procurement and construction (EPC) contractor, as well as Sinosteel Jilin Electro-Mechanical Equipment Co. Ltd (Sinosteel Jilin) as a nominated sub-contractor for the construction and commissioning of the smelting project.

The EPC contracting framework will allow OM Materials Sarawak to leverage the significant large-scale project management experience of Sinohydro, including its longstanding and significant EPC experience in Malaysia and Sarawak, combined with the unique equipment and control system experience and capability of Sinosteel Jilin. Sinohydro is the world leading Chinese state-owned construction group with operations in more than 58 countries while Sinosteel Jilin is one of China's largest manufacturers of submerged electric arc furnaces, furnace automation, control systems and furnace transformers.

The smelter is expected to commence operation in late 2014 with full production beginning in 2015. OM Materials Sarawak is expected to contribute significantly to the CMS group's earnings from 2015 onwards.

STRATEGIC INVESTMENTS – LISTED ASSOCIATES

Our strategic investments in K&N Kenanga Holdings Berhad and KKB Engineering Berhad have strong growth potential with value added by CMS.



K&N Kenanga Holdings Berhad

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

For the financial year which ended on 31 December 2012, KNKH recorded a PBT of RM6.27 million. Operating revenue stood at RM302.60 million, an increase of 9.30% from the year before. Total Assets increased to RM860.80 million from RM705.87 million, a rise of 22%. Profits were largely affected by one-off expenses from strategic investments to build revenue opportunities and hone a longer-term advantage.

In December 2012, Kenanga Investor Bank Berhad (KIBB) became the largest independent investment bank in Malaysia in terms of equity trading volume and value, through the acquisition of ECM Libra Investment Bank Berhad. This integration, enabled KIBB to leapfrog and become one of the top three largest brokerage houses in Malaysia, offering the largest pool of remisers in the country and an extended branch network nationwide.

In December 2012, Kenanga Investors Berhad (KIB), the fund management subsidiary of KNKH, entered into a Sales and Purchase Agreement to acquire 100% interest in ING Funds Berhad. The assets under management (AUM) of the combined entities will be approximately RM5 billion and it will propel KIB forward to 13th place from 17th in terms of retail AUM. The acquisition is expected to be fully completed before the second half of 2013. During the year, KIB also received The Edge-Lipper Malaysia Fund Awards for its Kenanga Growth Fund. For the first time, it secured a clean sweep of all the three categories of 3, 5 and 10 years.

The year saw KNKH's Investment Banking Division completing notable fixed income deals such as Sarawak Energy Bhd, Tenaga Rapi Sdn Bhd, Encorp Systembilt Sdn Bhd, Bintulu Port Holdings Bhd, Khazanah Nasional Bhd, SME Bank Bhd and Syarikat Prasarana Negara Bhd. It was also involved in the underwriting of the Initial Public Offerings for Gas Malaysia Bhd, Felda Global Ventures Holdings Bhd, IHH Healthcare Bhd, Astro Malaysia Holdings Bhd and Gabungan AQRS

Bhd. During the year, it also secured mandates from Sarawak Energy Bhd and successfully made inroads into Bintulu Port. It was the Sole Financial Adviser of the RM1.8 billion Bintulu Port Bhd project and was subsequently appointed as the Sole Advisor/Placement Agent.



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 galvanizing, civil construction, LP gas cylinders manufacturing, steel pipes and pipe specials. For FY 2012, KKB achieved consolidated revenue of RM167 million as well as posted a PBT of RM26.92 million and a net profit of RM21.87 million.

In line with KKB's strategy to expand its steel fabrication activities to undertake larger and more complex steel structures (including those in the Oil & Gas sector), a new steel fabrication plant was constructed in Kuching. Fronting the Sarawak River, the new plant incorporates a newly commissioned deep-water jetty facility.

A strong planned expansion into the Oil & Gas sector is now confirmed following KKB's success in securing (in March 2013) a three-year Petronas Approved Supplier license in the category of "Offshore Facilities Const-Major Onshore Fabrication" for its associate Oceanmight Sdn Bhd. This license will enable KKB to undertake onshore fabrication of offshore facilities and related works and is expected to contribute positively to the earnings and net assets of KKB commencing 2014.

Group Managing Director's Review of Operations



STRATEGIC INVESTMENTS – UNLISTED

CMS' other Strategic Investments (excluding our associate companies) recorded a higher loss in FY 2012 on the back of higher losses by CMS Capital, and the education company. These were partially mitigated by a higher profit recorded by our private equity company.

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 July 2012, the Company raised a new fund, COPE Opportunities 2 (COPE 2). The COPE 2 fund is a Shariah-compliant private equity fund, with Lembaga Tabung Haji as the anchor investor. COPE 2 will invest in emerging shariah-compliant Bumiputra companies with good operational track record primarily in Malaysia. Investments would not be limited to any specific industry and are expected to be mainly in the form of expansion capital, mezzanine investments or majority-controlled deals. The total fund size is RM61 million. With the final closing of this fund, the total AUM has increased to more than RM200 million.

The Company has also managed to distribute in 2012 over RM6 million via redemption and dividends, to investors of its first fund – COPE-KPF Opportunities 1 (COPE 1).

Education

CMS continues to play a role in the development of the nation's future leaders. Our subsidiary, CMS Education Sdn Bhd, owns and operates Tunku Putra School in Kuching's Petra Jaya which first opened its doors in January 1997. Today, the school provides kindergarten, primary and secondary-level classes for the national and international streams. With classes kept small and with excellent teaching resources and facilities at a new 22-acre

campus, Tunku Putra students are assured of quality attention as they gain a holistic education.

Students are housed on one modern purpose-built campus set within spacious grounds conveniently accessible but away from the hustle and bustle of Kuching city. A new large secondary block to accommodate student growth in the international stream was added in 2011. The students benefit from being taught by exceptional specialist expatriate and Malaysian teachers in a learning environment which encourages the highest standards of academic learning, extra-curricular activities and character development. National Public Examination results (UPSR and SPM) match the best Malaysia has to offer and the Cambridge IGCSE results are in the top echelon worldwide. The extra and co-curricular programmes are also enviable in that they offer a breadth to the academic focus which rivals larger international schools in the Klang valley and reflects the breadth and depth of expertise of the teaching staff.

While the contributions from our education arm are small, Tunku Putra School is playing a key role as a strategic asset that is contributing towards the State's development. It is doing this by ensuring that the staff of overseas investors who are posted to Sarawak, as well as Sarawakian parents, have access to a high standard of international schooling for their children in Sarawak so that they need not send their children to schools outside the State. Early signs are that the newly opened English as a Second Language (ESL) unit, will be an attractive draw to overseas parents.

In FY 2012, our education arm posted slightly higher revenue on the back of an increase in tuition fees of between 5% to 10%. However, this revenue was lower than expected due to lower student numbers resulting from an increase in tuition fees and another competitor entering the educational market in Kuching. Steps have been taken to address by the recruitment of additional higher calibre mostly expatriate teachers and by expanding the range of extracurricular activities on offer.

MOVING FORWARD

FY 2012 saw all our core business divisions making good strides forward and we remain confident that they will be able to sustain their growth over the long-term. CMS is currently on track to be the best proxy investment for Sarawak's accelerating economic potential which will be driven by the State's plan to develop long-term, hydro energy-intensive industries under SCORE and by the consequential additional infrastructure required across the State.

The SCORE initiative aims to lift Sarawak's economy by increasing incomes per head and improving the quality of life for the people of Sarawak. Under SCORE, Sarawak's economy is expected to experience the following growth by 2030: a five-fold rise in the State's GDP; the creation of 1.6 more million jobs; and a doubling of the population to 4.6 million people. With some RM334 billion expected to be injected into Sarawak's economy by 2030 (20% from the government and 80% from the private sector), this will create both investment opportunities and demand for CMS' construction materials products and its construction and road maintenance services.

CMS plans to take leverage off its early involvement in SCORE to be the major local private sector participant in multiple aspects of SCORE. Our ability to add value through our strong balance sheet, our unrivalled private sector knowledge of SCORE, our professionalism and our management bandwidth has attracted potential energy intensive industrial investors in SCORE to seek us as their local co-investing partner. Several such investments are either under active negotiation or evaluation, and should these proceed, they are expected to add to the long-term sustainable profits growth potential of CMS. In addition to the continued growth of CMS through its role as an infrastructure facilitator, CMS' role in township and property development is set to take a quantum leap forward not just from the accelerating development of its Kuching land banks but through its role as the master developer of the Samalaju permanent township.

Going forward, CMS will leverage on the strategies under our Nine Point Scorecard to fuel growth and deliver a robust performance. These strategies call for us to maintain solid and sustainable profits; implement prudent financial policies to ensure a strong balance sheet; and ensure an experienced and professional management team is at CMS' helm. We will also undertake strong corporate governance measures; strengthen ties with and build respect among the communities we operate in; as well as garner strong support from our shareholders and bankers. Finally, we will focus on private sector-driven profitability; leverage on a strong SCORE play; and develop, for future use, an expertise to take beyond Sarawak's shores.

As we implement these strategies, we will continually take stock of our progress and challenge ourselves so that we stay agile and do not stumble in what is a complex and challenging

world. Reflecting the significant role we play within Sarawak in some sectors, we will also ensure we honour our obligations to the communities we operate in by our professionalism, humility and integrity.

The results of the past years' R.O.A.R. strategy implementation – Restructure, Organise, Advance and Roar Ahead – have now paid off with a proven flow of sustainable profits from a portfolio of synergised businesses backed by the right people, right processes and right systems. We have every confidence that this is not a plateau for CMS, but instead a platform from which significant sustainable and transformational profits growth can be realised in the future.

IN APPRECIATION

CMS made strong strides in 2012 to strengthen its position as Sarawak's leading infrastructure facilitator and we have many to thank for this. We wish to convey our heartfelt thanks to our valued customers, suppliers, business partners, the Federal and State governments and agencies, as well as our joint venture partners and associate companies for their confidence in us and for extending us their immeasurable support.

I wish to convey my sincere appreciation to our Board of Directors for their astute insights and wise counsel which have helped steer us through both opportunistic and challenging times.

On behalf of the management and staff of CMS, we wish to pay our respects to the late Y Bhg Dato Sri Liang Kim Bang, a valued member of the Board. In the time that he was with CMS, he made many noteworthy contributions to the Group and to the State. He will be greatly missed by all of us.

To the CMS family of employees, I would like to express my deep gratitude for your loyalty, hard work and commitment which have stood us in good stead and are key drivers that will take us even further.

At this time of unrivalled opportunity for CMS, we stand ready to surmount all the inevitable challenges that we will face as we move forward and we are confident all our stakeholders will continue to lend us their steadfast support as we set our sights to truly be "The PRIDE of Sarawak and Beyond".

Thank you.

Yours sincerely,



DATO' RICHARD CURTIS
Group Managing Director
30 April 2013

Board of Directors' Profile



Y A M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Malaysian

Age: 61 years

Group Chairman

Chairman – Nomination & Remuneration Committee

Chairman – ESOS Committee

Member – Group Audit Committee

Tan Sri Dato' Seri Syed Anwar Jamalullail was appointed as a director of 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 is the former Chairman of the Lembaga Tabung Haji Investment Panel. He was also formerly the Chairman of Media Prima Bhd, MRCB Bhd, DRB Hicom Berhad, EON Bank Bhd, Uni Asia Life Assurance Bhd, Uni Asia General Insurance Bhd 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 is the Chairman of Nestle (M) Berhad, Lembaga Zakat Selangor, and Pulau Indah Ventures Sdn Bhd (a joint venture company between Khazanah and Temasek of Singapore). He is also the Chancellor of SEGi University.

Tan Sri Dato' Seri Syed Anwar Jamalullail 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 Group and has not been convicted of any offence within the past 10 years other than traffic offences, if any.

Tan Sri Dato' Seri Syed Anwar Jamalullail has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2012.



Y BHG DATO SRI MAHMUD ABU BEKIR TAIB

Malaysian

Age: 49 years

Deputy Group Chairman
Non-Independent, Non-Executive Director
Member – ESOS Committee
Member – Nomination & Remuneration 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 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 five (5) meetings of the Board of Directors in the financial year ended 31 December 2012.



Y BHG DATUK SYED AHMAD ALWEE ALSREE

Singaporean

Age: 47 years

Group Executive Director
Chairman – Group Risk 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, Kenanga Investors Berhad, CMS Cement Sdn Bhd, CMS Clinker Sdn Bhd, CMS Education Sdn Bhd, CMS Land Sdn Bhd and a director of several CMS subsidiaries in construction materials and property development. 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. He completed the Advanced Management Program (AMP) at Harvard Business School in 2012.

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 five (5) meetings of the Board of Directors in the financial year ended 31 December 2012.

Board of Directors' Profile



Y BHG DATO' RICHARD ALEXANDER JOHN CURTIS

British, Malaysian Permanent Resident

Age: 61 years

Group Managing Director

Member – Group Risk Committee

Dato' Richard John Alexander 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 five (5) meetings of the Board of Directors in the financial year ended 31 December 2012.



Y BHG DATU MICHAEL TING KUOK NGIE

Malaysian

Age: 72 years

Non-Independent, Non-Executive Director
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 and has no family relationship with any director and/or major shareholder of the Company.

Datuk Michael has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2012.



Y BHG DATUK WAN ALI TUANKU YUBI

Malaysian

Age: 63 years

Non-Independent, Non-Executive Director
Member – Group Risk Committee
Member – ESOS Committee

Datuk Wan Ali 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 all five (5) meetings of the Board of Directors in the financial year ended 31 December 2012.

Board of Directors' Profile



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

Malaysian

Age: 64 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 Bintulu Port Holdings Berhad, Defence Technologies Sdn Bhd, 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.

General (R) Tan Sri Zahidi has attended three (3) out of five (5) meetings of the Board of Directors in the financial year ended 31 December 2012.



Y BHG DATU HUBERT THIAN CHONG HUI

Malaysian

Age: 65 years

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

Y Bhg Datu Hubert Thian Chong Hui was appointed to the Board of CMS on 6 June 2012.

He graduated with a Bachelor of Civil Engineering from Monash University, Melbourne Australia. Datu Hubert is currently the Chairman of CMS Works Sdn Bhd and LAKU Management Sdn Bhd, a wholly-owned company of the State Government of Sarawak. He also sits on the board of several CMS subsidiaries. Prior to this, he served in the Public Works Department (PWD) for 39 years with the last 9 years as Director of PWD. Datu Hubert has no family relationship with any director and/or major shareholder of the Company.

Since his appointment, he has attended two (2) meetings of the Board of Directors in the financial year ended 31 December 2012.



KEVIN HOW KOW

Malaysian

Age: 64 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 five (5) meetings of the Board of Directors in the financial year ended 31 December 2012.

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.



Senior Management Team

Our Senior Management team looks sharp donning the corporate Polo-T on a Dress-down Friday, a smart casual dress code adopted across CMS' offices which reflects the engaged and upbeat team spirit of the work force within CMS' dynamic work environment.

- 01. Goh Chii Bing**
Head, Cement Division. Joined CMS in October 1992
- 02. Abdul Nasser Mohd Sanusi**
General Manager, Special Projects. Joined CMS in February 2004
- 03. David Ling Koah Wi**
Group General Counsel. Joined CMS in August 2007
- 04. Abdul Rashid Daljit Abdullah**
Head, Group Information Technology. Joined CMS in July 2004
- 05. Danny Sim Wei Min**
General Manager, Group Procurement. Joined CMS in March 2001
- 06. Chong Swee Sin**
Acting Head, Construction Materials Division. Joined CMS in June 1991



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- 07. Tan Mei Fung**
General Manager, Group Finance. Joined CMS in August 1997
- 08. Vincent Kueh Hoi Chuang**
Head, Property Development Division. Joined CMS in August 2012
- 09. Wendy Yong San San**
General Manager, Group Human Resources. Joined CMS in May 1994
- 10. Woo Yoke Meng**
Group Internal Auditor. Joined CMS in March 2000
- 11. Lim Jit Yaw**
Head, Construction & Road Maintenance Division. Joined CMS in January 2006
- 12. Dato Isaac Lugun**
Head, Samalaju Development Division. Joined CMS in January 1996
- 13. Tuan Syed Hizam Bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff**
Group Chief Financial Officer. Joined CMS in January 2005



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Corporate Responsibility

OUR COMMITMENT TO RESPONSIBLE CORPORATE PRACTICES

As a conscientious corporate citizen, Cahya Mata Sarawak is genuinely committed to growing in a profitable and responsible manner. In line with our vision of becoming “the PRIDE of Sarawak and Beyond,” we hold ourselves accountable to our stakeholders, namely our shareholders, employees, customers and the communities we operate in, and are committed to balancing our robust financial performance with responsible social and environmental performance. Over the years, we have embedded responsible and sustainable practices into our business operations and value chain and are continuously looking to better our efforts so that we can stand as a model for responsible corporate behaviour in Sarawak and Beyond.

In 2012, we strengthened our existing corporate responsibility (CR) efforts in the areas of the Community, Workplace, Marketplace and Environment as well as introduced several new CR initiatives.

OUR COMMITMENT TO ENRICHING COMMUNITIES

Our focus on enriching the communities in Sarawak through our CR efforts has been unwavering. Far from diminishing, the passion in which we carry out our endeavours has been strengthened over the years with each new task that we undertake. The year 2012 saw CMS strengthening its effort to reach out to the community with many existing programmes continuing to be rolled out while some new ones were introduced.

In the Spirit of Volunteerism: Employee volunteerism has long been an area of strength within CMS and our employees have consistently sought to make a tangible difference in their local communities. In 2007, we launched the “Doing Good” platform to improve CMS’ contribution to the community through employee volunteerism. It has certainly helped to unleash the power of the human spirit, fuel individual passion, encourage teamwork and strengthen the bonds between CMS and the communities where we do business. Time and time again, our employees have invested their time, money and effort and the Group has recognised and empowered our employees by backing their desire to volunteer in their local communities.

Every employee within the CMS group is required (under their key performance indicators) to undertake a minimum of three days of community work during the year which is subsequently translated into the number of man-hours achieved. Since 2007, CMS’ employee volunteers have clocked the following man-hours:

Year	Man-hours	No. of Employees
2007	7,747	2118
2008	7,215	2047
2009	4,218*	1329
2010	11,428	1272
2011	17,041	1955
2012	34,328	2018

**Excluding CMS Roads & CMS Pavement Tech*

In 2012, CMS employees volunteered 34,328 man-hours of their time to “Doing Good” activities in 2012. More than double the number of man-hours achieved in 2011, this testifies to the fact that CR is now ingrained in the hearts and minds of CMS employees. CMS employees also raised a total of RM56,552 in cash for charitable organisations through fundraising activities such as sales-of-work events and personal donations.

CR Highlights: In the year under review, employees of the Group undertook various initiatives that cut across racial and cultural boundaries to meet a broad range of humanitarian needs. The year saw our employee volunteers focusing their efforts on the following initiatives:

Fundraising Activities: The largest sum that we raised for a single charity event in 2012 was the Go Bald 4.0 initiative. This event saw 10 CMS employees shaving their heads to raise RM19,556 for the Sarawak Children’s Cancer Society. Other charity events that we participated in were sale-of-work events that were organised by Perkata Special School, Sarawak Cheshire Home, Kuching Autistic Association, Salvation Army Children’s Home, Sarawak Children’s Cancer Society, Cheshire Home and The Blind Centre.

Habitat for Humanity: Habitat home-build sessions provide an avenue for CMS volunteers with minimal construction skills to help the poor construct their houses. This ever-popular CR activity which provided eight slots for CMS volunteers in 2012, is also becoming the favourite CR activity for CMS Roads staff. The year also saw CMS Cement Sdn Bhd, CMS Quarries Sdn Bhd and CMS Wires Sdn Bhd donating the raw materials (including cement, stones and wire mesh) required for the construction of the homes.

Gotong Royong: Our gotong royong or Community clean-up and rebuilding activities involved CMS volunteers helping out at numerous schools, mosques, churches, charitable organisations and longhouses throughout Sarawak, among others. One project that stood out was the gotong royong organised by CMS Cement, Kuching when they helped the Mental Health Association spruce up their premises in October 2012.

Supporting Local Heritage and Cottage Industries

We are proud to be a Sarawakian company who are committed to supporting initiatives that preserve Sarawak’s heritage and promote local community entrepreneurship. In 2012, we supported the work of local entrepreneurs by integrating local handicrafts into our corporate gifts programme. Our efforts saw us supporting Tanoti, a community of passionate Sarawakian artisans dedicated to practicing the traditional craft of Sarawak songket weaving.

We also extended our support to Borneo to the World, by purchasing handmade soaps incorporating indigenous fruits and vegetation of Sarawak that have been locally known for their cosmetic and therapeutic properties.

HOW WE SPENT OUR TIME DOING GOOD IN 2012



Community Clean-up

21%



Sustaining Charitable Organisations

17%



Education

48%



Rebuilding Communities

9%



Saving Lives

5%

Health Awareness: CMS employees participated in various jogathons throughout 2012. These included the 777 Night Chase Run, Live Active Run, MRCS Jog-a-thon, Run Race Against Time (to help create awareness on the importance of organ donation) and Walk-A-Mile event, in conjunction with World Heart Day, to name a few.

Our annual CMS Health 7-km Run, which was held on 11 November 2012, saw an increase in the number of participants with some 393 employees including families of staff from CMS Group and K&N Kenanga Holdings Bhd.

The very first group-wide blood donation drive on 30 June 2012 at the lobby of Wisma Mahmud received tremendous response.

Our CR efforts encompass a variety of projects that have specific tenures or which are sustainable for specific periods. The breakdown of projects covering periods below one year, between one to three years, and above three years is as follows:

Sustainability Period	Man-hours	%
Under 1 year	13,217	38
1-3 years	16,407	48
More than 3 years	4,704	14

OUR COMMITMENT TO RESPONSIBLE MARKETPLACE PRACTICES

We are committed to implementing good and fair marketplace practices and to ensuring transparency in all our dealings. To this end 2012, saw us making good strides forward in the area of open and proactive communications.

Responsible and Transparent Reporting:

Our efforts to present a comprehensive and transparent report of the year's activities to shareholders was rewarded yet again when our 2011 Annual Report was announced the Runner-up of the Overall Excellence Award 2011 in Corporate Reporting by the Sarawak Chamber of Commerce and Industry (SCCI) in November 2012. This recognition proves CMS' consistency in demonstrating the highest standards of responsible and transparent corporate reporting to its shareholders and the public. CMS has been a winner of the SCCI Awards on numerous occasions since the inception of this corporate reporting awards programme some 13 years ago for Sarawak-registered listed entities.

Timely Updates: Information relevant to investors is made available on the Investor Relations section of our web site (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. The Group's quarterly financial performance is analysed in periodic research reports under Bursa Malaysia's CMDF-Bursa Research Scheme, a measure to enhance liquidity by generating interest in stocks, particularly smaller capitalised ones. These reports are published on Bursa Malaysia for general consumption.

Strong Corporate Governance: As a public-listed entity, we are committed to produce quality corporate governance. We pride ourselves on our compliance with the strict regulations set by Bursa Securities and on the effective application of the principles and best practices set out in the Malaysian Code of Corporate Governance 2012. These principles include accurate financial disclosure, open dialogue between the Board and Management, accountability to our shareholders, and utmost integrity in all our actions. As a Group, we continue to maintain our sterling record of zero reprimand from Bursa Malaysia.

Active Customer Engagement: In keeping with CMS' corporate mission to "Produce Quality, On Spec & On Time", we are engaging our customers on a continual basis to understand their needs and address their concerns. In this regard, we conduct regular customer satisfaction surveys to gain insights into customer satisfaction levels and to ensure continuous improvements are made.

OUR COMMITMENT TO GOOD ENVIRONMENTAL PERFORMANCE

We care for the environment and are committed to implementing environment-friendly practices throughout our operations as well as measures that contribute to increased productivity, cost savings and efficiency. In 2012, we undertook various measures to optimise the use of our resources and reduce the impact of our operations on the environment.

Corporate Responsibility

Strengthened Efficiencies: Our CMS Cement Kuching Plant increased its hourly production output and reduced its power consumption from 38.4Kwh/MT to 37.6Kwh/MT through the procurement of better quality clinker and the use of grinding aid in the production process. The clinker ratio was further reduced from 90.3 to 89.3%. The plant's other notable achievements included a reduction in the use of jumbo bags by about 10% (from 59,790 pieces to 53,915 pieces), and a reduction in the use of 50 kg bags by about 11% (from 8.64 million pieces to 7.68 million pieces).

The upgraded CMS Clinker plant is currently at the operations stabilisation stage and an optimisation programme will follow. The use of more efficient technology will contribute a 40% savings in fuel and power as well as a reduced carbon footprint due to the plant now running on local Sarawak produced coal rather than imported Indonesian coal.

Environmental-friendly Products: In its endeavours to save energy and to create a cleaner Sarawak, CMS Concrete Products has developed CMS ECO Wall. This product, which consumes quarry products such as quarry dust, provides an environment-friendly alternative to the energy consuming and highly polluting commercial method of brickmaking. It also helps reduce the amount of labour required.

As part of its mandate to produce eco-friendly products, CMS Agrotech is looking into the development of a healthier and more effective organic alternative to chemical fertilisers. Among its innovations is an environmental friendly and Halal certified compost and organic fertiliser to help maintain soil fertility and health for more effective and more sustainable crop output. The company is currently collaborating with Universiti Malaysia Sarawak (UNIMAS) to undertake research and development on organic fertiliser to help reduce dependency on chemical-based fertilisers as well as reduce environmental problems arising from the overuse and long term-use of chemical fertilisers.

Excellent Regulatory Compliance: The CMS Quarries facilities at Stabar, Bukit Akud, Penkuari, Sebuyau and Gunung Sibanyis all attained excellent levels in ambient air quality and complied with strict boundary noise limits set by the Natural Resource Environment Board (NREB). An appointed NREB-registered consultant continues to prepare an Environmental Monitoring Report on a quarterly basis at all our quarry sites.

Our CMS Premix sites in Kuching, Sibu, Miri and Bintulu have met the stringent requirements of the Environment Clean Air Quality Regulations 1978, which focuses on reducing smoke emissions from stacks as well as dust emissions. Monitoring activity is being undertaken on a quarterly basis by an appointed Department of Environment (DOE) registered consultant at all premix sites.

CMS Clinker's emissions results and noise levels fall within regulatory standards. Its achievements for 2012 included the following:

- Cooler stack dust emissions of 0.045g/Nm³ against the 0.1g/Nm³ guideline (Standard C);
- Excellent average readings dust concentration in compliance with the Malaysian Environmental Quality (Clean Air Regulations 1978);
- Acid rain monitoring and water quality monitoring in compliance with Malaysia Environmental Quality (Sewage and Industrial Effluents) Regulations 1979;
- Coal mill stack dust emissions of 0.14g/Nm³ against the 0.1g/Nm³ guideline (Standard C);
- Both day and night noise levels below the DOE/NREB-recommended guidelines; and
- Waste gas stack dust emissions of 0.0505 g/Nm³ against the 0.2g/Nm³ guideline (Standard C);

Quick Emergency Response Measures: On 3 March 2012, we experienced the unfortunate incident of a diesel oil spill from a leaking diesel-bitumen pipeline at our CMS Premix Miri site, into the adjacent Sungai Liku.

This necessitated the water treatment plant nearby having to shut down its raw water intake section and interrupt the supply of water to residents in Miri town.

As soon as we detected the leak, the Construction Materials Division's Emergency Response Team went down to ground to investigate and contain the leakage as well as engaging with the relevant authorities including the Department of the Environment (DOE) and Miri residents. With full cooperation from Petronas, Shell, Bomba and Wasteway Sdn Bhd, remedial works to contain the leakage were implemented that same day and the situation was quickly brought under control with water supply to Miri resuming. The total estimated clean-up exercise cost RM500,000.

Following the incident, an investigation was carried out and it was found that the incident may have been caused by an attempted (and bungled) theft of diesel. Despite the fact that our Miri plant was in full compliance with all the regulatory and safety requirements when the incident happened, an action plan developed in collaboration with the DOE on corrective, preventive and improvement measures has been implemented.

This incident is serving as a case study to the entire Group on what to do in an emergency. By ensuring a speedy response and proactive engagement with all affected stakeholders in such emergencies, we can actively mitigate the impact of our operations on the communities we operate in.

MOVING FORWARD

Moving forward, CMS is committed to conducting its business in a responsible manner by ensuring the delivery of impactful and tangible CR outcomes in the areas of the Community, Workplace, Marketplace and Environment. Only by creating tangible and sustainable value as well as establishing strong and enduring ties with our many stakeholders, can we truly realise our vision of becoming the PRIDE of Sarawak and Beyond.

FOSTERING CLOSER TIES WITH THE COMMUNITY



Clockwise, right to left:

Cement Division's Total Wellness Programme
Staff doing warm up exercises prior to the start of the 5km run.

Habitat for Humanity
CMS volunteers cutting timber at a Habitat for Humanity home build.

Blind Centre Charity Sale
CMS staff raising funds at the Blind Centre Charity Sale.

Sarawak Children's Cancer Society
CMS employees GoBald to raise funds for the Sarawak Children's Cancer Society.

Statement of Corporate Governance

The Board of Directors ("Board") of CMS would like to assure shareholders of their commitment towards maintaining the highest standards of corporate governance and the effective application of the principles and recommendations as set out in the Malaysian Code of Corporate Governance 2012 ("MCCG 2012"), throughout the Group. These principles include accurate financial disclosure, open dialogue between the Board 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.

BOARD OF DIRECTORS

DIRECTORS

1. The Board

The Board is responsible for the overall governance of the Group and is accountable to shareholders for the performance of CMS. The Board's principal functions and responsibilities include providing strategic guidance to the Group, implementing a succession plan, as well as ensuring the Group's internal controls, risk management and reporting procedures are firmly in place. The Board is committed to acting in the best interests of the Group and its shareholders by exercising due diligence and care in discharging its duties and responsibilities.

2. Board Charter

The objective of the Board Charter is to establish a single source of reference for Board activities as recommended by MCCG 2012. The Board Charter would clearly define the roles of the Board, Board Committees and Management in carrying out their stewardship role and in discharging their duties towards the Group as well as boardroom activities.

While the processes and procedures for the Board and Board Committees are already in place, the Board will take steps to formalise such a Charter as a structured guidance for Directors and Management regarding their responsibilities.

3. Board Composition and Independence

The Board consists of nine (9) members, with two of its members being Executive Directors. The seven (7) remaining Non-Executive Directors include four (4) Non-Executive Directors who fulfil the criteria of independence as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Chairman of the Board is an Independent Non-Executive Director.

The Independent Non-Executive Directors, based on their breadth of knowledge and experience, provide unbiased and independent views as well as advice and judgement that take into account the interests of all stakeholders including shareholders, employees, customers, suppliers and the communities in which the Group conducts its business.

There is a clear division of roles and responsibilities between the Chairman and the Executive Directors. The terms of reference of the Independent Non-Executive Chairman are distinct and separate from the duties and responsibilities of the Executive Directors to ensure appropriate balance of power and authority in an effective Board.

The Chairman is responsible for ensuring the Board's effectiveness and conduct, whilst the Executive Directors have overall responsibility for the operating units, organisational effectiveness and implementation of the Board's policies and decisions. In addition, the Executive Directors also act as the intermediaries between the Board and Management.

The recommendations of MCCG 2012 state that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, the Nomination & Remuneration Committee ("NRC") and Board have assessed, reviewed and determined that the position of Mr Kevin How Kow, who has served on the Board for nine

years, remains objective and independent based on the following justifications and contributions of Mr Kevin How Kow, as a member of the Board and Board Committees:

- i. he has fulfilled the criteria under the definition of Independent Director pursuant to the Main Market Listing Requirements of Bursa Securities;
- ii. he has ensured effective check and balance in the proceedings of the Board and the Board Committees;
- iii. his vast experience and knowledge of the field of accounting and external auditing would enable him to continue to provide the Board Committees with the requisite experience and expertise, particularly in the areas of financial reporting, accounting standards, internal controls and risk management;
- iv. he has devoted sufficient time and attention to his responsibilities as an Independent Non-Executive Director of the Company and as an Independent Chairman of the Group Audit Committee; and
- v. he has exercised due care and independent judgement to engage and challenge Management in a constructive manner and in doing so has acted in the best interests of the Company and shareholders during his tenure as an Independent Non-Executive Director of the Company.

As such, the NRC and Board have determined that Mr Kevin How Kow be retained and continue acting as an independent director to fulfil the requirements of Paragraph 15.10 of the Main Market Listing Requirements of Bursa Securities. In line with Recommendations of the Code, a proposal is being submitted to shareholders for their approval at the forthcoming Annual General Meeting.

The Directors of CMS have a wide range of business, financial, management, technical, private sector and public service experience. They are persons of high calibre and integrity and their knowledge and expertise in their respective fields bring perspectives from other businesses, thereby enhancing the effectiveness of the Board and Board Committees.

The profiles of the Board members are presented on pages 28 to 33 of this Annual Report.

The Board is mindful of the need to refresh itself from time to time and is continuously exploring avenues, including improving gender diversity, to gradually strengthen the Board and ensure the appropriate balance.

The Board is of the view that given the size of the Group, the current number of nine (9) Directors is an optimum and well-balanced number, which effectively addresses to the current scope and complexity of the diverse businesses of the CMS Group. The current Board size also allows for effective deliberations at Board meetings and ensures Board meetings are conducted in an efficient manner.

4. Code of Ethics for Directors

The Board has adopted and adheres to a Code of Ethics which is in line with that established by the Companies Commission of Malaysia.

5. Duties and Responsibilities of the Board

The responsibilities of the Board include reviewing and approving the Group's business strategies and plans, policies and monitoring Management's performance in implementing them. Without intending to limit this general role and its statutory duties, the Board's principal functions and responsibilities include the following:

- To set and monitor the Group's overall strategic direction;
- To authorise and monitor investments and strategic commitments;
- To approve the Group's annual business plans and budgets;
- To oversee the conduct of the Company's business operations and financial performance against the approved business plans;



Statement of Corporate Governance

- To ensure that the operating infrastructure, systems of risk management and systems of financial and operational controls are in place and regularly reviewed; and
- To implement succession planning, including appointing, fixing the compensation of, and where appropriate, replacing senior management.

The Independent Non-Executive Directors play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision-making. They also challenge Management in a constructive manner.

The NRC and Board have assessed, reviewed and determined that the position of Senior Independent Non-Executive Director shall be left vacant for the time being following the demise of the late Dato Sri Liang Kim Bang. The NRC and Board are of the view that all relevant matters which are referred to the Senior Independent Non-Executive Director may be conveyed to the Group Chairman who is also the Chairman of the NRC.

6. Board Meetings and Supply of Information to the Board

Board and Board Committee meetings for each financial year are scheduled in advance before the end of each preceding financial year so as to enable the Directors and Management to plan accordingly and fit these meetings into their respective schedules.

The Board meets in person at least four (4) times a year. A Board calendar is set in advance by the Company Secretary and synchronised with the quarterly financial reporting deadlines as well as Management's planning cycle.

Board and Board Committee meetings are conducted in accordance with a structured agenda. To provide ample time for Directors to study and evaluate the matters to be discussed and subsequently make effective decisions, the Board notice, agenda items and papers are circulated at least three (3) business days prior to the meeting.

At the Board meetings, the Board reviews management reports on the business performance of the CMS Group including a limited review of its associates. The Board also notes the decisions and salient issues deliberated by Board Committees through the minutes of these Board Committees' meetings.

The Chairmen of the respective Board Committees will report to the Board on the outcome/key issues deliberated by the Board Committees at the Board meetings.

The Directors have a duty to make an immediate declaration to the Board if they have any interest in direct or indirect transactions with the CMS Group. The interested Directors would serve notice to the Board and thereupon abstain from deliberation and decisions of the Board on the transactions in question. Where Directors are interested in a corporate proposal undertaken by the Company requiring the approval of the shareholders, the interested Directors will abstain from voting in respect of their direct and/or indirect shareholdings in CMS, on the resolutions pertaining to the corporate proposal. They will further undertake to ensure that persons connected to them also abstain from voting on the resolutions.

Proceedings of all meetings and the decisions of the Board are recorded in the minutes of the meeting. Minutes of the meetings are circulated to the Directors and approved by the Board at the subsequent meeting.

The Board may invite external parties such as auditors (both internal and/or external auditors), professional advisers and/or consultants who provide advice on corporate proposals and other specific issues, 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. Such invited parties may attend part or all of the Board meetings at the discretion of the Board.

There is a schedule of matters reserved specifically for the Board's decision. This includes 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.

The Directors have ready and unrestricted access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense in the furtherance of their duties.

The Directors are regularly updated by the Company Secretary on any new statutory and regulatory requirements relating to the Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

The Company Secretary attends all Board and Board Committee meetings and ensures that accurate records of the proceedings of the Board and Board Committee meetings and the decisions made are properly kept.

The Board may remove the Group Company Secretary.

During the year, four (4) scheduled Board meetings and one (1) Special Board meeting were held. Attendance of Directors at the Board meetings in 2012 is as follows:

Name of Director	Scheduled Board Meetings	Attendance
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail (Independent, Non-Executive)	5	5
Dato Sri Mahmud Abu Bekir Taib (Non-Independent, Non-Executive)	5	5
Datuk Syed Ahmad Alwee Alsree (Executive)	5	5
Dato' Richard Curtis (Executive)	5	5
General (R) Tan Sri Mohd Zahidi Zainuddin (Independent, Non-Executive)	5	3
Datuk Wan Ali Tuanku Yubi * (Non-Independent, Non-Executive)	5	5
Datu Michael Ting Kuok Ngie* (Non-Independent, Non-Executive)	5	5
Datu Hubert Thian Chong Hui^ (Independent, Non-Executive)	2	2
Kevin How Kow (Independent, Non-Executive)	5	5
The late Dato Sri Liang Kim Bang# (Senior Independent, Non-Executive)	3	2

* Re-designated as Non-Independent Director on 12 March 2013

^ Appointed on 6 June 2012

Deceased on 23 August 2012

All Directors have complied with the minimum requirements on attendance at Board meetings as stipulated under the Main Market Listing Requirements of Bursa Securities (minimum 50% attendance).

In 2012, 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; and
 - competitors' activities.
- Report on investment in listed associated companies (quarterly);
- Corporate Responsibility Report (half-yearly);
- Human Resources Report (half-yearly);
- Risk Management Report (quarterly) highlighting the status of key and other risks;
- Investor relations Report (half-yearly); and
- Updates on regulatory and financial matters.



Statement of Corporate Governance

In 2012, the Board studied and approved these initiatives:

- Approved the proposed acquisition of additional shares in K&N Kenanga Holdings Berhad;
- Approved the proposed Share Buy-Back Scheme;
- Approved a Dividend Policy for the Company;
- Reviewed the participation in the joint venture to develop a new township in Samalaju, Bintulu including the development of supporting light industries and service centres as well as the construction and management of temporary worker and executive lodges in Samalaju Industrial Park, Bintulu;
- Reviewed the investment for the development and construction of a manganese and ferro silicon smelting plant at Samalaju Industrial Park, Bintulu;
- Completed the Bulk Terminals Project which aims to improve the cement distribution system and bulk import facilities across the State of Sarawak;
- Reviewed the cement division's operating efficiencies and issues;
- Reviewed and approved the revision of Group Limits of Authority, Procurement Policies & Procedures Manual and Human Resources Policies and Procedures Manual;
- Undertook detailed risk analysis and development of an integrated Business Continuity Plan;
- Conducted an overview of property development operations and the Isthmus development plan;
- Approved the implementation of the Minimum Wages Order 2012;
- Reviewed the implication of the new Malaysian Competition Act, 2010;
- Reviewed succession planning at multiple levels within the Group;
- Initiated a group-wide job grading review; and
- Approved revisions to the Group Structure and to the Group Vision and Mission Statements.

7. Nomination and Election Process of Board Members

The NRC is responsible for the appointment, re-appointment and annual assessment of Directors. The NRC also oversees the overall composition of the Board in terms of the appropriate size and skills as well as the balance between Executive Directors, Non-Executive and Independent Directors. It also annually reviews the mix of skills and other core competencies required of Directors to ensure Directors are considered fit enough to be appointed in accordance with the Main Market Listing Requirements of Bursa Securities and the Code issued by the Securities Commission.

The nomination process involves identification and evaluation of candidates, interviewing or meeting up with candidates, deliberation by the NRC and recommendations by the NRC to the Board.

In its recent annual review, the NRC and Board have agreed to take steps to include women Directors on the Board and have agreed to review the suitability and credibility of women candidates for the Board. In reviewing its performance going forward, the Board will give consideration to its gender diversity objectives.

8. Appointments to the Board

Upon appointment, new Directors undergo an induction programme arranged by the Company Secretary to ensure they familiarise themselves quickly with the Group's businesses, vision, mission and values. New Directors also meet with Management as well as make visits to the various operating businesses.

9. Annual Assessment of Directors

The NRC carries out an annual assessment of the effectiveness of the overall Board and its Board Committees and makes recommendations on the re-appointment and re-election of Directors who are seeking re-appointment and re-election at the Annual General Meeting. The NRC also conducts an annual assessment of the independent directors to continuously enhance the Board's overall performance.

In a combination of self and peer assessments, Directors respond to a series of questions and provide feedback on their level of effectiveness in relation to various aspects of performance. These aspects include the composition of the various Board committees, roles and responsibilities, performance against principal Board responsibilities, communication and information, as well as conduct. In 2012, responses from the Directors were analysed and

presented to the NRC and the Board. The Board and Management then addressed several areas requiring improvement.

In addition to the annual Directors' assessment, the NRC also reviewed the terms of office and performance of each of the members of the Board Committees for 2012 to determine whether they had carried out their duties in accordance with their respective terms of reference.

Following its most recent annual review, the NRC is satisfied that, presently, the size of the Group's Board is at an optimum size and that there is an appropriate mix of knowledge, skills, attributes and core competencies in the Board's composition. The NRC is also satisfied that all the Board members are suitably qualified to hold their positions as Directors of CMS in view of their respective academic and professional qualifications, experience and qualities. The NRC also concluded that all the Directors have received the necessary training during the financial year ended 31 December 2012. The details of the Directors' Training and Education are set out on pages 46 to 47 of this Annual Report.

10. Re-appointment and Re-election of Directors

Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are over seventy (70) years of age shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

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 (1/3) of the Directors, or if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum number of one (1), shall retire from office at each Annual General Meeting and they may offer themselves for re-election. All Directors must submit themselves for re-election at least once in every three years.

DIRECTORS' REMUNERATION POLICIES AND PROCEDURES

The Company has adopted the recommendations of the Code to determine the remuneration for Directors. By ensuring remuneration packages are competitive enough, CMS is able to attract and retain Directors of good calibre and integrity with the appropriate qualifications, skills and experience needed to run the Group's operations effectively.

The remuneration packages for Executive Directors involve a balance between fixed and performance-linked elements. The recommendations are based on the Group's policies and market rates and typically include base salaries, performance contract payments, share options, pension or contribution plans, benefits-in-kind, prerequisites and service contracts.

For Non-Executive Directors, the review of the Directors' fees should take into account the expertise and level of responsibilities undertaken by the particular Non-Executive Director concerned, the experience and the time commitment required from the Directors. This should also take into consideration any additional responsibilities undertaken such as membership on Board Committees and directorships at subsidiary companies.

Each individual Director abstains from the NRC and/or Board decision on his own remuneration package. Directors' fees are approved by the shareholders at the Annual General Meeting.

The Directors are paid annual fees and an attendance allowance of RM500 for every Board or Committee meeting attended.

Details of the Directors' remuneration (including benefits-in-kind) for each Director during the financial year 2012 are analysed into bands of RM50,000 as 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.



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The total Directors' remuneration for the financial year 2012 is as follows:

Remuneration Band (RM)	Number of Director	
	Executive	Non-Executive
50,001 - 100,000	-	5
150,001 - 200,000	-	1
650,001 - 700,000	-	1
750,001 - 800,000	-	1
1,500,001 - 1,550,000	1	-
2,450,001 - 2,500,000	1	-

Details of remuneration of the Directors during the financial year 2012 are as follows:

Remuneration (RM'000)	Executive	Non-Executive	Total
Salaries & other emoluments	3,218	1,374	4,592
Defined contribution plans	386	130	516
Fees	-	575	575
Share option granted under Employees' Share Option Scheme ("ESOS")	379	-	379
Estimated money value of benefits-in-kind	242	73	315
Total	4,225	2,152	6,377

DIRECTORS' TRAINING AND EDUCATION

All Directors have attended the required Mandatory Accreditation Programme pursuant to the Main Market Listing Requirements of Bursa Securities. The Directors have participated in training programmes, conferences and seminars to keep abreast of developments in the business environment as well as new regulatory and statutory requirements.

The Directors attend a Board Strategic Retreat annually where they discuss and formulate strategies for the Group with Management. Other trainings attended by the Directors during the year covered a range of topics relating to corporate governance, management, financial and investor relations.

In 2012, CMS Directors attended the following training programmes, conferences and seminars:

Corporate Governance

- The Malaysian Code on Corporate Governance 2012 – "The Implication and Challenges to Public Listed Companies"
- Corporate Governance 2012 – Directing Results Focused Risk Management Programme to Strengthen Your Enterprise's Governance
- 4th Annual Corporate Governance Summit Kuala Lumpur – Bringing Asia onto The Board
- FIDE – Financial Institutions Directors' Education Programme by Bank Negara Malaysia
- Case Studies for Boardroom Excellence – Related Party Transaction – Doing it Right for Results
- Board Excellence by PWC
- Essential Elements of an Effective Audit Committee
- Mandatory Accreditation Programme

Management

- International Manganese Institute's 38th Annual Conference – Ritz-Carlton, Cancun, Mexico
- 183rd Session of the Advanced Management Programme at Harvard Business School
- 31st Management Conference
- Rebuilding Trust in the Financial Sector (ICLIF)
- Forum in Islamic Banking
- Sultan Azlan Shah Law Lecture

Financial

- Accounting & Regulatory Updates, Basel III Framework, Banking Banana Skin Survey, Future Trends in Banking

Investor Relations

- Handling Press Conferences, Media Interviews and Tricky Media Questions

BOARD COMMITTEES

The following Committees have been established to assist the Board in the execution of its responsibilities. The Board Committees have written terms of reference which are in accordance with the recommendations of the Code. These terms of reference are periodically reviewed by the Board.

The roles and responsibilities of the Board Committees are set out in their terms of reference.

1. Board Committees

The composition of the Board Committees and the attendance of Members at Board Committee meetings in 2012 are as follows:

i. Group Audit Committee

Name of Committee Member	Scheduled Committee Meetings	Attendance
Kevin How Kow - Chairman of Group Audit Committee (Independent, Non-Executive)	5	5
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail (Independent, Non-Executive)	5	5
Datu Michael Ting Kuok Ngie* (Non-Independent, Non-Executive)	5	5
Datu Hubert Thian Chong Hui^ (Independent, Non-Executive)	-	-

* Re-designated as Non-Independent Director and resigned on 12 March 2013

^ Appointed on 12 March 2013

Statement of Corporate Governance

ii. NRC

Name of Committee Member	Scheduled Committee Meetings	Attendance
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail - Chairman of NRC (Independent, Non-Executive)	8	8
Dato Sri Mahmud Abu Bekir Taib (Non-Independent, Non-Executive)	8	5
Datuk Syed Ahmad Alwee Alsree* (Executive)	8	6
General (R) Tan Sri Mohd Zahidi Zainuddin (Independent, Non-Executive)	8	6
Datuk Wan Ali Tuanku Yubi^ (Non-Independent, Non-Executive)	8	7
Datu Michael Ting Kuok Ngie# (Non-Independent, Non-Executive)	8	8
Datu Hubert Thian Chong Hui@ (Independent, Non-Executive)	-	-

* Resigned on 31 December 2012

^ Re-designated as Non-Independent Director on 12 March 2013 and resigned on 28 March 2013

Re-designated as Non-Independent Director on 12 March 2013

@ Appointed on 28 March 2013

iii. Group Risk Committee

Name of Committee Member	Scheduled Committee Meetings	Attendance
Datuk Syed Ahmad Alwee Alsree - Chairman of Group Risk Committee (Executive)	4	3
Dato' Richard Curtis (Executive)	4	4
Datuk Wan Ali Tuanku Yubi* (Non-Independent, Non-Executive)	4	4
Kevin How Kow (Independent, Non-Executive)	4	4

* Re-designated as Non-Independent Director on 12 March 2013

iv. ESOS Committee

Name of Committee Member	Scheduled Committee Meetings	Attendance
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail - Chairman of NRC (Independent, Non-Executive)	2	2
Dato Sri Mahmud Abu Bekir Taib (Non-Independent, Non-Executive)	2	2
Datuk Syed Ahmad Alwee Alsree (Executive)	2	1
General (R) Tan Sri Mohd Zahidi Zainuddin (Independent, Non-Executive)	2	1
Datuk Wan Ali Tuanku Yubi* (Non-Independent, Non-Executive)	2	2
Datu Michael Ting Kuok Ngie* (Non-Independent, Non-Executive)	2	2

* Re-designated as Non-Independent Director on 12 March 2013

The terms of reference and frequency of meetings for the Board Committees are as follows:

a. Group Audit Committee

The terms of reference, composition and a summary of the activities of the Group Audit Committee are set out under the Group Audit Committee Report.

The Group Audit Committee meets at least four (4) times a year.

b. NRC

The NRC is responsible for the following activities:

- Determining criteria for Board membership and annual review of the effectiveness and efficiency of the Board and Board Committees as well as the structure, size, balance and composition of the Board and Committees;
- Evaluating and proposing new appointments to the Board;
- Recommending the re-election and re-appointment of directors who are retiring by rotation at the Annual General Meeting;
- Recommending appointment of nominee directors to be members of the Board Committees and Boards of subsidiary and/or associate companies;
- Establishing a succession plan for the Board and a framework for appointment, development and succession for senior management of the Group;
- Recommending appropriate training programmes for Directors;
- Recommending the policy and framework for the Directors' remuneration as well as the remuneration and terms of service of Executive Directors and senior management of the Group;
- Evaluating performance and reward for Executive Directors and senior management of the Group;
- Designing and implementing an evaluation procedure for Executive Directors, Non-Executive Directors and senior management of the Group; and
- Ensuring investments of minority shareholders are fairly reflected on the Board.

The NRC meets at least once a year and as and when required.

Statement of Corporate Governance

c. Group Risk Committee

The Group Risk Committee is tasked with the following responsibilities:

- To provide direction, oversight and advice to the risk management process;
- To monitor material risk exposure with potentially significant business impact or requiring a group-wide response;
- To review the risk management structure or framework, risk management process and support systems, and where appropriate, recommend changes to cope with the changing environments;
- To review and deliberate on key issues and mitigation strategies highlighted in the quarterly risk reports submitted;
- To advise the Board on risk related issues and recommend strategies, policies and risk tolerance for Board information and approval as appropriate;
- To review and provide oversight on due diligence on corporate proposals and strategic transactions involving acquisitions/disposals in by the Group exceeding RM10 million, other than those in the ordinary course of business operations;
- To review all agreements/contracts pertaining to the set-up of a new business not in the ordinary course of existing business; and
- To review the formation, liquidation, merger and/or corporate reorganisation of the Group.

The Group Risk Committee meets at least once in every quarter.

d. ESOS Committee

The NRC is responsible for the following activities:

- To administer the ESOS and regulate the Committee's own proceedings in such manner as it shall deem fit and with such powers and duties as are conferred upon it by the Board.

The ESOS Committee meets at least once a year and as and when required.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Directors and officers of the Group are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors and officers. The Directors and officers however shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board is responsible for ensuring that accounting records are properly kept and that the financial statements are prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

Timely announcements on the quarterly results and issuance of the Annual Report to Bursa Securities reflect the Board's commitment to provide timely and up-to-date assessments on the Group's performance and prospects.

The Board, assisted by the Group Audit Committee, oversees the financial reporting processes and the quality of the financial reporting by the CMS Group. The Group Audit Committee reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements. The Group Audit Committee also assists the Board in reviewing the appropriateness of the accounting policies applied by the Group as well as the changes to these policies.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of CMS and CMS Group is presented on page 63 of this Annual Report.

RELATED PARTY TRANSACTIONS

The Group Internal Audit Department carries out a review of the nature of related party transactions within the Group annually to ascertain any conflict of interest situations. The results of this annual review are tabled to the Group Audit Committee meetings and thereafter reported to the Board.

Details of the related party transactions are disclosed in the Notes to the Financial Statements on pages 162 to 163 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for maintaining a system of internal controls that provide reasonable assurance for effective and efficient operations, compliance with laws and regulations, as well as adherence with internal procedures and guidelines.

A statement on the Risk Management and Internal Control is presented on pages 58 to 60 of this Annual Report.

WHISTLEBLOWING POLICY

The Board is committed to maintaining the highest possible standards of ethical and legal conduct within the Group. In line with this commitment and in order to enhance good corporate governance and transparency, the Board approved the adoption of a Whistleblowing Policy. This policy aims to provide an avenue for raising concerns related to possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity, in an appropriate manner and without fear of retaliation.

RELATIONSHIP WITH EXTERNAL AUDITORS

The Group Audit Committee meets with the Group's external auditors at least twice a year without the presence of Management or whenever it deems necessary.

The service provided by the external auditors includes statutory audits and non-audit services. The terms of engagement for the services rendered by the external auditors are reviewed by the Group Audit Committee and approved by the Board. The Group Audit Committee also reviews the proposed fees for audits and non-audit services and makes recommendations for Board approval.

The Group Audit Committee also ensures that the independence and objectivity of the external auditors are not compromised. In line with this, the Group Audit Committee carries out an annual assessment of the objectivity, independence and quality of service delivery of the Group's external auditors.

The details of the statutory audit, audit-related and non-audit fees approved in 2012 to the external auditors are set out below:

Fees paid/payable to Ernst & Young and its affiliates	RM'000
Audit services	618,500
Non-audit services including tax services	526,300
Total	<u>1,144,800</u>



Statement of Corporate Governance

INTERNAL AUDIT

The Group has an established Internal Audit Department which assists the Group Audit Committee in the discharge of its duties and responsibilities. Its role is to provide independent and objective reports on the Group's management, records, accounting policies and controls to the Board.

The Group Audit Committee meets with the Group Internal Auditor at least twice a year without the presence of Management or whenever it deems necessary. The Group Internal Auditor reports directly to the Group Audit Committee and his findings and recommendations are communicated to the Board via the Group Audit Committee.

A statement on the Internal Audit Function is presented on page 57 of this Annual Report.

EFFECTIVE COMMUNICATIONS WITH SHAREHOLDERS

The Board is committed to ensuring high-level disclosure and maintaining regular communication with its shareholders by providing clear, comprehensive and timely information through a number of readily accessible channels.

The CMS Annual Report remains a key channel of communication with the Group's stakeholders. CMS disseminates its Annual Report in hard copy format to the shareholders and publishes it on its website.

The transparency levels of the CMS Group are further enhanced via the release of the Group's quarterly result announcements, which contain extensive information and disclosures as per Bursa Securities' requirements governing listed companies.

An important avenue for communication and dialogue with the shareholders is the Company's Annual General Meeting. All shareholders are encouraged to attend the Company's Annual General Meeting and to participate in the proceedings. Shareholders are given both the opportunity and time to raise questions and seek clarification on the agenda items and on the performance of the CMS Group. The Directors avail themselves to clarify matters or enquiries from shareholders. Suggestions received from shareholders at the Company's Annual General Meeting are reviewed and considered for implementation, where appropriate. At the Annual General Meeting, the Group Managing Director presents an overview of the Group's performance for the year under review.

CMS releases media statements of its quarterly and annual results announcements. These media statements aim to disseminate the Group's results to a wide audience of investors and shareholders as well as to keep the investing public and shareholders updated on the Group's business progress and development. Press releases to the media on all significant corporate developments are also made as and when these developments occur.

All information that is made public such as (but not limited to) the Company's Annual Report, press releases, quarterly financial results and announcements to Bursa Securities, are available on the Company's website, www.cmsb.com.my.

INVESTOR RELATIONS POLICY

The Board has established an internal Investor Relations Policy and is committed to keeping shareholders and other stakeholders informed on material developments as well as to maintaining effective communications with them.

The Group's investor relations activities serve as important platforms to engage with shareholders, investors and investing community. The Group's investor relations function is undertaken by the most senior levels of CMS' Management.

A total of thirteen (13) meetings/interviews with analysts and/or fund managers from over 50 institutions were carried out in financial year 2012.

The Board is in the process of streamlining its Investor Relations Policy with the Corporate Disclosure Policies and Procedures to facilitate the handling and disclosure of material information in a timely and accurate manner.

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the regulatory and legal framework concerning the release of material and price sensitive information.

Investor relations activities are attended by the following Directors and Senior Management:

Primary Contacts

Dato' Richard Curtis

Group Managing Director

T +60 82 238 888

F +60 82 338 611

E shirlyac@hq.cmsb.com.my

Tuan Syed Hizam Alsagoff

Group Chief Financial Officer

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E alsagoff@hq.cmsb.com.my

This Statement is made in accordance with a resolution of the Board of Directors dated 28 March 2013.



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 2012.

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 Hubert Thian Chong Hui (Appointed on 12 March 2013)
(Independent, Non-Executive Director)

Datu Michael Ting Kuok Ngie (resigned and re-designated as Non-Independent Director w.e.f. 12 March 2013)
(Non-Independent, Non-Executive Director)

Terms of Reference of the Group Audit Committee

1. Constitution

- i. The Committee was established by a resolution of the Board on 27 March 1995.
- ii. The functions of the Committee shall extend to CMS Group of Companies collectively referred to as the "Group".
- iii. The Board shall ensure that the composition and functions of the Committee comply as far as possible with both Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") as well as other regulatory requirements.

2. Membership

- i. The members of the Committee shall be appointed by the Board from among their number. They shall consist of not more than five members and not fewer than three members, of whom a majority shall be independent non-executive directors.
- ii. At least one member of the Committee:
 - a) must be a member of the Malaysian Institute of Accountants (MIA); or
 - b) if he is not a member of the MIA, he must have at least 3 years' working experience and –
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - c) fulfills such other requirements as prescribed or approved by Bursa 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.

3. Objectives

- i. To assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices for the Group.
- ii. To maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors.
- iii. To avail to the external and internal auditors a private and confidential audience at any time they desire and to request such audience through the Chairman of the Committee, with or without the prior knowledge of Management.
- iv. To act upon the Board of Directors' request to investigate and report on any issue or concern with regard to the management of the Group.

4. Duties

- i. To review with the external auditors the audit plan and their evaluation of the system of internal controls and audit report.
- ii. To review any letter of resignation from the external auditors and whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment.
- iii. To recommend the nomination of a person or persons as external auditors.
- iv. To review the assistance given by the Company's and the Group's employees to the auditors.
- v. To approve the appointment or termination of the Group Internal Auditor and ensure that the Group Internal Audit Division is adequately resourced and has an independent status within the Group.
- vi. To review any appraisal or assessment of the performance of staff of the internal audit function.
- vii. To review the adequacy of the scope, functions, competencies and resources of the internal audit function and ensure that appropriate action is taken by Management in respect of the audit observations and the Committee's recommendations.
- viii. To review the quarterly financial results to Bursa Securities and year end audited financial statements before submission to the Board. The review should focus primarily on:
 - changes in significant accounting policies
 - significant and unusual events and major judgemental areas; and
 - compliance with approved accounting standards and other relevant regulatory and legal requirements.
- ix. To review any related party transaction and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or conduct that raises questions of management integrity.
- x. To direct any special investigations on the Group's operations to be carried out by the Group Internal Audit Division or any other appropriate agencies.
- xi. To discuss problems and reservations arising out of external or internal audits and any matters which the auditors wish to bring up in the absence of Management or the Executive Directors of the Group where necessary.
- xii. To perform other related duties as may be agreed by the Committee and the Board.
- xiii. To verify the allocation of option pursuant to share issuance scheme at the end of each financial year.



Group Audit Committee Report

5. Authority

- i. The Committee is authorised to investigate any matter within its terms of reference and shall have unrestricted access to obtain any information it requires from any employee of the Group.
- ii. The Committee is authorised to direct any employee of the Group to appear before it to give information or clarification as required.
- iii. The Committee is also authorised by the Board to obtain outside legal or any other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise.
- iv. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa Securities Listing Requirements, the Committee is also required to promptly report such matter to Bursa Securities.

6. Meetings and Minutes

- i. The Committee shall meet not less than four times a year although additional meetings may be called at any time at the Chairman's discretion. The quorum of each meeting shall be a majority of independent non-executive directors.
- ii. In addition to the Committee members, the meeting will normally be attended by representatives of the external auditors, the Group Managing Director, the Group Chief Financial Officer, the Group Internal Auditor and any appropriate persons as determined by the Chairman.
- iii. The Company Secretary shall be the Secretary to the Committee. Prior to 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 2012

During the year ended 31 December 2012, the Committee held five meetings which were attended by the members as follows:

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

The Committee held two meetings with the external auditors on 2 April 2012 and 28 November 2012 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 2012

The Committee carried out its duties in accordance with its term of reference during the financial year and up to end March 2013. 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;
- Considered and recommended to the Board the reappointment of the external auditors of the Group and the audit fees;

- Reviewed the Audit Engagement Letter and independence and objectivity of the external auditors and the quality of 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 results and year end financial statements of the Company and the Group prior to making a recommendation to the Board for approval and public release thereof;
- Reviewed the appraisal of the performance of the internal audit staff and the KPI of the Group Internal Auditor;
- Approved the recommendation to extend the employment contract of the Group Internal Auditor;
- Reviewed its term of reference and recommended to the Board for approval;
- Reviewed the status of action plans on areas of improvement for Audit Committee arising from a Self-Assessment Exercise completed in 2011;
- Reviewed the Statement of Risk Management and Internal Control and the Audit Committee Report before they were presented to the Board of Directors;
- Reviewed the Statement of Related Party Transactions and Procedures; and
- Reviewed the verification of 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 by Internal Audit.

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 2012 have been verified 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 2012 amounted to RM1,084,640 (2011: RM1,263,600).

This Statement is made in accordance with a resolution of the Board of Directors dated 28 March 2013.



Statement on Risk Management and Internal Control

The Malaysian Code on Corporate Governance requires the Board of Directors to maintain a sound system of risk management and 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 ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") has been approved by the Board of CMS ("Board") and reviewed by the external auditors as required under paragraph 15.23 of the MMLR. Based on their review, the external auditors have reported to the 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 risk management practices and internal controls, 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 "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers". 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.

The Board has received assurances from the Group Executive Director, Group Managing Director and the Group Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

The Board is of the view that the risk management and internal control systems for the year under review and up to the date of issuance of the financial statements is adequate and effective.

Risk Management

Risk Policy

The Group Risk Committee (GRC) was established by the Board's resolution passed on 27 March 2009 and in accordance with Articles of the Association, and is guided by the Terms of Reference. The GRC comprises of four (4) members, namely the Group Executive Director, Group Managing Director and any two (2) Directors, one of which shall be an Independent Director.

The primary responsibility of the GRC is to ensure the effective functioning of the risk management function at the CMS Group level.

The GRC meets at least once every quarter, reports to the Board on risk related issues and recommend strategies, policies and risk tolerance for the Board information and approval as appropriate.

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 Business Divisions ("Division")/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 a Division's strategy.
- Effective risk management provides greater assurance that the Group's strategy and business objectives will be achieved without major surprises.

- Each Division (and business unit therein) is 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:

- Review and monitoring of key risks during the management meetings of the Divisions.
- Reporting of significant risks by Divisions.
- Reporting of significant risks by Divisions on a quarterly basis to the Group Risk Unit.
- Presentation of a summary of the significant risks by the Group Risk Unit to the GRC/Board on a quarterly basis.

Risk coordinators have been appointed in the respective Divisions to update the quarterly risk reports. The major risks are aggregated and risk ratings reviewed by the Group Risk Unit and Group Managing Director before presentation to the GRC/Board. These Divisions are also required to present risk reports to their respective Boards periodically to assist them to discharge their governance and fiduciary duties.

Key Elements of the Internal Control System

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

- Clearly defined delegation of responsibilities to Committees of the Board and the management, including authorization levels for all aspects of the businesses. Such delegation is subject to periodic review throughout the year as to their implementation and for their continuing suitability.
- Clearly documented internal procedures set out in the Group Financial Policies and Procedures Manual.
- A detailed Group Procurement Policies and Procedures Manual to regulate procurement of goods and services in the Group. This includes the centralisation of competitive sourcing and evaluation of major purchases to leverage Group buying power and the establishment of a Central Tender Committee which has responsibility to review and endorse all high value purchases in the Group.
- A detailed strategic planning and budgeting process where operating units prepare business plans and detailed capital and operating budgets for the coming year. These plans are approved by the Board.
- All major business commitments or investments will be subject to review in accordance with the procedures set out in the Limits of Authority Manual so as to ensure that all such investments meet the risk appetite and investment criteria determined by the Board and that Division'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.



Statement on Risk Management and Internal Control

- 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. The Group will continue to take measures to strengthen the internal control and risk management environment.

This Statement is made in accordance with a resolution of the Board of Directors dated 28 March 2013.



Additional Compliance Information

1. Utilisation of Proceeds raised from Corporate Proposals

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

2. Share Buy-Backs

At the Company's Extraordinary General Meeting held on 30 May 2012, the shareholders approved the proposed authority for the Company to purchase its own shares up to a maximum of ten percent (10%) of the issued and paid-up ordinary shares pursuant to Section 67A of the Companies Act, 1965.

As at the end of financial year ended 31 December 2012, a total of 7,576,800 ordinary shares of RM1.00 each were purchased from the open market and retained as treasury shares pursuant to the share buy-back authority. None of the treasury shares were resold or cancelled during the financial year under review.

Below is the monthly breakdown of the shares bought back during the financial year ended 31 December 2012:

Month	No. of shares purchased	Price		Total Consideration* (RM)	Average Cost (RM)
		Highest (RM)	Lowest (RM)		
July	2,451,500	2.98	2.58	6,957,977.65	2.84
August	1,239,800	3.29	2.82	3,657,530.99	2.95
September	574,600	3.50	3.24	1,952,418.22	3.40
October	477,800	3.34	3.25	1,586,521.84	3.32
November	1,360,900	3.34	3.00	4,293,905.82	3.16
December	1,472,200	3.40	3.18	4,870,377.37	3.31

* Inclusive of transaction cost

3. Options, Warrants or Convertible Securities

During the financial year ended 31 December 2012, a total of 2,954,900 options over ordinary shares were exercised pursuant to the Company's Employees' Share Option Scheme. The Company did not issue any warrants or convertible securities during the financial year.

4. American Depositary Receipt (ADR) / Global Depositary Receipt (GDR)

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

5. 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.

6. Non-Audit Fees

Non-audit fees of RM526,300.00 were paid to the external auditors and its affiliates for the financial year.

7. Variation in Results

There was no variance of 10% or more between the Audited Financial Statements 2012 and the unaudited financial results for the year ended 31 December 2012 announced by the Company on 27 February 2013.

Additional Compliance Information

8. Profit Guarantee

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

9. Material Contracts

There was no material contract involving Directors and major shareholders entered into during the financial year by the Company and/or its subsidiaries.

10. Revaluation Policy

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

11. Recurrent Related Party Transactions of a Revenue Nature

At the 37th Annual General Meeting held on 30 May 2012, 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 pursuant to the Shareholders' Mandate are disclosed in Note 41 of the Audited Financial Statements 2012.

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 2012.

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of the Act and MMLR.

The Directors consider that in preparing the financial statements for the year ended 31 December 2012 set out on pages 73 to 175, 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 28 March 2013.



Financial Statements 2012

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

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	135,735	8,010
- Non-controlling interests	30,892	—
Profit net of tax	<u>166,627</u>	<u>8,010</u>

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 and provisions

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

Dividends

The amounts of dividends paid by the Company since 31 December 2011 were as follows:

In respect of the financial year ended 31 December 2011 as reported in the directors' report of that year:	RM'000
First and final dividend of 15% less 25% taxation, on 329,602,440 ordinary shares, declared on 8 May 2012 and paid on 27 July 2012	<u>37,080</u>
In respect of the financial year ended 31 December 2012 as reported in the directors' report of the year:	RM'000
Interim dividend of 5% less 25% taxation, on 326,691,940 ordinary shares, declared on 29 August 2012 and paid on 19 October 2012	<u>12,251</u>

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2012 of 12% less 25% taxation on 324,858,940 ordinary shares, amounting to a dividend payable of RM29,237,305 (9 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 2013.

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
General (R) Tan Sri Dato' Seri Mohd Zahidi bin Zainuddin	
Datuk Wan Ali Tuanku Yubi	
Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	
Datu Hubert Thian Chong Hui	(Appointed on 6 June 2012)
Kevin How Kow	
Dato Sri Liang Kim Bang	(Deceased on 23 August 2012)

Datu Michael Ting Kuok Ngie @ Ting Kok Ngie retires pursuant to Section 129 of the Companies Act, 1965 and a resolution is being proposed for his re-appointment as director 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, Datuk Syed Ahmad Alwee Alsree, Dato' Richard Alexander John Curtis and Kevin How Kow retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 112 of the Company's Articles of Association, Datu Hubert Thian Chong Hui retires at the forthcoming Annual General Meeting and, being eligible, offers himself 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 1.1.2012 and 31.12.2012
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 1.1.2012 and 31.12.2012
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.



Directors' Report

Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM329,480,840 to RM332,435,740 by way of the issuance of 2,954,900 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.

Treasury shares

At an Extraordinary General Meeting held on 30 May 2012, the Company obtained a mandate from the shareholders which allows the Company to purchase up to a maximum of ten percent (10%) of the issued and paid-up ordinary share capital of the Company on Bursa Malaysia Securities Berhad.

During the financial year, the Company repurchased 7,576,800 (2011: Nil) of its issued ordinary shares from the open market at an average price of RM3.08 per share. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

As at 31 December 2012, the number of outstanding ordinary shares in issue after set-off of treasury shares is therefore 324,858,940 (2011: 329,480,840) ordinary shares of RM1 each.

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.

During the financial year, the Company granted 7,759,500 share options under Option 2 of the ESOS. These options expire on 22 June 2015 are not exercisable yet as the vesting conditions have not been met. Details are disclosed in Note 38 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders, other than directors, who have been granted options to subscribe for less than 225,000 ordinary shares of RM1 each.

The names of option holders who have been granted options to subscribe for 225,000 or more ordinary shares of RM1 during the financial year are as follows:

	Number of options over ordinary shares of RM1 each			
	At 1.1.2012	Granted	Exercised	At 31.12.2012
Syed Hizam bin Syed Mahmood				
Ezzularab Abdul-Moez Alsagoff	850,000	-	-	850,000
Dato Isaac Lugun	850,000	-	-	850,000
Othman bin Abdul Rani	275,000	-	-	275,000
Woo Yoke Meng	215,000	-	(15,000)	200,000
Ling Koah Wi	225,000	-	-	225,000
Goh Chii Bing	225,000	25,000	-	250,000
Azam bin Azman	-	275,000	-	275,000
Lim Jit Yaw	-	225,000	-	225,000

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

Directors' Report

Other statutory information

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

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 28 March 2013.



Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail



Dato' Richard Alexander John Curtis

Statement by Directors and Statutory Declaration

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

We, **YAM Tan Sri Dato' Seri Syed Anwar Jamalullail** and **Dato' Richard Alexander John Curtis**, being two of the directors of **Cahya Mata Sarawak Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 73 to 175 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2012 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 28 March 2013.

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail

Dato' Richard Alexander John Curtis

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

I, **Syed Hizam bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff**, being the officer primarily responsible for the financial management of **Cahya Mata Sarawak Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 73 to 176 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 28 March 2013.

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

Before me,

Alamat tempat perniagaan:
1st Floor, Block B,
Lot 7898, Queen's Court,
Jalan Wan Alwi,
93350 Kuching, Sarawak.



Independent Auditors' Report

to the Members of Cahya Mata Sarawak Berhad

Report on the financial statements

We have audited the financial statements of **Cahya Mata Sarawak Berhad**, which comprise statements of financial position as at 31 December 2012 of the Group and of the Company, and 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 information, as set out on pages 73 to 175.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine its 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 about 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 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all 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.



Independent Auditors' Report

to the Members of Cahya Mata Sarawak Berhad (contd.)

Other reporting responsibilities

The supplementary information set out in Note 49 on page 176 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad as is not part of the financial statements. 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.

Other matters

- (1) As stated in Note 2.1 to the financial statements, Cahya Mata Sarawak Berhad adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.
- (2) 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

Kuching, Malaysia
Date: 28 March 2013



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

Statements of Comprehensive Income

for the financial year ended 31 December 2012

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Revenue	4	1,203,565	1,012,609	46,685	59,460
Cost of sales		(906,041)	(753,360)	(11,814)	(9,865)
Gross profit		297,524	259,249	34,871	49,595
Other items of income					
Interest income	5	524	1,637	-	-
Other income	6	16,129	20,759	11,339	167,253
Other items of expense					
Administrative expenses		(54,775)	(56,894)	(28,368)	(29,568)
Selling expenses		(8,985)	(7,432)	-	-
Finance costs	7	(11,473)	(19,946)	(6,494)	(12,824)
Other expenses		(16,128)	(32,273)	-	(30,863)
Share of results of associates		3,134	12,375	-	-
Share of results of jointly controlled entities		956	1,248	-	-
Profit before tax	8	226,906	178,723	11,348	143,593
Income tax expense	11	(60,279)	(34,233)	(3,338)	260
Profit net of tax		166,627	144,490	8,010	143,853
Other comprehensive income					
Foreign currency translation, net of tax		8	156	-	-
Share of other comprehensive income of associates, net of tax		(30)	356	-	-
Other comprehensive income for the year, net of tax		(22)	512	-	-
Total comprehensive income for the year		166,605	145,002	8,010	143,853
Profit attributable to:					
Owners of the Company		135,735	120,023	8,010	143,853
Non-controlling interests		30,892	24,467	-	-
		166,627	144,490	8,010	143,853
Total comprehensive income attributable to:					
Owners of the Company		135,726	120,455	8,010	143,853
Non-controlling interests		30,879	24,547	-	-
		166,605	145,002	8,010	143,853
Earnings per share attributable to owners of the Company (sen per share):					
Basic	12(a)	41.39	36.43		
Diluted	12(b)	41.18	*		

* No diluted earnings per share was disclosed as the effect was 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 2012

		Group		Company	
	Note	2012 RM'000	2011 RM'000	As at 1.1.2011 RM'000	As at 1.1.2011 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	488,578	458,692	325,545	4,622
Prepaid land lease payments	14	17,782	18,507	19,235	11,416
Land held for property development	15(a)	63,511	63,309	62,924	-
Investment properties	16	5,860	5,978	6,095	22,426
Intangible assets	17	1,175	2,288	3,352	901
Goodwill	18	61,709	61,709	61,709	-
Investments in subsidiaries	19	-	-	-	695,920
Investments in associates	20	337,383	293,234	279,421	32,302
Investments in jointly controlled entities	21	3,948	3,628	2,635	-
Deferred tax assets	22	18,124	10,810	16,700	110
Other receivables	24	-	-	-	3,156
Investment securities	27	428	300	300	-
		998,498	918,455	777,916	770,853
				841,596	1,202,147

Statements of Financial Position

As at 31 December 2012 (contd.)

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	As at 1.1.2011 RM'000
Current assets					
Property development costs	15(b)	131,133	134,830	-	-
Inventories	23	106,735	90,333	-	-
Trade and other receivables	24	253,766	192,641	88,792	84,285
Other current assets	25	12,304	12,786	-	-
Investment securities	27	107,444	88,709	106,948	87,904
Tax recoverable		6,345	12,546	5,446	11,836
Cash and bank balances	28	524,015	650,272	493,129	753,990
		1,141,742	1,182,117	694,315	938,015
TOTAL ASSETS		2,140,240	2,100,572	1,535,911	2,140,162
EQUITY AND LIABILITIES					
Current liabilities					
Income tax payable		20,522	5,977	-	-
Loans and borrowings	29	40,729	148,444	-	85,544
Trade and other payables	32	306,689	226,042	473,635	978,406
Other current liabilities	33	3,785	9,562	-	-
		371,725	390,025	473,635	1,063,950
Net current assets/(liabilities)		770,017	792,092	220,680	(125,935)





Statements of Financial Position

As at 31 December 2012 (contd.)

	Note	Group		Company	
		2012 RM'000	2011 RM'000	As at 1.1.2011 RM'000	As at 1.1.2011 RM'000
				2012 RM'000	2011 RM'000
Non-current liabilities					
Deferred tax liabilities	22	32,496	31,819	21,937	276
Loans and borrowings	29	49,096	67,303	174,686	85,242
Trade and other payables	32	-	9,400	-	-
		81,592	108,522	196,623	85,518
TOTAL LIABILITIES		453,317	498,547	646,542	1,149,468
Net assets		1,686,923	1,602,025	1,469,549	990,694
				1,062,276	1,116,303
Equity attributable to owners of the Company					
Share capital	34	332,436	329,481	329,446	329,446
Treasury shares	34	(23,319)	-	-	-
Share premium	35	433,821	427,590	427,516	427,513
Other reserves	36	19,302	26,284	14,786	172,243
Retained earnings	37	718,683	632,670	542,127	61,492
		1,480,923	1,416,025	1,313,875	990,694
Non-controlling interests		206,000	186,000	155,674	-
TOTAL EQUITY		1,686,923	1,602,025	1,469,549	990,694
TOTAL EQUITY AND LIABILITIES		2,140,240	2,100,572	2,116,091	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 2012

		Attributable to owners of the Company					Distributable		
		Non-distributable							
Note	Equity, total	Equity attributable to owners of the Company		Share capital (Note 34)	Treasury shares (Note 34)	Share premium (Note 35)	Other reserves (Note 36)	Retained earnings	Non-controlling interests
		RM'000	RM'000						
Group									RM'000
Opening balance at 1 January 2012									
Effect of transition to MFRS	1,600,748	1,414,815	329,481	-	-	427,590	36,655	621,089	185,933
As restated	1,277	1,210	-	-	-	-	(10,371)	11,581	67
	1,602,025	1,416,025	329,481	-	-	427,590	26,284	632,670	186,000
Total comprehensive income	166,605	135,726	-	-	-	-	(9)	135,735	30,879
Transactions with owners									
34	Purchase of treasury shares	(23,319)	-	-	(23,319)	-	-	-	-
	Grant of equity-settled share options to employees	4,112	4,112	-	-	-	4,112	-	-
	Exercise of employee share options	6,501	6,501	2,955	-	6,231	(2,685)	-	-
46	Share of associate's reserves	(9,234)	(8,791)	-	-	-	(8,400)	(391)	(443)
	Dividends on ordinary shares	(49,331)	(49,331)	-	-	-	-	(49,331)	-
	Dividends paid to non-controlling interests	(10,436)	-	-	-	-	-	-	(10,436)
Total transactions with owners	(81,707)	(70,828)	2,955	(23,319)	6,231	(6,973)	(49,722)	(10,879)	
Closing balance at 31 December 2012									
	1,686,923	1,480,923	332,436	(23,319)	433,821	19,302	718,683	206,000	



Statements of Changes in Equity

For the financial year ended 31 December 2012 (contd.)

	Note	Attributable to owners of the Company					
		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
Opening balance at 1 January 2011							
Effect of transition to MFRS		1,468,280	1,312,667	329,446	427,516	530,548	155,613
As restated		1,269	1,208	-	(10,371)	11,579	61
		1,469,549	1,313,875	329,446	427,516	542,127	155,674
Total comprehensive income		144,994	120,453	-	432	120,021	24,541
Effect of transition to MFRS		8	2	-	-	2	6
Total comprehensive income as restated		145,002	120,455	-	432	120,023	24,547
Transactions with owners							
Issue of shares in subsidiaries		25,052	-	-	-	-	25,052
Grant of equity-settled share options to employees	36	6,390	6,390	-	6,390	-	-
Exercise of employee share options		77	77	35	74	-	-
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	11,066	(29,480)	5,779
Closing balance at 31 December 2011		1,602,025	1,416,025	329,481	427,590	632,670	186,000

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 2012 (contd.)

Company	Note	Equity, total RM'000	Non-distributable			Distributable Retained earnings (Note 37) RM'000
			Share capital (Note 34) RM'000	Treasury shares (Note 34) RM'000	Share premium (Note 35) RM'000	Other reserves (Note 36) RM'000
Opening balance at 1 January 2012		1,116,303	329,481	-	427,587	191,234
Effect of transition to MFRS		-	-	-	-	(12,633)
As restated		1,116,303	329,481	-	427,587	178,601
Total comprehensive income		8,010	-	-	-	8,010
Transactions with owners						
Grant of equity-settled share options to employees	36	4,112	-	-	-	4,112
Exercise of employee share options		6,501	2,955	-	6,231	(2,685)
Purchase of treasury shares	34	(23,319)	-	(23,319)	-	-
Dividends on ordinary shares	46	(49,331)	-	-	-	(49,331)
Total transactions with owners		(62,037)	2,955	(23,319)	6,231	1,427
Closing balance at 31 December 2012		1,062,276	332,436	(23,319)	433,818	180,028
Opening balance at 1 January 2011		990,694	329,446	-	427,513	184,876
Effect of transition to MFRS		-	-	-	-	(12,633)
As restated		990,694	329,446	-	427,513	172,243
Total comprehensive income		143,853	-	-	-	143,853
Transactions with owners						
Grant of equity-settled share options to employees	36	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
Closing balance at 31 December 2011		1,116,303	329,481	-	427,587	178,601

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 2012

Group	Note	2012 RM'000	2011 RM'000
Operating activities			
Profit before tax		226,906	178,722
<u>Adjustments for:</u>			
Amortisation of intangible assets	8	1,113	1,111
Amortisation of prepaid land lease payments	8	725	726
Amortisation of transaction costs	7	265	265
Allowance for obsolete inventories	8	-	216
Bad debts written off	8	717	243
Depreciation of property, plant and equipment	8	51,552	32,960
Depreciation of investment properties	8	118	117
Dilution loss arising from deemed disposal of an associate	8	5,000	-
Gain on acquisition on subsidiaries	6	-	(11,424)
Gain on disposal of property, plant and equipment	6	(982)	(398)
Gain on redemption of redeemable preference shares	6	(83)	(722)
Grant of equity-settled share options to employees	9	4,112	6,390
Gross dividend income	4/5	(12,738)	(11,846)
Impairment loss on trade and other receivables	8	2,564	4,018
Impairment loss on investment in an associate	8	3,126	722
Interest expense	7	10,870	19,334
Interest income	4/5	(10,616)	(12,464)
Inventories written down	8	58	-
Inventories written off	8	1,697	-
Loss on disposal of investment in a jointly controlled entity	8	-	255
Loss on disposal of property, plant and equipment	8	-	7
Loss on liquidation of an associate	8	74	-
Net realised gain on disposal of investment securities	6	(948)	(230)
Net fair value changes in investment securities	6	(622)	(1,552)
Project under study written off	8	26	25,193
Property, plant and equipment written off	8	22	366
Reversal of impairment loss on trade receivables	6	(7,029)	(760)
Reversal of allowance for obsolete inventories	6	(216)	-
Reversal of provision for resettlement costs	6	-	(400)
Share of results of associates		(3,134)	(12,375)
Share of results of jointly controlled entities		(956)	(1,248)
Unrealised foreign exchange gain	8	(923)	(254)
Total adjustments		43,792	38,250
Operating cash flows before changes in working capital		270,698	216,972

Statements of Cash Flows

for the financial year ended 31 December 2012 (contd.)

Group (contd.)	Note	2012 RM'000	2011 RM'000
Changes in working capital			
Decrease/(increase) in property development costs		3,697	(4,678)
Increase in land held for development		(202)	(385)
Increase in inventories		(17,941)	(3,822)
Decrease in other current assets		523	12,094
(Increase)/decrease in receivables		(56,614)	60,390
Increase/(decrease) in payables		71,247	(4,616)
Decrease in other current liabilities		(5,777)	(4,196)
Total changes in working capital		(5,067)	54,787
Cash flows from operations		265,631	271,759
Interest received		10,616	12,464
Interest paid		(11,642)	(19,878)
Income taxes paid, net of refund		(45,511)	(23,981)
Net cash flows from operating activities		219,094	240,364
Investing activities			
Acquisition of property, plant and equipment	13	(81,789)	(153,092)
Proceeds from disposal of property, plant and equipment		1,268	645
Proceeds from disposal of investment securities		32,934	160,770
Additional costs incurred on intangible assets	17	-	(47)
Additional investments in associates		(63,561)	(11,867)
Redemption of redeemable preference shares		1,754	4,002
Dividends received from associates		3,411	6,783
Dividends received from investments		12,079	11,797
Purchase of investment securities		(50,083)	(159,650)
Additional investment in jointly controlled entities		(300)	-
Distribution of profit from jointly controlled entities		936	-
Net cash outflow arising from acquisition of subsidiaries	19(b)(i)	-	(25,441)
Proceeds from issuance of shares to non-controlling interests		-	25,052
Net cash flows used in investing activities		(143,351)	(141,048)
Financing activities			
Drawdown of borrowings		84,013	119,283
Repayment of borrowings		(124,428)	(212,790)
Repayment of CMS Income Securities	30	(85,000)	(85,000)
Proceeds from exercise of employee share options	38(b)	6,501	77
Dividends paid to owners of the Company	46	(49,331)	(24,711)
Dividends paid to non-controlling interests		(10,436)	(19,334)
Purchase of treasury shares	34	(23,319)	-
Net cash flows used in financing activities		(202,000)	(222,475)
Net decrease in cash and cash equivalents		(126,257)	(123,159)
Cash and cash equivalents at 1 January		650,272	773,431
Cash and cash equivalents at 31 December	28	524,015	650,272

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 2012 (contd.)

Company	Note	2012 RM'000	2011 RM'000
Operating activities			
Profit before tax		11,348	143,593
<u>Adjustments for:</u>			
Amortisation of intangible assets	8	458	457
Amortisation of prepaid land lease payments	8	426	426
Amortisation of transaction costs	7	265	265
Depreciation of property, plant and equipment	8	1,001	972
Distribution of surplus cash by a subsidiary on liquidation	6	-	(160,148)
Depreciation of investment properties	8	673	1,464
Gain on disposal of property, plant and equipment	6	(1)	(1)
Grant of equity-settled share options to employees	9	1,076	2,061
Gross dividend income	4	(33,092)	(46,344)
Impairment loss on advances to subsidiaries	8	-	30,807
Reversal of allowance for impairment of trade and other receivables	6	(2,492)	-
Interest expense	7	17,947	22,242
Interest income	4	(12,993)	(12,516)
Net fair value changes in investment securities	6	(626)	(1,552)
Net realised gain on disposal of investment securities	6	(948)	(230)
Total adjustments		(28,306)	(162,097)
Operating cash flows before changes in working capital		(16,958)	(18,504)
<u>Changes in working capital</u>			
Increase in receivables		(31,506)	(475)
Increase/(decrease) in payables		129,001	(633,753)
Total changes in working capital		97,495	(634,228)
Cash flows from/(used in) operations		80,537	(652,732)
Interest received		12,993	12,516
Interest paid		(18,719)	(22,786)
Tax refunded		3,410	8,983
Net cash flows from/(used in) operating activities		78,221	(654,019)

Statements of Cash Flows

for the financial year ended 31 December 2012 (contd.)

Company (contd.)	Note	2012 RM'000	2011 RM'000
Investing activities			
Acquisition of property, plant and equipment	13	(766)	(1,953)
Proceeds from disposal of property, plant and equipment		5	177
Purchase of investment securities		(49,455)	(159,650)
Proceeds from disposal of investment securities		32,934	160,771
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	(38)	(3,415)
Dividends received		27,560	42,095
Acquisition of additional interest in existing subsidiaries		(48,000)	(12,750)
Acquisition of additional interest in an existing associate		(24,761)	-
Net cash flows (used in)/from investing activities		<u>(62,521)</u>	<u>630,876</u>
Financing activities			
Repayment of CMS Income Securities	30	(85,000)	(85,000)
Dividends paid on ordinary shares	46	(49,331)	(24,711)
Proceeds from subsidiaries for allocation of share options to their employees		3,036	4,329
Proceeds from exercise of employee share options	38(b)	6,501	77
Purchase of treasury shares	34	(23,319)	-
Net cash flows used in financing activities		<u>(148,113)</u>	<u>(105,305)</u>
Net decrease in cash and cash equivalents		(132,413)	(128,448)
Cash and cash equivalents at 1 January		625,542	753,990
Cash and cash equivalents at 31 December	28	<u>493,129</u>	<u>625,542</u>

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

Notes to the Financial Statements

for the financial year ended 31 December 2012

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 Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRS and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards, has been applied. In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRS").

The financial statements of the Group and of the Company for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Company's registered office.

In preparing their opening MFRS Statements of Financial Position as at 1 January 2011 (which is also the date of transition), the Group and the Company have adjusted the amounts previously reported in financial statements prepared in accordance with FRS. An explanation of how the transition from FRS to MFRS has affected the Group and the Company's financial position, financial performance and cash flows is set out below. The reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are set out in Note 2.2 to the financial statements. The transition from FRS to MFRS has not had a material impact on the statements of cash flows.

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 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

Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these consolidated financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Business combinations

MFRS 1 provides the option to apply MFRS 3, Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisitions before date of transition

The Group has elected to apply MFRS 3 prospectively from 1 January 2011. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

(b) Property, plant and equipment

The Group and the Company have previously adopted the transitional provisions available on the first application of the MASB Approved Accounting Standard IAS 16 (Revised), Property, Plant and Equipment which was effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, the Group and the Company had recorded leasehold land and certain buildings at revalued amounts but had not adopted a policy of revaluation and continued to carry those land and buildings on the basis of their previous revaluations subject to continuity in their depreciation policy and requirement to write down the assets to their recoverable amounts for impairment adjustments.

Upon transition to MFRS, the Group and the Company have elected to measure all their property, plant and equipment using the cost model under MFRS 116, Property, Plant and Equipment. At the date of transition to MFRS, the Group and the Company elected to regard the revalued amounts of land and buildings during the year 1996 as deemed cost at the date of the revaluation as these amounts were broadly comparable to fair value at that date. The revaluation surplus for the Group and the Company of RM12,633,001 (1 January 2011: RM12,633,001; 31 December 2011: RM12,633,001) was transferred to retained earnings on date of transition.

(c) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations in a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date of transition to MFRS. Accordingly, at date of transition to MFRS, the cumulative foreign currency translation differences of RM2,262,945 (1 January 2011: RM2,262,945; 31 December 2011: RM2,262,945) were adjusted to retained earnings.

(d) Investment properties

In accordance with FRS 140, Investment Property, the Group and the Company's investment properties were initially measured at cost. Subsequent to initial recognition, investment properties were measured at fair value which reflects market conditions at the reporting date. Upon transition to MFRS, the Group and the Company have elected to apply the optional exemption to use the fair value at the date of transition as the deemed cost for its investment properties using the cost model under MFRS 140, Investment Property. The Company's investment property is leased to a subsidiary and is accounted for as property, plant and equipment under the cost model at Group level.

The adjustments to the carrying amount of investment properties increased the depreciation charges for the year ended 31 December 2011 by RM117,380 and RM1,464,291 for the Group and the Company, respectively.

(e) Effect on the share of an associate's MFRS adjustment

The Group's associate in the investment banking industry had previously under FRS as modified by Bank Negara Malaysia ("BNM") Guidelines, applied the transitional arrangement issued by BNM on Classification and Impairment Provisions for loans, advances and financing, whereby collective impairment allowance was maintained at 1.5% of total outstanding loans, net of individual impairment. This transitional arrangement was removed with effect from 1 January 2012.

Under the MFRS framework, the associate's accounting policy on collective impairment assessment has been changed to comply with MFRS 139, Financial Instruments: Recognition and Measurement. As a result of the change, the cumulative allowance under previous FRS has been adjusted and the Group adjusted for its share of the effect accordingly.

The Group's share of the MFRS adjustments were an increase in investments in associates of RM1,394,643 (1 January 2011: RM1,269,293; 31 December 2011: RM1,394,643) with corresponding adjustments to retained earnings of RM1,327,700 (1 January 2011: RM1,208,367; 31 December 2011: RM1,327,700) and non-controlling interests of RM66,943 (1 January 2011: RM60,926; 31 December 2011: RM66,943).



Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

The reconciliations of equity for comparative periods of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

(i) Reconciliation of equity as at 31 December 2011

Group	FRS as at 31.12.2011 RM'000	Property, plant and equipment RM'000	Foreign currency translation reserve RM'000	Investment properties RM'000	Effect on the share of an associate's MFRS adjustment RM'000	MFRS as at 31.12.2011 RM'000
Assets						
Non-current assets						
Property, plant and equipment	458,692					458,692
Investment properties	6,095			(117)		5,978
Goodwill and intangible assets	63,997					63,997
Investments in associates	291,840				1,394	293,234
Other non-current assets	96,554					96,554
	<u>917,178</u>					<u>918,455</u>
Total current assets	<u>1,182,117</u>					<u>1,182,117</u>
Total assets	<u>2,099,295</u>					<u>2,100,572</u>
Equity and liabilities						
Equity attributable to owners of the Company						
Share capital	329,481					329,481
Share premium	427,590					427,590
Capital reserve	46,491	(12,633)				33,858
Translation reserve	(1,809)		2,262			453
Other reserves	(8,027)					(8,027)
Retained earnings	621,089	12,633	(2,262)	(117)	1,327	632,670
	<u>1,414,815</u>					<u>1,416,025</u>
Non-controlling interests	<u>185,933</u>				67	<u>186,000</u>
	<u>1,600,748</u>					<u>1,602,025</u>
Total non-current liabilities	<u>108,522</u>					<u>108,522</u>
Total current liabilities	<u>390,025</u>					<u>390,025</u>
Total equity and liabilities	<u>2,099,295</u>					<u>2,100,572</u>

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

(ii) Reconciliation of total comprehensive income for the year ended 31 December 2011

Group (contd.)	FRS year ended 31.12.2011 RM'000	Note 2.2(d) Investment properties RM'000	Note 2.2(e) Effect on the share of an associate's MFRS adjustment RM'000	MFRS year ended 31.12.2011 RM'000
Revenue	1,012,609			1,012,609
Cost of sales	(753,243)	(117)		(753,360)
Gross profit	259,366			259,249
Other income	22,396			22,396
Administrative expenses	(56,894)			(56,894)
Selling and other expenses	(39,705)			(39,705)
Finance costs	(19,946)			(19,946)
Share of results of associates	12,250		125	12,375
Share of results of jointly controlled entities	1,248			1,248
Profit before tax	178,715			178,723
Income tax expense	(34,233)			(34,233)
Profit for the year	144,482			144,490
Other comprehensive income for the year, net of tax	512			512
Total comprehensive income for the year, net of tax	144,994			145,002
Profit attributable to:				
Owners of the Company	120,021			120,023
Non-controlling interests	24,461			24,467
	144,482			144,490
Total comprehensive income attributable to:				
Owners of the Company	120,453			120,455
Non-controlling interests	24,541			24,547
	144,994			145,002

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.2 Changes in accounting policies (contd.)

(iii) Reconciliation of equity as at 1 January 2011

		Note 2.2(b)	Note 2.2(d)	Note 2.2(e)	
	FRS as at 1.1.2011 RM'000	Property, plant and equipment RM'000	Foreign currency translation reserve RM'000	Effect on the share of an associate's MFRS adjustment RM'000	MFRS as at 1.1.2011 RM'000
Group (contd.)					
Assets					
Non-current assets					
Property, plant and equipment	325,545				325,545
Investment properties	6,095				6,095
Goodwill and intangible assets	65,061				65,061
Investments in associates	278,152			1,269	279,421
Other non-current assets	101,794				101,794
	<u>776,647</u>				<u>777,916</u>
Total current assets	<u>1,338,175</u>				<u>1,338,175</u>
Total assets	<u>2,114,822</u>				<u>2,116,091</u>
Equity and liabilities					
Equity attributable to owners of the Company					
Share capital	329,446				329,446
Share premium	427,516				427,516
Capital reserve	46,491	(12,633)			33,858
Translation reserve	(2,262)		2,262		-
Other reserves	(19,072)				(19,072)
Retained earnings	530,548	12,633	(2,262)	1,208	542,127
	<u>1,312,667</u>				<u>1,313,785</u>
Non-controlling interests	<u>155,613</u>			61	<u>155,674</u>
	<u>1,468,280</u>				<u>1,469,549</u>
Total non-current liabilities	<u>196,623</u>				<u>196,623</u>
Total current liabilities	<u>449,919</u>				<u>449,919</u>
Total equity and liabilities	<u>2,114,822</u>				<u>2,116,091</u>

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.3 Amendments/standards issued but not yet effective

The amendments/standards issued but not yet effective up to the date of issuance of the Group and the Company's financial statements are listed below. The Group and the Company intend to adopt these amendments/standards, if applicable, when they become effective.

MFRS effective for annual periods beginning on or after 1 July 2012

- Amendments to MFRS 101, Presentation of items of Other Comprehensive Income

MFRS effective for annual periods beginning on or after 1 January 2013

- Amendments to MFRS 1, Government Loans
- Amendments to MFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- MFRS 3, Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- Amendments to MFRS 10, MFRS 11 and MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- MFRS 13, Fair Value Measurement
- MFRS 119, Employee Benefits
- MFRS 127, Separate Financial Statements
- MFRS 127, Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- MFRS 128, Investments in Associates and Joint Ventures
- Amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134, Annual Improvements 2009-2011 Cycle
- Amendment to IC Interpretation 2, Annual Improvements 2009-2011 Cycle
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine

MFRS effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities

MFRS effective for annual periods beginning on or after 1 January 2015

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)

The directors expect that the adoption of the amendments/standards above will have no material impact on the financial statements of the Group and of the Company in the period of initial application. The nature of the impending changes in accounting policies on adoption of applicable amendments/standards are described below:

Annual periods beginning on or after 1 January 2013

- **Amendments to MFRS 101, Presentation of items of Other Comprehensive Income**

The amendments to MFRS 101 require changes to the presentation of other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The effective date of the standard is 1 July 2012. The Group and the Company have decided not to early adopt the amendments and expect that the adoption will only affect the presentation of the statements of comprehensive income.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.3 Amendments/standards issued but not yet effective (contd.)

Annual periods beginning on or after 1 January 2013 (contd.)

- **Amendments to MFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities**

The amendments to MFRS 7 require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with IAS 32. The amendments to MFRS 7 are to be retrospectively applied for annual periods beginning on or after 1 January 2013. The amendments affect disclosures only and have no impact on the Group and the Company's financial position or performance.

- **MFRS 10, Consolidated Financial Statements**

MFRS 10 replaces part of MFRS 127 Consolidated and Separate Financial Statements that deals with consolidated financial statements and IC Interpretation 112 Consolidation - Special Purpose Entities.

Under MFRS 10, an investor controls an investee when (a) the investor has power over an investee, (b) the investor has exposure, or rights, to variable returns from its involvement with the investee, and (c) the investor has ability to use its power over the investee to affect the amount of the investor's returns.

Under MFRS 127 Consolidated and Separate Financial Statements, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

MFRS 10 includes detailed guidance to explain when an investor has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances.

The adoption of MFRS 10 may change which entities are within the Group. The Group is in the process of assessing the effect of the new requirements.

- **MFRS 11, Joint Arrangements**

MFRS 11 replaces MFRS 131 Interests in Joint Ventures and IC Interpretation 113 Jointly-Controlled Entities - Non-monetary Contributions by Venturers.

The classification of joint arrangements under MFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form, the contractual terms agreed by the parties to the arrangement and when relevant, other facts and circumstances. Under MFRS 11, joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

MFRS 11 removes the option to account for jointly controlled entities ("JCE") using proportionate consolidation. Instead, JCE that meet the definition of a joint venture must be accounted for using the equity method.

The adoption of MFRS 11 has no impact on the Group's financial position.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.3 Amendments/standards issued but not yet effective (contd.)

Annual periods beginning on or after 1 January 2013 (contd.)

- **MFRS 12, Disclosures of Interests in Other Entities**

MFRS 12 includes all the disclosures that were previously in IAS 27, IAS 31 and IAS 28 Investment in Associates. A number of new disclosures are added to the existing requirements such as the judgments made to determine whether it controls another entity. MFRS 12 is a disclosure standard and therefore will have no effect on profit or loss or equity of the Group.

- **MFRS 13, Fair Value Measurement**

MFRS 13 provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by MFRS. The adoption of MFRS 13 will affect some of the fair value of certain assets and liabilities and thus affecting the profit and equity of the Group and the Company.

- **MFRS 127, Separate Financial Statements**

As a consequence of the new MFRS 10 and MFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The adoption of the amendments will have no impact on the Group's financial position or performance.

- **MFRS 128, Investments in Associates and Joint Ventures**

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 has been renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates.

- **MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) and MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)**

An entity shall apply these earlier versions of MFRS 3 and MFRS 127 only if the entity has elected to do so as allowed in MFRS 10 Consolidated Financial Statements. The adoptions of these standards are not expected to have any significant impact to the Group and the Company.

- **Annual Improvements 2009-2011 Cycle**

- **Amendment to MFRS 1**

The amendment clarifies that, upon adoption of MFRS, an entity that capitalised borrowing costs in accordance with its previous GAAP, may carry forward, without adjustment, the amount previously capitalised in its opening statement of financial position at the date of transition. Once an entity adopts MFRS, borrowing costs are recognised in accordance with MFRS 123, including those incurred on qualifying assets under construction.

- **Amendment to MFRS 101**

The amendment clarifies requirements for presenting comparative information.



Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.3 Amendments/standards issued but not yet effective (contd.)

Annual periods beginning on or after 1 January 2014

- **Amendments to MFRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities**

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlements mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The amendments affect disclosures only and have no impact on the Group and the Company's financial position or performance.

Annual periods beginning on or after 1 January 2015

- **MFRS 9, Financial Instruments: Classification and Measurement**

MFRS 9 reflects the first phase of the work on the replacement of MFRS 139 Financial Instruments: Recognition and Measurement and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139 Financial Instruments: Recognition and Measurement. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

2.4 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale or distribution. The cost of investments includes transaction costs.

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

(b) Business combinations (contd.)

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRS, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(c) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(d) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(e) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(f) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.4 Basis of consolidation (contd.)

(f) Associates (contd.)

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(g) Joint ventures

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.

(h) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.5 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.5 Foreign currency (contd.)

(b) Foreign currency transactions

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

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

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

(c) Foreign operations

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

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

2.6 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.



Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.6 Property, plant and equipment (contd.)

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 and infrastructure	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.

2.7 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.

2.8 Land held for property development and property development costs

(a) Land held for property development

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

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

(b) Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

The costs of development properties include:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

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

(b) Development properties (contd.)

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

Net realisable value of development properties is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.9 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 stated at cost less accumulated depreciation and impairment losses consistent with the accounting policies for property, plant and equipment as stated in Note 2.6.

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 gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

2.10 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.



Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.10 Intangible assets (contd.)

(a) Goodwill (contd.)

Goodwill and fair value adjustments arising on the acquisition of foreign operations 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 2.5.

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.

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.

Amortisation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Computer software	5 years
Other intangible assets	11 years

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.

2.11 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")).

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.11 Impairment of non-financial assets (contd.)

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

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

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 good will is not reversed in a subsequent period.

2.12 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.

2.13 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.13 Construction and service contracts (contd.)

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.

2.14 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.14 Financial assets (contd.)

(c) Available-for-sale financial assets

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

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

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

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

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

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.

2.15 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.



Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.15 Impairment of financial assets (contd.)

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

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

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

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

(b) Unquoted equity securities carried at cost 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.

2.16 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.

2.17 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 MFRS 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 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.17 Financial liabilities (contd.)

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

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

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

2.18 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group/Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.19 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.



Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.19 Leases (contd.)

(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 2.23(h).

2.20 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.

2.21 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.

2.22 Discontinued operation

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

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

2.23 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.23 Revenue (contd.)

(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 2.13.

(d) Development properties

(i) Sale of completed development property

A development property is regarded as sold when the significant risks and rewards have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

(ii) Sale of development property under construction

Where development property is under construction and agreement has been reached to sell such property when construction is complete, the directors consider whether the contract comprises:

- A contract to construct a property; or
 - A contract for the sale of completed property
- (a) Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.
- (b) Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer (i.e. revenue is recognised using the completed contract method).

If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses.

In the above situation, the percentage of work completed is measured based on the costs incurred up until the end of the reporting periods as a proportion of total costs expected to be incurred.

(e) Road maintenance contracts

Revenue for routine maintenance work is based on fixed rates and is recognised upon performance of work in accordance with the terms as stipulated in the road maintenance agreements. Revenue from work order fees outside the scope of the road maintenance agreements is 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, which is generally when shareholders approve the dividend.



Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.23 Revenue (contd.)

(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.

2.24 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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.24 Income taxes (contd.)

(b) Deferred tax (contd.)

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.

2.25 Employee benefits

(a) Defined contribution plans

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



Notes to the Financial Statements

for the financial year ended 31 December 2012

2. Summary of significant accounting policies (contd.)

2.25 Employee benefits (contd.)

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

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense is 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.

2.26 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.

2.27 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.

2.28 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.29 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

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 developed certain criteria based on MFRS 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% reduction in the expected useful lives of the property, plant and equipment from management's estimates would result in approximately 3.64% (2011: 3.22%) and 3.21% (2011: 0.27%) 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.



Notes to the Financial Statements

for the financial year ended 31 December 2012

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 RM1,349,054 (2011: RM1,018,462).

(d) Revenue recognition on development property under construction

The Group recognises revenue for pre-completion sales of certain types of properties by reference to the stage of completion using the percentage of completion method. The stage of completion is measured based on the costs incurred up until the end of the reporting periods as a proportion of total costs expected to be incurred. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the revenue respectively. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities as well as the revenue from sale of development property (recognised on percentage of completion basis) are disclosed in Note 15(b) (Property Development Costs) and Note 4 (Revenue) to the financial statements, respectively.

(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 result in approximately 0.52% (2011: 0.58%) variance in the Group's revenue and 0.61% (2011: 0.72%) 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.

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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

3. Significant accounting judgements and estimates (contd.)

3.2 Key sources of estimation uncertainty (contd.)

(f) Deferred tax assets (contd.)

The carrying value of deferred tax assets of the Group at 31 December 2012 was RM18,124,000 (2011: RM10,810,000) and the recognised unutilised tax losses, reinvestment and infrastructure allowances and unabsorbed capital allowances of the Group was RM38,287,900 (2011: RM34,083,700) and the unrecognised tax losses and capital allowances of the Group was RM98,594,000 (2011: RM103,271,000). 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 RM723,998 and RM2,895,994, 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.
- (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.



Notes to the Financial Statements

for the financial year ended 31 December 2012

4. Revenue

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Sale of goods	796,562	662,095	-	-
Sale of properties	21,691	16,992	-	-
Sale of land	24,647	-	-	-
Contract revenue	232,966	183,275	-	-
Construction revenue	22,117	88,364	-	-
Rendering of services	82,022	38,494	-	-
Interest income	10,092	10,827	12,993	12,516
Dividend income from investment	12,730	11,846	12,730	11,846
Rental income:				
- Investment properties	500	480	600	600
- Land and buildings	238	236	-	-
Dividend income from subsidiaries	-	-	17,778	25,454
Dividend income from associates	-	-	2,584	9,044
	1,203,565	1,012,609	46,685	59,460

5. Interest income

	Group	
	2012	2011
	RM'000	RM'000
Interest income from:		
- Loans and receivables	165	543
- Short term deposits	98	501
- Unwinding of discount (Note 24(a))	261	593
	524	1,637

Notes to the Financial Statements

for the financial year ended 31 December 2012

6. Other income

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Consultancy fees	28	198	-	-
Dividend from investment securities	8	-	-	-
Fee income	-	-	5,528	4,807
Gain on disposal of property, plant and equipment	982	398	1	1
Gain on redemption of redeemable preference shares	83	722	-	-
Gain on acquisition of subsidiaries (Note 19(b)(i))	-	11,424	-	-
Insurance settlement	582	1,902	34	77
Miscellaneous income	5,376	2,678	1,710	438
Net realised gain on disposal of investment securities	948	230	948	230
Net fair value changes in investment securities held as fair value through profit or loss	622	1,552	626	1,552
Reversal of impairment loss on trade and other receivables	7,029	760	2,492	-
Reversal of allowance for obsolete inventories	216	-	-	-
Reversal of provision for resettlement costs	-	400	-	-
Supervision fees	255	495	-	-
Distribution of surplus cash by a subsidiary on liquidation	-	-	-	160,148
	16,129	20,759	11,339	167,253

Notes to the Financial Statements

for the financial year ended 31 December 2012

7. Finance costs

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- Bank loans and bank overdraft	4,476	6,941	7	4
- Amount owing to subsidiaries under central cash management account	-	-	11,712	9,782
- Hire-purchase and finance lease liabilities	9	27	-	-
- CMS Income Securities (Note 30)	6,228	12,456	6,228	12,456
- Unwinding of discount	157	237	-	-
	10,870	19,661	17,947	22,242
Other finance costs:				
- Bank charges and commitment fee	337	244	95	79
- Facility fee	1	103	1	103
- Amortisation of transaction costs	265	265	265	265
	603	612	361	447
	11,473	20,273	18,308	22,689
Recognised in profit or loss as:				
- Cost of sales	-	-	11,814	9,865
- Finance costs	11,473	19,946	6,494	12,824
	11,473	19,946	18,308	22,689
Capitalised on qualifying assets:				
- Property, plant and equipment (Note 13)	-	327	-	-
	11,473	20,273	18,308	22,689

Notes to the Financial Statements

for the financial year ended 31 December 2012

8. Profit before tax

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

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Advisory fees paid to a director	60	45	-	-
Allowance for obsolete inventories	-	216	-	-
Amortisation of intangible assets (Note 17)	1,113	1,111	458	457
Amortisation of prepaid land lease payments (Note 14)	725	726	426	426
Auditors' remuneration:	625	465	110	98
Statutory audit				
- current year	493	420	82	75
- under provision in previous years	55	30	7	11
Other services	77	15	21	12
Bad debts written off	717	243	-	-
Depreciation on property, plant and equipment (Note 13)	51,552	32,960	1,001	972
Depreciation on investment properties (Note 16)	118	117	673	1,464
Dilution loss arising from deemed disposal of an associate (Note 20)	5,000	-	-	-
Employee benefits expense (Note 9)	99,229	92,150	18,199	18,652
Impairment loss on financial assets:				
- Trade and other receivables	2,564	4,018	-	-
- Investment in an associate	3,126	722	-	-
- Advances to subsidiaries	-	-	-	30,807
Inventories written down	58	-	-	-
Inventories written off	1,697	-	-	-
Loss on disposal of investment in a jointly controlled entity	-	255	-	-
Loss on disposal of property, plant and equipment	-	7	-	-
Loss on liquidation of an associate	74	-	-	-
Non-executive directors' remuneration (Note 10)	2,079	2,116	1,817	1,802
Minimum operating lease payments on:	11,090	20,673	1,220	1,232
- Land and buildings	4,269	3,791	1,220	1,232
- Plant and equipment	3,656	14,888	-	-
- Wharf	1,623	1,622	-	-
- Motor vehicles	1,542	372	-	-
Project under study written off	26	25,193	-	-
Property, plant and equipment written off	22	366	-	-
Unrealised foreign exchange gain	(923)	(254)	-	-

Notes to the Financial Statements

for the financial year ended 31 December 2012

9. Employee benefits expense

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	85,087	76,688	15,257	14,807
Contributions to defined contribution plan	9,304	8,389	1,799	1,712
Social security contributions	726	667	67	60
Share options granted under ESOS	4,112	6,390	1,076	2,061
Termination benefits	-	16	-	12
	99,229	92,150	18,199	18,652

Included in employee benefits expense of the Group and of the Company (including amounts capitalised) are executive directors' remuneration amounting to RM3,983,000 (2011: RM4,276,000) 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		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	3,218	3,243	3,218	3,243
Defined contribution plans	386	389	386	389
Share options granted under ESOS	379	644	379	644
Total executive directors' remuneration (excluding benefits-in-kind) (Note 9)	3,983	4,276	3,983	4,276
Estimated money value of benefits-in-kind	242	196	242	196
Total executive directors' remuneration (including benefits-in-kind)	4,225	4,472	4,225	4,472
Non-executive:				
Fees	575	616	447	432
Other emoluments	1,374	1,376	1,240	1,240
Defined contribution plans	130	130	130	130
Total non-executive directors' remuneration (excluding benefits-in-kind) (Note 8)	2,079	2,112	1,817	1,802
Estimated money value of benefits-in-kind	73	75	73	75
Total non-executives directors' remuneration (including benefits-in-kind)	2,152	2,197	1,890	1,877
Total directors' remuneration	6,377	6,669	6,115	6,349

Notes to the Financial Statements

for the financial year ended 31 December 2012

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	
	2012	2011
Executive Directors:		
RM1,500,001 to RM1,550,000	1	-
RM1,600,001 to RM1,650,000	-	1
RM2,450,001 to RM2,500,000	1	-
RM2,600,001 to RM2,650,000	-	1
Non-executive Directors:		
RM50,001 to RM100,000	5	3
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	1	-
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



Notes to the Financial Statements

for the financial year ended 31 December 2012

11. Income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Statements of comprehensive income:				
Current income tax:				
- Malaysian income tax	66,553	32,450	1,981	730
- Under/(over) provision in respect of previous years	363	(12,123)	1,671	(604)
	66,916	20,327	3,652	126
Deferred income tax (Note 22):				
- Origination and reversal of temporary differences	(7,203)	8,775	(314)	(361)
- Under/(over) provision in respect of previous years	566	5,131	-	(25)
	(6,637)	13,906	(314)	(386)
Income tax expense recognised in profit or loss	60,279	34,233	3,338	(260)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 are as follows:

	Group	
	2012	2011
	RM'000	RM'000
Accounting profit before tax	226,906	178,723
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	56,727	44,680
Adjustments:		
Share of results of associates	(784)	(3,094)
Share of results of jointly controlled entities	(239)	(312)
Non-deductible expenses	9,051	17,202
Income not subject to tax	(4,322)	(8,004)
Benefits from previously unrecognised tax losses and unabsorbed capital allowances	(1,754)	(1,967)
Benefits from utilisation of reinvestment allowances	-	(8,082)
Deferred tax assets not recognised	671	802
Under/(over) provision of income tax in respect of previous years	363	(12,123)
Under provision of deferred tax in respect of previous years	566	5,131
Income tax expense recognised in profit or loss	60,279	34,233

Notes to the Financial Statements

for the financial year ended 31 December 2012

11. Income tax expense (contd.)

	Company	
	2012	2011
	RM'000	RM'000
Accounting profit before tax	11,348	143,593
Taxation at Malaysian statutory tax rate of 25% (2011: 25%)	2,837	35,898
Adjustments:		
Group tax relief transferred from a subsidiary	(450)	(405)
Non-deductible expenses	2,268	12,756
Income not subject to tax	(2,988)	(47,880)
Under/(over) provision of income tax in respect of previous years	1,671	(604)
Over provision of deferred tax in respect of previous years	-	(25)
Income tax expense recognised in profit or loss	3,338	(260)

Income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

Tax savings during the financial year arising from:

	Group	
	2012	2011
	RM'000	RM'000
Utilisation of current tax losses	1	-
Utilisation of previously unrecognised tax losses	2,142	1,932
Utilisation of previously unrecognised capital allowances	-	16

Notes to the Financial Statements

for the financial year ended 31 December 2012

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	
	2012	2011
Profit net of tax attributable to owners of the Company (RM'000)	135,735	120,023
Weighted average number of ordinary shares in issue ('000)	327,928	329,469
Basic earnings per share (sen)	41.39	36.43

(b) Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group	
	2012	2011
Profit net of tax attributable to owners of the Company (RM'000)	135,735	120,023
Weighted average number of ordinary shares in issue ('000)	329,646	N/A
Diluted earnings per share (sen)	41.18	N/A

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the period.

Notes to the Financial Statements

for the financial year ended 31 December 2012

13. Property, plant and equipment

Group	Land RM'000	Buildings and infrastructure RM'000	Plant and machinery RM'000	Office equipment and motor vehicles RM'000	Total RM'000
Cost:					
At 1 January 2011					
Additions	35,974	138,302	562,601	64,183	801,060
Disposals	-	61,775	80,696	10,621	153,092
Written off	-	-	(100)	(1,309)	(1,409)
Reclassification	-	-	(1)	(995)	(996)
Transferred from prepaid land lease payments (Note 14)	-	11	(85)	74	-
Arising from acquisition of subsidiaries	20	-	-	-	20
Exchange differences	-	3,540	13,949	13,559	31,048
At 31 December 2011 and 1 January 2012					
Additions	35,994	203,628	657,060	86,106	982,788
Disposals	950	38,299	33,412	9,128	81,789
Written off	-	-	(738)	(2,102)	(2,840)
Reclassifications	-	(1)	(135)	(409)	(545)
Transferred from prepaid land lease payments (Note 14)	-	-	(350)	350	-
Exchange differences	10	-	-	-	10
	-	-	-	(9)	(9)
At 31 December 2012					
	36,954	241,926	689,249	93,064	1,061,193





Notes to the Financial Statements

for the financial year ended 31 December 2012

13. Property, plant and equipment (contd.)

Group (contd.)

	Land RM'000	Buildings and infrastructure RM'000	Plant and machinery RM'000	Office equipment and motor vehicles RM'000	Total RM'000
Accumulated depreciation:					
At 1 January 2011	6,743	49,576	367,008	52,188	475,515
Depreciation charge for the year:	628	5,134	21,602	5,924	33,288
- Recognised in profit or loss (Note 8)	628	5,134	21,428	5,770	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 and 1 January 2012	7,389	54,798	396,640	65,269	524,096
Depreciation charge for the year:	630	17,133	27,624	6,206	51,593
- Recognised in profit or loss (Note 8)	630	17,133	27,616	6,173	51,552
- Capitalised in construction costs (Note 26)	-	-	8	33	41
Disposals	-	-	(699)	(1,855)	(2,554)
Written off	-	(1)	(127)	(395)	(523)
Transferred from prepaid land lease payments (Note 14)	10	-	-	-	10
Exchange differences	-	-	-	(7)	(7)
At 31 December 2012	8,029	71,930	423,438	69,218	572,615

Net carrying amount:

At 31 December 2011	28,605	148,830	260,420	20,837	458,692
At 31 December 2012	28,925	169,996	265,811	23,846	488,578

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for the financial year ended 31 December 2012

13. Property, plant and equipment (contd.)

Company	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
Cost:			
At 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 and 1 January 2012	6,635	6,688	13,323
Additions	679	87	766
Disposals	-	(5)	(5)
At 31 December 2012	7,314	6,770	14,084
Accumulated depreciation:			
At 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 and 1 January 2012	3,015	5,686	8,701
Depreciation charge for the year (Note 8)	515	486	1,001
Disposals	-	(1)	(1)
At 31 December 2012	3,530	6,171	9,701
Net carrying amount:			
At 31 December 2011	3,620	1,002	4,622
At 31 December 2012	3,784	599	4,383

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for the financial year ended 31 December 2012

13. Property, plant and equipment (contd.)

(a) Assets under construction

The Group's plant and equipment included RM59,095,850 (2011: RM41,432,179) which relate to expenditure for plants in the course of construction.

(b) 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 Nil (2011: RM327,055) as disclosed in Note 7.

(c) Assets held under finance leases

The carrying amount of plant and equipment held under finance leases at the reporting date was RM85,167 (2011: RM91,437).

Details of the finance leases are disclosed in Note 29.

(d) Fully depreciated assets

The gross carrying amounts of fully depreciated property, plant and equipment that are still in use at the reporting date were RM119,831,833 (2011: RM115,047,424) and RM6,217,205 (2011: RM3,843,079) for the Group and Company, respectively.

(e) Changes in estimates

During the financial year, a subsidiary undertook a review of the useful life of its buildings in view of its temporary nature and revised the estimated useful life of the buildings from 10 years to 4 years and accelerated the useful life of some of the buildings to 2 ½ years as these buildings are situated under the Energy and Utility Corridor. The revision in estimate has been applied on a prospective basis from 1 January 2012. The effects for the above revision on depreciation charge in current and future periods are as follows:

	Group	
	2012	2013
	RM'000	RM'000
Increase in depreciation expense	7,786	7,786

(f) Land

Included in the carrying amounts of land are

	Group	
	2012	2011
	RM'000	RM'000
Freehold land	416	416
Leasehold land with unexpired lease period of more than 50 years	28,509	28,189
	28,925	28,605

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14. Prepaid land lease payments

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cost:				
At 1 January	23,558	23,578	11,925	11,925
Transferred to property, plant and equipment (Note 13)	(10)	(20)	-	-
At 31 December	23,548	23,558	11,925	11,925
Accumulated amortisation:				
At 1 January	5,051	4,343	509	83
Amortisation for the year (Note 8)	725	726	426	426
Transferred to property, plant and equipment (Note 13)	(10)	(18)	-	-
At 31 December	5,766	5,051	935	509
Net carrying amount	17,782	18,507	10,990	11,416
Amount to be amortised:				
- Not later than one year	725	725	426	426
- Later than one year but not later than five years	2,901	2,901	1,704	1,704
- Later than five years	14,156	14,881	8,860	9,286

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 12 to 44 years (2011: 1 to 45 years) and 26 to 44 years (2011: 27 to 45 years), respectively.

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for the financial year ended 31 December 2012

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 2011	57,012	5,912	62,924
Additions	-	385	385
At 31 December 2011 and 1 January 2012	57,012	6,297	63,309
Additions	-	1,446	1,446
Disposals	(835)	(409)	(1,244)
At 31 December 2012	56,177	7,334	63,511

The landed property of a subsidiary has been pledged to secure revolving credit facilities granted to the subject subsidiary (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 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 and 1 January 2012	86,192	493,801	579,993
Costs incurred during the year	-	25,618	25,618
At 31 December 2012	86,192	519,419	605,611
Cumulative costs recognised in profit or loss:			
At 1 January 2011	(2,643)	(350,096)	(352,739)
Recognised during the year	110	(92,534)	(92,424)
At 31 December 2011 and 1 January 2012	(2,533)	(442,630)	(445,163)
Recognised during the year	(380)	(28,935)	(29,315)
At 31 December 2012	(2,913)	(471,565)	(474,478)
Property development costs:			
At 31 December 2011	83,659	51,171	134,830
At 31 December 2012	83,279	47,854	131,133

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for the financial year ended 31 December 2012

16. Investment properties

Group	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
Cost:			
At 31 December 2011 and 31 December 2012	3,177	2,918	6,095
Accumulated depreciation:			
At 1 January 2011	-	-	-
Effect of transition to MFRS	38	79	117
At 31 December 2011 and 1 January 2012	38	79	117
Depreciation charge for the year (Note 8)	39	79	118
At 31 December 2012	77	158	235
Net carrying amount:			
At 31 December 2011	3,139	2,839	5,978
At 31 December 2012	3,100	2,760	5,860
Company			
Cost:			
At 1 January 2011	5,828	14,647	20,475
Additions	-	3,415	3,415
At 31 December 2011 and 1 January 2012	5,828	18,062	23,890
Additions	-	38	38
At 31 December 2012	5,828	18,100	23,928
Accumulated depreciation:			
At 1 January 2011	-	-	-
Effect of transition to MFRS	205	1,259	1,464
At 31 December 2011 and 1 January 2012	205	1,259	1,464
Depreciation charge for the year (Note 8)	103	570	673
At 31 December 2012	308	1,829	2,137
Net carrying amount:			
At 31 December 2011	5,623	16,803	22,426
At 31 December 2012	5,520	16,271	21,791

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

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for the financial year ended 31 December 2012

17. Intangible assets

Group	Computer software RM'000	Others RM'000	Total RM'000
Cost:			
At 1 January 2011	5,127	926	6,053
Additions	47	-	47
At 31 December 2011 and 1 January 2012	5,174	926	6,100
Additions	-	-	-
At 31 December 2012	5,174	926	6,100
Accumulated amortisation:			
At 1 January 2011	2,131	570	2,701
Amortisation charge for the year (Note 8)	1,034	77	1,111
At 31 December 2011 and 1 January 2012	3,165	647	3,812
Amortisation charge for the year (Note 8)	1,036	77	1,113
At 31 December 2012	4,201	724	4,925
Net carrying amount:			
At 31 December 2011	2,009	279	2,288
At 31 December 2012	973	202	1,175

Company	Computer software RM'000
Cost:	
At 1 January 2011	2,239
Additions	47
At 31 December 2011 and 1 January 2012	2,286
Additions	-
At 31 December 2012	2,286
Accumulated amortisation:	
At 1 January 2011	928
Amortisation charge for the year (Note 8)	457
At 31 December 2011 and 1 January 2012	1,385
Amortisation charge for the year (Note 8)	458
At 31 December 2012	1,843
Net carrying amount:	
At 31 December 2011	901
At 31 December 2012	443

Notes to the Financial Statements

for the financial year ended 31 December 2012

18. Goodwill

	Group	
	2012	2011
	RM'000	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	
	2012	2011
	RM'000	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	
	2012	2011	2012	2011
CMS Clinker Sdn. Bhd.	21.0%	19.4%	10.9%	6.6%

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	
	2012	2011
	RM'000	RM'000
Unquoted shares, at cost	902,317	854,317
Impairment losses	(158,397)	(158,397)
	743,920	695,920

Notes to the Financial Statements

for the financial year ended 31 December 2012

19. Investments in subsidiaries (contd.)

Details of the subsidiaries are as follows:

			Proportion of ownership interest	
Name of subsidiaries	Country of incorporation	Principal activities	2012 %	2011 %
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
CMS Steel Berhad	Malaysia	Dormant	100.0	100.0
CMS Works Sdn. Bhd.	Malaysia	Investment holding, construction and provision of technical, machinery and motor vehicle rental services	100.0	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
Subsidiaries of CMS Capital Sdn. Bhd.				
CMS Mezzanine Sdn. Bhd. (ii)	Malaysia	Dormant	-	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 trading of concrete products and Industrial Building Systems (IBS) products	100.0	100.0

Notes to the Financial Statements

for the financial year ended 31 December 2012

19. Investments in subsidiaries (contd.)

Details of the subsidiaries are as follows: (contd.)

Details of the subsidiaries are as follows. (Contd.)

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2012 %	2011 %
Subsidiary of CMS Infra Trading Sdn. Bhd.				
CMS Agrotech Sdn. Bhd.	Malaysia	Organic waste management and related consultancy services	100.0	100.0
Subsidiaries of CMS I-Systems Berhad				
CMS I-Systems (India) Private Ltd. *	India	Dormant	99.9	99.9
ETA CMS I Solutions Private Ltd.* (iii)	India	Provide solutions for motor claim segment for insurance companies in India	-	82.5
Interventure Capital Sdn. Bhd. (ii)	Malaysia	Dormant	-	100.0
I-Systems (Guangzhou) Co. Ltd. *	People's Republic of China	Software development and provision of e-business solutions	100.0	100.0
Subsidiaries of CMS Property Development Sdn. Bhd.				
CMS Development Services Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CMS Hotels Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CMS Land Sdn. Bhd.	Malaysia	Property holding, property development and construction	51.0	51.0
CMS Property Management Sdn. Bhd.	Malaysia	Project management and consultancy	51.0	51.0
Subsidiaries of CMS Resources Sdn. Bhd.				
CMS Penkuari Sdn. Bhd. (iv)	Malaysia	Quarry operations	60.0	60.0
CMS Premix Sdn. Bhd.	Malaysia	Production and sale of premix	60.0	60.0
CMS Premix (Miri) Sdn. Bhd.	Malaysia	Production and sale of premix	60.0	60.0
CMS Quarries Sdn. Bhd.	Malaysia	Quarry operations	100.0	100.0
PPES Concrete Product Sdn. Bhd.	Malaysia	Manufacture and sale of concrete products	100.0	100.0
Subsidiary of CMS Steel Berhad				
CMS Wires Sdn. Bhd.	Malaysia	Manufacture and sale of wire mesh and related products	69.1	69.1

Notes to the Financial Statements

for the financial year ended 31 December 2012

19. Investments in subsidiaries (contd.)

Details of the subsidiaries are as follows: (contd.)

Details of the subsidiaries are as follows: (Contd.)			Proportion of ownership interest	
Name of subsidiaries	Country of incorporation	Principal activities	2012	2011
			%	%
Subsidiaries of CMS Works Sdn. Bhd.				
CMS Roads Sdn. Bhd.	Malaysia	Road assessment, maintenance and management	100.0	100.0
CMS Pavement Tech Sdn. Bhd.	Malaysia	Road rehabilitation and maintenance	100.0	100.0
PPES Works (Sarawak) Sdn. Bhd.	Malaysia	Civil engineering contractor and road maintenance	51.0	51.0
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, property and township development	51.0	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	100.0

* audited by firms other than Ernst & Young.

- (i) Another 60% is held by CMS Resources Sdn. Bhd.
- (ii) Placed under voluntary liquidation and dissolved on 11 March 2013.
- (iii) Application for strike off was approved on 15 March 2013.
- (iv) Another 40% is held by CMS Premix Sdn. Bhd.

Notes to the Financial Statements

for the financial year ended 31 December 2012

19. Investments in subsidiaries (contd.)

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

During the current financial year, the Company subscribed for an additional 47,999,998 ordinary shares of RM1 each in Samalaju Industries Sdn. Bhd. for a total cash consideration of RM47,999,998.

(b) Acquisition of subsidiaries

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

During the previous 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
	<u>130,268</u>
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)
	<u>(36,050)</u>
Fair value of net assets	94,218
Purchase consideration satisfied by cash	(82,008)
	<u>12,210</u>
Transaction costs paid in cash	(786)
Gain on acquisition (Note 6)	<u>11,424</u>
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	<u>82,794</u>
Cash and cash equivalents of subsidiaries acquired	(57,353)
Net cash outflow of the Group	<u>25,441</u>

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

	2011 RM'000
Revenue	112,140
Profit net of tax	<u>29,444</u>

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

Notes to the Financial Statements

for the financial year ended 31 December 2012

19. Investments in subsidiaries (contd.)

(b) Acquisition of subsidiaries (contd.)

(ii) Samalaju Property Development Sdn. Bhd.

During the previous financial 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	-
	<hr/> 179
Trade and other payables	(179)
	<hr/> - <hr/>

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

	2011 RM'000
Revenue	26,314
Profit net of tax	<hr/> 10,502 <hr/>

There were no acquisitions subsequent to 31 December 2012.

Notes to the Financial Statements

for the financial year ended 31 December 2012

20. Investments in associates

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Quoted shares in Malaysia, at cost	339,233	314,472	57,063	32,302
Less: Accumulated impairment losses	(67,000)	(67,000)	-	-
Less: Dilution loss arising from deemed disposal of an investment (i) (Note 8)	(5,000)	-	-	-
	267,233	247,472	57,063	32,302
Redeemable preference shares, at cost	15,190	16,861	-	-
Less: Accumulated impairment losses	(3,848)	(722)	-	-
	11,342	16,139	-	-
Unquoted shares, at cost	48,110	9,315	-	-
	326,685	272,926	57,063	32,302
Share of post-acquisition reserves	10,698	20,308	-	-
	337,383	293,234	57,063	32,302
Fair value of investments in associates for which there is published price quotation	186,307	186,002	92,762	87,856

Details of the associates, which are incorporated in Malaysia, are as follows:

Name of associates	Principal activities	Proportion of ownership interest	
		2012 %	2011 %
Held by the Company:			
KKB Engineering Berhad	Steel fabrication, civil construction, hot dip galvanising and the manufacture of LPG cylinders	20.0	20.0
K&N Kenanga Holdings Berhad (i)	Investment holding, stockbroking and financial services business	4.1	-
Held through subsidiaries:			
CMS Faradale Development Sdn. Bhd. (ii)	Property development	-	49.0
COPE-KPF Opportunities 1 Sdn. Bhd.	Investment holding	49.9	49.9
K&N Kenanga Holdings Berhad (i)	Investment holding, stockbroking and financial services business	21.0	25.1
OM Materials (Sarawak) Sdn. Bhd. (iii)	Processing, smelting and trading of ferro alloy products	20.0	20.0

Notes to the Financial Statements

for the financial year ended 31 December 2012

20. Investments in associates (contd.)

- (i) The Company acquired an equity interest of 4.9% in K&N Kenanga Holdings Berhad ("K&N") for a total purchase consideration of RM24,760,789 (via open market and a direct business transaction).

Following the issuance of 120 million new ordinary shares of RM1 each by K&N to the vendors of ECM Libra Investment Bank Berhad in conjunction with their merger, the Group and the Company's shareholdings in K&N were diluted to 21.0% and 4.1%, respectively. Consequently, the Group's share of the net assets in K&N was diluted and a dilution loss amounting to RM5,000,000 was taken up by the Group.

- (ii) Placed under voluntary liquidation on 2 March 2012.

- (iii) 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	
	2012	2011
	RM'000	RM'000
Assets and liabilities:		
Total assets	6,060,041	4,026,849
Total liabilities	(4,684,249)	(2,909,526)
Results:		
Revenue	472,410	475,606
Profit for the year	10,993	55,907

21. Investments in jointly controlled entities

	Group	
	2012	2011
	RM'000	RM'000
Unquoted shares, at cost	2,500	2,200
Share of post-acquisition reserves	1,448	1,428
	3,948	3,628

Notes to the Financial Statements

for the financial year ended 31 December 2012

21. Investments in jointly controlled entities (contd.)

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

Name of jointly controlled entities	Principal activities	Proportion of ownership interest	
		2012 %	2011 %
PPES Works (Sarawak) Sdn. Bhd./ Naim Cendera Sdn. Bhd. JV	Construction of buildings	55	55
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	50

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	
	2012 RM'000	2011 RM'000
Assets and liabilities:		
Current assets	4,447	8,667
Non-current assets	1	4
Total assets	4,448	8,671
Current liabilities	(500)	(5,044)
Income and expenses:		
Income	5,889	2,001
Expenses	(4,934)	(1,039)



Notes to the Financial Statements

for the financial year ended 31 December 2012

22. Deferred tax

Group	As at 1 January 2011 RM'000	Recognised in statements of comprehensive income RM'000	Acquisition of subsidiaries (Note 19(b)(i)) RM'000	As at 31 December 2011 RM'000	Recognised in statements of comprehensive income RM'000	As at 31 December 2012 RM'000
Deferred tax liabilities:						
Revaluation of leasehold land and buildings	(226)	21	-	(205)	-	(205)
Property, plant and equipment	(48,373)	(1,868)	(2,246)	(52,487)	1,545	(50,942)
Intangible assets	(36)	36	-	-	-	-
Property development costs	-	(7,805)	-	(7,805)	83	(7,722)
	(48,635)	(9,616)	(2,246)	(60,497)	1,628	(58,869)
Deferred tax assets:						
Provision for liabilities	245	(20)	-	225	341	566
Unutilised tax losses, reinvestment and infrastructure allowances and unabsorbed capital allowances	43,144	(4,277)	380	39,247	4,640	43,887
Others	9	7	-	16	28	44
	43,398	(4,290)	380	39,488	5,009	44,497
	(5,237)	(13,906)	(1,866)	(21,009)	6,637	(14,372)

Group	
2012	2011
RM'000	RM'000
18,124	10,810
(32,496)	(31,819)
(14,372)	(21,009)

Presented after appropriate offsetting as follows:

Deferred tax assets
Deferred tax liabilities

Notes to the Financial Statements

for the financial year ended 31 December 2012

22. Deferred tax (contd.)

Company	As at 1 January 2011 RM'000	Recognised in statements of comprehensive income RM'000	As at 31 December 2011 RM'000	Recognised in statements of comprehensive income RM'000	As at 31 December 2012 RM'000
Deferred tax liability:					
Property, plant and equipment	(276)	276	-	-	-
Deferred tax asset:					
Unabsorbed capital allowances	-	110	110	314	424
	(276)	386	110	314	424

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

	Group	
	2012 RM'000	2011 RM'000
Unutilised tax losses	95,365	99,657
Unabsorbed capital allowances	3,229	3,614
	98,594	103,271

At the reporting date, the Group has unutilised tax losses and unabsorbed capital allowances as shown above that are available for offset against future taxable profits of the companies in which the losses and allowances arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unutilised tax losses and unabsorbed capital allowances 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.

There are no income tax consequences (2011: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 46).

Notes to the Financial Statements

for the financial year ended 31 December 2012

23. Inventories

	Group	
	2012	2011
	RM'000	RM'000
Cost		
Raw materials	33,687	24,523
General stores	57,870	51,731
Work-in-progress	254	95
Finished goods	13,286	13,115
Completed development units	1,318	222
	106,415	89,686
Net realisable value		
Finished goods	320	647
	106,735	90,333

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM541,016,721 (2011: RM503,076,381).

Notes to the Financial Statements

for the financial year ended 31 December 2012

24. Trade and other receivables

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Current				
Trade receivables				
Third parties	239,905	186,721	-	-
Retention sums on construction contracts (Note 26)	1,998	43	-	-
Advance given on contract (Note 26)	6,204	9,000	-	-
	248,107	195,764	-	-
Less: Allowance for impairment				
Third parties	(5,980)	(10,706)	-	-
Trade receivables, net	242,127	185,058	-	-
Other receivables				
Other receivables	8,005	4,166	1,503	799
Amount due from jointly controlled entities	3	71	-	-
Amount due from subsidiaries:				
- Central cash management accounts	-	-	81,992	37,379
- Current accounts	-	-	3,861	14,833
- Loans	-	-	574	574
Other deposits	3,131	2,262	348	349
Interest receivable	517	875	514	430
Retention monies	531	757	-	-
	12,187	8,131	88,792	54,364
Less: Allowance for impairment				
Other receivables	(548)	(548)	-	-
Other receivables, net	11,639	7,583	88,792	54,364
Non-current				
Other receivables				
Amount due from subsidiary under loans	-	-	2,582	3,156
Total trade and other receivables (current and non-current)	253,766	192,641	91,374	57,520
Add: Cash and bank balances (Note 28)	524,015	650,272	493,129	625,542
Total loans and receivables	777,781	842,913	584,503	683,062

Notes to the Financial Statements

for the financial year ended 31 December 2012

24. Trade and other receivables (contd.)

a) Trade Receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 day (2011: 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	
	2012 RM'000	2011 RM'000
Neither past due nor impaired	175,874	123,139
1 to 30 days past due not impaired	17,457	21,941
31 to 60 days past due not impaired	4,823	1,938
61 to 90 days past due not impaired	3,102	1,616
91 to 120 days past due not impaired	1,667	3,145
More than 121 days past due not impaired	23,338	23,398
	50,387	52,038
Impaired	21,846	20,587
	248,107	195,764

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 RM50,387,110 (2011: RM52,037,770) 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 the near future.

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:

	2012 RM'000	2011 RM'000
Trade receivables	21,846	20,587
Less: Allowance for impairment	(5,980)	(10,706)
	15,866	9,881
Movement in allowance accounts:		
At 1 January	10,706	7,549
Charges for the year	2,564	4,010
Reversal of impairment loss	(7,029)	(635)
Unwinding of discount (Note 5)	(261)	(593)
Acquisition of subsidiaries	-	375
At 31 December	5,980	10,706

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.

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for the financial year ended 31 December 2012

24. Trade and other receivables (contd.)

(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 4.18% to 5.00% (2011: 4.30% to 5.00%) per annum.

(ii) Current accounts

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

(iii) Loans

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) Amount due from jointly controlled entities

This amount is unsecured, interest-free and is repayable on demand.

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

25. Other current assets

	Group	
	2012	2011
	RM'000	RM'000
Prepaid operating expenses	2,373	3,475
Amount due from customers for contract work (Note 26)	7,327	9,311
Accrued billings in respect of property development costs	2,604	-
	12,304	12,786

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

	Group	
	2012	2011
	RM'000	RM'000
Construction contract costs incurred to-date	541,914	492,196
Attributable profits less recognised losses	60,338	50,266
	602,252	542,462
Less: Progress billings	(596,846)	(536,529)
	5,406	5,933
Presented as:		
Amount due from customers for contract work (Note 25)	7,327	9,311
Amount due to customers for contract work (Note 33)	(1,921)	(3,378)
	5,406	5,933
Retention sums on construction contract included in:		
Trade receivables (Note 24)	1,998	43
Trade payables (Note 32)	4,028	1,646
Advance on construction contract included in:		
Trade receivables (Note 24)	6,204	9,000
Trade payables (Note 32)	6,936	10,000

Notes to the Financial Statements

for the financial year ended 31 December 2012

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

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

	Group	
	2012	2011
	RM'000	RM'000
Depreciation of property, plant and equipment (Note 13)	41	328
Operating leases:		
- minimum lease payments on land and buildings	51	23
- minimum lease payments on equipment	254	1,622

27. Investment securities

	Group			
	2012		2011	
	Carrying amount	Market value of quoted investments	Carrying amount	Market value of quoted investments
	RM'000	RM'000	RM'000	RM'000
Current				
Fair value through profit or loss				
Fixed income debt securities (unquoted in Malaysia)	55,537	-	52,838	-
Equity instruments (quoted in Malaysia)	23,017	23,017	8,314	8,314
Unit trust funds (quoted in Malaysia)	28,394	28,394	27,557	27,557
Shariah-compliant wholesale fund (unquoted in Malaysia)	496	-	-	-
Total current investment securities	107,444	51,411	88,709	35,871
Non-current				
Available-for-sale financial assets				
Equity instruments (unquoted in Malaysia), at cost	300	-	300	-
Redeemable participatory shares (unquoted in Malaysia), at cost	128	-	-	-
Total non-current investment securities	428	-	300	-

	Company			
	2012		2011	
	Carrying amount	Market value of quoted investments	Carrying amount	Market value of quoted investments
	RM'000	RM'000	RM'000	RM'000
Current				
Fair value through profit or loss				
Fixed income debt securities (unquoted in Malaysia)	55,537	-	52,838	-
Equity instruments (quoted in Malaysia)	23,017	23,017	8,314	8,314
Unit trust funds (quoted in Malaysia)	28,394	28,394	27,557	27,557
Total current investment securities	106,948	51,411	88,709	35,871

The unquoted available-for-sale financial assets are carried at cost as there are no other methods of reasonably estimating the fair values.

Notes to the Financial Statements

for the financial year ended 31 December 2012

28. Cash and bank balances

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash in hand and at bank	44,539	48,700	16,478	29,686
Short term deposits with licensed banks	184,884	174,180	182,059	168,464
Wholesale fund	294,592	427,392	294,592	427,392
Cash and bank balances	524,015	650,272	493,129	625,542

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 2012 for the Group and the Company were 3.47% (2011: 3.36%) and 3.49% (2011: 3.40%), respectively.

Short term deposits of the Group amounting to RM239,654 (2011: RM236,519) have been pledged as security for banking facilities granted to subsidiaries.

Included in cash at bank of the Group and Company is an amount of RM16,343,647 (2011: RM29,355,982) 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 RM5,000,000 (2011: RM18,500,000) being deposits placed with a banking subsidiary of an associate.

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

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash and short term deposits	524,015	650,272	493,129	625,542
Bank overdrafts	-	-	-	-
Cash and cash equivalents	524,015	650,272	493,129	625,542

Notes to the Financial Statements

for the financial year ended 31 December 2012

29. Loans and borrowings

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Current				
Secured:				
Revolving credits	15,000	15,000	-	-
Hire purchase and finance lease liabilities (Note 39(d))	16	138	-	-
	15,016	15,138	-	-
Unsecured:				
Shareholders' loan	551	551	-	-
Bankers' acceptances	3,722	25,808	-	-
Term loan	21,440	21,440	-	-
CMS Income Securities (Note 30)	-	85,507	-	85,507
	25,713	133,306	-	85,507
	40,729	148,444	-	85,507
Non-current				
Secured:				
Hire purchase and finance lease liabilities (Note 39(d))	16	32	-	-
Unsecured:				
Shareholders' loan	6,280	3,031	-	-
Term loan	42,800	64,240	-	-
	49,080	67,271	-	-
	49,096	67,303	-	-
Total loans and borrowings	89,825	215,747	-	85,507

The remaining maturities of the loans and borrowings as at 31 December 2012 are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
On demand or within 1 year	40,730	148,444	-	85,507
More than 1 year and less than 5 years	48,820	66,476	-	-
5 years or more	275	827	-	-
	89,825	215,747	-	85,507

(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:

	2012	2011
	%	%
Bank overdrafts	-	7.60
Bankers' acceptances	3.44 to 4.27	3.09 to 4.30
Revolving credits	4.73	4.73
Term loan	5.10	5.10

(iii) The shareholders' loan is charged interest at 5% (2011: 5%) per annum and is repayable from June 2011 to June 2018.

Notes to the Financial Statements

for the financial year ended 31 December 2012

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 consisted of the following:

- (i) 400 fixed rate coupon-bearing serial bonds ("Bonds") at a nominal sum of RM999,000 each. The Bonds comprised 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 were effectively stapled to the Bonds in that the NCRPS and the Bonds were issued simultaneously to the same party and the coupon payment obligations under the Bonds were dependent on the payments made under the NCRPS.

(a) The salient terms of the Bonds were as follows:

- (i) The Bonds were issued in series and each series was 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
	<u>399,600</u>	

- (ii) The Bonds comprised a principal element ("Bonds Principal") and a coupon element ("Bonds Coupon");
- (iii) The Bonds Coupon was at the nominal rate of 0.01% per annum unless dividends were not paid on the NCRPS, in which case the Bonds Coupon ranged from 6.67% to 18.80% per annum, paid semi-annually;
- (iv) Unless previously redeemed or purchased and cancelled, the Bonds Principal were redeemed by the Company at par on maturity;
- (v) A Debt Repayment Reserve Account ("DPRA") was 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 was deposited in the DPRA. The Company was 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 were not listed on any boards of Bursa Malaysia Securities Berhad ("Bursa Securities") but the Bonds Principal were tradable and transferable under the Real Time Electronic Transfer of Funds and Securities System (RENTAS) maintained by BNM; and
- (vii) The Bonds bore a rating of A2 by Rating Agency Malaysia Berhad (RAM) at the date of issue.

Notes to the Financial Statements

for the financial year ended 31 December 2012

30. CMS Income Securities (contd.)

(b) The salient features of the NCRPS were as follows:

- (i) The NCRPS were effectively stapled to the Bonds in that the NCRPS and the Bonds were issued simultaneously to the same party and the coupon payment obligations under the Bonds were dependent on the payments made under the NCRPS;
- (ii) The NCRPS did not have a fixed tenor but were redeemable at any time within the last one year of the tenor of the respective series of Bonds to which the NCRPS were 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
	<hr/> 400 <hr/>	

- (iii) The NCRPS holders had 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 did not carry any rights to participate in the profits or surplus assets of the Company;
- (v) The NCRPS were not capable of being converted to ordinary shares of the Company;
- (vi) The NCRPS holders had 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 were 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 were not listed on any boards of Bursa Securities.

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

Notes to the Financial Statements

for the financial year ended 31 December 2012

30. CMS Income Securities (contd.)

	Group/Company	
	2012	2011
	RM'000	RM'000
The CMSIS were accounted for in the statements of financial position as follows:		
Proceeds from issue of CMSIS	442,403	442,403
Less: Unamortised transaction costs	-	(265)
	442,403	442,138
Interest expense recognised in statements of comprehensive income:		
At 1 January	122,925	110,469
Recognised during the year (Note 7)	6,228	12,456
At 31 December	129,153	122,925
Interest expense on the NCRPS paid:		
At 1 January	(164,556)	(151,556)
Paid during the year	(7,000)	(13,000)
At 31 December	(171,556)	(164,556)
Bonds principal repayment and NCRPS redemption:		
At 1 January	(315,000)	(230,000)
Paid during the year	(85,000)	(85,000)
At 31 December	(400,000)	(315,000)
Amount included in loans and borrowings (Note 29)	-	85,507

The effective interest rate on the CMSIS was 7.27% (2011: 7.27%) per annum.

The CMSIS were repayable over the following periods:

	Group/Company	
	2012	2011
	RM'000	RM'000
Not later than 1 year	-	85,772
Later than 1 year and not later than 2 years	-	-
	-	85,772
Less: Unamortised transaction costs	-	(265)
	-	85,507

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

	Group/Company			
	Number of NCRPS of RM1 each			
	2012	2011	2012	2011
			RM	RM
Nominal value-issued and fully paid				
At 1 January	85	170	85	170
Redeemed during the year	(85)	(85)	(85)	(85)
At 31 December	-	85	-	85
Authorised				
At 1 January and 31 December	400	400	400	400

Notes to the Financial Statements

for the financial year ended 31 December 2012

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

	Group/Company	
	2012	2011
	RM'000	RM'000
Share premium		
At 1 January	85	170
Redeemed during the year	(85)	(85)
At 31 December	-	85
Amount included in CMSIS	-	85

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

32. Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables				
Third parties	208,256	137,411	-	-
Deposits payable	17,200	9,600	-	-
Retention sums on construction contracts (Note 26)	4,028	1,646	-	-
Advance received on contract (Note 26)	6,936	10,000	-	-
	236,420	158,657	-	-
Other payables				
Other payables	36,643	28,568	2,128	2,444
Accrued operating expenses	25,943	33,465	553	539
Amount due to subsidiaries:				
- Central cash management accounts	-	-	470,954	341,581
- Current accounts	-	-	-	70
Amount due to corporate shareholder	1,587	-	-	-
Deposits payable	2,531	1,916	-	-
Interest payable	1,012	1,365	-	-
Retention monies	2,553	2,071	-	-
	70,269	67,385	473,635	344,634
	306,689	226,042	473,635	344,634
Non-current				
Trade payable				
Deposits payable	-	9,400	-	-
Total trade and other payables (current and non-current)	306,689	235,442	473,635	344,634
Add: Loans and borrowings (Note 29)	89,825	215,747	-	85,507
Total financial liabilities carried at amortised cost	396,514	451,189	473,635	430,141

(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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

32. Trade and other payables (contd.)

(b) Amount due to subsidiaries

(i) Central cash management accounts

All amounts deposited with the Company are unsecured, repayable on demand and earn interest at rates ranging from 3.03% to 3.09% (2011: 2.69% to 3.08%) per annum.

(ii) Current accounts

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

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

33. Other current liabilities

	Group/Company	
	2012	2011
	RM'000	RM'000
Progress billings in respect of property development costs	1,864	6,184
Amount due to customers for contract work (Note 26)	1,921	3,378
	3,785	9,562

34. Share capital and treasury shares

	Group/Company			
	Number of ordinary shares of RM1 each		Amount	
	Share capital (Issued and fully paid) '000	Treasury shares '000	Share capital (Issued and fully paid) RM'000	Treasury shares RM'000
At 1 January 2011	329,446	-	329,446	-
Exercise of employee share options (Note 38)	35	-	35	-
At 31 December 2011 and 1 January 2012	329,481	-	329,481	-
Exercise of employee share options (Note 38)	2,955	-	2,955	-
Purchase of treasury shares	-	(7,577)	-	(23,319)
At 31 December 2012	332,436	(7,577)	332,436	(23,319)

	Number of ordinary shares of RM1 each		Amount	
	2012	2011	2012	2011
	'000	'000	RM'000	RM'000
Authorised	1,000,000	1,000,000	1,000,000	1,000,000
At 1 January and 31 December				

Notes to the Financial Statements

for the financial year ended 31 December 2012

34. Share capital and treasury shares (cont.d)

(a) Share capital

The holders of ordinary shares (except treasury 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.

(b) Treasury shares

Treasury shares relate to ordinary shares of the Company that are held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

At an Extraordinary General Meeting held on 30 May 2012, the Company obtained a mandate from the shareholders which allows the Company to purchase up to a maximum of ten percent (10%) of the issued and paid-up ordinary share capital of the Company from the open market. The directors of the Company are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

The Company acquired 7,576,800 (2011: Nil) shares in the Company through purchases from the open market during the financial year. The total amount paid to acquire the shares was RM23,318,732 (2011: Nil) and this was presented as a component within shareholders' equity. The average cost paid for the shares repurchased during the financial year was RM3.08 (2011: Nil) per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

None of the treasury shares held were resold or cancelled during the financial year.

Treasury shares have no rights to voting, dividends and participation in other distribution. As at 31 December 2012, the number of outstanding ordinary shares in issue after the set-off is therefore 324,858,940 (2011: 329,480,840) ordinary shares of RM1 each.

35. Share premium

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	427,590	427,516	427,587	427,513
Arising from ordinary shares issued under ESOS	6,231	74	6,231	74
At 31 December	433,821	427,590	433,818	427,587

Notes to the Financial Statements

for the financial year ended 31 December 2012

36. Other reserves

Group	Capital reserve RM'000	Translation reserve RM'000	Merger deficit RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	Employees' share options 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
Effect of transition to MFRS	(12,633)	2,262	-	-	-	-	-	(10,371)
	33,858	-	(12,000)	10,911	699	(22,925)	4,243	14,786
Other comprehensive income:								
Foreign currency translation	-	93	-	-	-	-	-	93
Share of other comprehensive income of associate	-	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	33,858	453	(12,000)	15,680	678	(22,986)	10,601	26,284



Notes to the Financial Statements

for the financial year ended 31 December 2012

36. Other reserves (contd.)

Group (contd.)	Capital reserve RM'000	Translation reserve RM'000	Merger deficit RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Premium paid on acquisition of non-controlling interests RM'000	Employees' share options reserve RM'000	Total RM'000
At 1 January 2012	46,491	(1,809)	(12,000)	15,680	678	(22,986)	10,601	36,655
Effect of transition to MFRS	(12,633)	2,262	-	-	-	-	-	(10,371)
	33,858	453	(12,000)	15,680	678	(22,986)	10,601	26,284

Other comprehensive income:

Foreign currency translation
Share of other comprehensive income of associates

-	4	-	-	-	-	-	-	4
-	(523)	-	-	-	510	-	-	(13)
-	(519)	-	-	-	510	-	-	(9)

Transactions with owners:

Grant of equity-settled share options to employees
Exercise of employee share options
Transfer from retained earnings
Share of associate's reserves

-	-	-	-	-	-	-	4,112	4,112
-	-	-	-	-	-	-	(2,685)	(2,685)
-	-	-	-	391	-	-	-	391
(8,791)	-	-	-	-	-	-	-	(8,791)
(8,791)	-	-	-	391	-	-	1,427	(6,973)
25,067	(66)	(12,000)	16,071	1,188	(22,986)	12,028	19,302	

At 31 December 2012

Notes to the Financial Statements

for the financial year ended 31 December 2012

36. Other reserves (contd.)

Company	Capital reserve RM'000	Merger reserve RM'000	Employees' share option reserve RM'000	Total RM'000
At 1 January 2011	12,633	168,000	4,243	184,876
Effect of transition to MFRS	(12,633)	-	-	(12,633)
	-	168,000	4,243	172,243
Grant of equity-settled share options to employees	-	-	6,390	6,390
Exercise of employee share options	-	-	(32)	(32)
At 31 December 2011 and 1 January 2012	-	168,000	10,601	178,601
Grant of equity-settled share options to employees	-	-	4,112	4,112
Exercise of employee share options	-	-	(2,685)	(2,685)
At 31 December 2012	-	168,000	12,028	180,028

(a) Capital reserve

Capital reserve of the Group comprises accretion from shares issued by subsidiaries, retained earnings capitalised for bonus issues by subsidiaries and share of capital reserve in an associate.

(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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

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 (2011: RM104 million) as at 31 December 2012, subject to agreement of the Inland Revenue Board.

As at 31 December 2012, 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 by laws 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. Details of share options under ESOS are as follows:

Notes to the Financial Statements

for the financial year ended 31 December 2012

38. Employee benefits (contd.)

(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:

	2012		2011	
	No. of options '000	WAEP RM	No. of options '000	WAEP RM
Outstanding at 1 January	19,125	2.20	20,197	2.20
Granted	7,760	2.23	-	-
Exercised	(2,955)	2.20	(35)	2.20
Cancelled	(746)	2.20	(1,037)	2.20
Outstanding at 31 December	23,184	2.21	19,125	2.20
Exercisable at 31 December	4,461	2.20	3,801	2.20

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

	Exercise Price RM/Share	Exercise period
31.12.2012/31.12.2011		
First offer	2.20	15.4.2011 to 22.6.2015
Second offer	2.23	1.4.2013 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 as at 31 December 2012 is 16.1% (2011: 20.6%).

The weighted average fair value of options granted for the first and second offers were RM0.93 and RM0.55, respectively.

(b) Share options exercised during the financial period

	2012	2011
Weighted average share price at the date of exercise of the options exercised (RM)	3.16	2.19
Proceeds received on exercise of options over ordinary shares (RM'000)	6,501	77

Notes to the Financial Statements

for the financial year ended 31 December 2012

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:

	First offer	Second offer
Dividend yield (%)	1.51	4.65
Expected volatility (%)	39.77	35.97
Risk-free interest rate (% p.a.)	3.30	3.30
Expected life of option (years)	4.86	2.95
Weighted average share price (RM)	2.49	2.42

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	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for:				
- Property, plant and equipment	17,634	34,109	-	-
- Others	26,551	16,667	-	-
	44,185	50,776	-	-
Approved and not contracted for:				
- Property, plant and equipment	99,751	150,555	1,493	617
- Others	40,667	16,667	-	-
	140,418	167,222	1,493	617
	184,603	217,998	1,493	617

Notes to the Financial Statements

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39. Commitments (contd.)

(b) Operating lease commitments - as lessee

In addition to prepaid land lease payments disclosed in Note 14, the Group and the Company have 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	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	4,252	3,843	1,334	1,373
Later than 1 year and not later than 5 years	7,453	8,131	366	915
Later than 5 years	20,184	17,798	-	-
	31,889	29,772	1,700	2,288

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	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	616	548	-	150
Later than 1 year and not later than 5 years	2,138	431	-	-
	2,754	979	-	150

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

Notes to the Financial Statements

for the financial year ended 31 December 2012

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	
	2012	2011
	RM'000	RM'000
Minimum lease payments:		
Not later than 1 year	18	147
Later than 1 year and not later than 2 years	16	18
Later than 2 years and not later than 5 years	-	16
Total minimum lease payments	34	181
Less: Amounts representing finance charges	(2)	(11)
Present value of minimum lease payments	32	170
Present value of payments:		
Not later than 1 year	16	138
Later than 1 year and not later than 2 years	16	16
Later than 2 years and not later than 5 years	-	16
Present value of minimum lease payments	32	170
Less: Amount due within 12 months (Note 29)	(16)	(138)
Amount due after 12 months (Note 29)	16	32

Notes to the Financial Statements

for the financial year ended 31 December 2012

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. Another similar legal suit has been filed by another former employee in the Industrial Court of Malaysia against the same subsidiary alleging wrongful dismissal.

As the Industrial Court has yet to make a decision/award in the above matters, it is not possible to determine the Group's potential liability (if any) at this juncture.

- (iii) During the financial year, the Company extended an unsecured corporate guarantee of RM31,000,000 to RHB Bank Berhad for banking facilities granted to OM Materials (Sarawak) Sdn. Bhd. ("OM Sarawak"), an associate of a wholly-owned subsidiary, Samalaju Industries Sdn. Bhd.

The Company has, on the basis of its twenty per cent (20%) ownership interest in OM Sarawak, extended an unsecured corporate guarantee to Syarikat SESCO Berhad ("SSB") to guarantee the performance by OM Sarawak of its obligations under the Power Purchase Agreement entered into between OM Sarawak and SSB on 2 February 2012.

As at the reporting date, no values are placed on the unsecured corporate guarantees provided by the Company as the directors regard the value of the credit enhancement provided by the corporate guarantees to be minimal and the likelihood of default to be low.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
(iv) Share of contingent liabilities of an associate	3,313	3,071	543	-

(b) Other contingencies

An amount of RM5,466,968 included in trade receivables of a subsidiary was in dispute. 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.

On 6 January 2012, the Arbitrator awarded in favour of the subsidiary a total sum of RM7,275,099 together with interest at 2.9% per annum from the dates of the invoices and costs. The debtor's counterclaim was disallowed. Consent judgment for RM8,558,117 in full and final settlement of the subsidiary's claim was entered against the debtor on 29 March 2012. The judgment sum was fully settled by the debtor on 6 April 2012 and the case is closed.

Notes to the Financial Statements

for the financial year ended 31 December 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	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Dividend income from wholesale fund managed by an associate	(11,922)	(11,170)	(11,922)	(11,170)
Interest income received from:				
- Associates	(588)	(1,015)	(588)	(1,015)
- Subsidiaries	-	-	(2,901)	(1,689)
Interest expense paid to subsidiaries	-	-	11,712	9,782
Fee received from subsidiaries	-	-	(6,953)	(4,513)
Management fees received from:				
- Subsidiaries	-	-	(248)	(265)
- COPE-KPF Opportunities 1 Sdn. Bhd.	(2,393)	(1,892)	-	-
- COPE Opportunities 2 Sdn. Bhd.	(537)	-	-	-
Rental received from a subsidiary	-	(600)	(600)	-
Sale of materials to associates	(1)	(11)	-	-
Rental income from jointly controlled entity	(45)	(12)	-	-
Purchase of materials from an associate	15,461	5,737	-	-
Payment for services to:				
- Associates	136	3,965	36	41
- Achi Jaya Communications Sdn. Bhd. (i)	37	19	3	2
- Centigrade Resources Sdn. Bhd. (ii)	438	683	373	608
- Satria Realty Sdn. Bhd. (iii)	1,108	908	957	824
- KTA (Sarawak) Sdn. Bhd. (iv)	49	6	-	-
- Borneo Isthmus Development Sdn. Bhd. (v)	31	121	31	46
- Opus Asset Management Sdn. Bhd. (vi)	153	161	153	161
- Opus Capital Sdn. Bhd. (vii)	127	127	-	-

Notes to the Financial Statements

for the financial year ended 31 December 2012

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% (2011: 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 RM36,851 (2011: RM19,473) from AJC. There was an outstanding amount of RM2,462 (2011: RM7,991) with AJC at the reporting date.
- (ii) 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 RM437,645 (2011: RM683,126). There was no outstanding balance with CR at the reporting date (2011: RM37,085).
- (iii) The Group has transacted with Satria Realty Sdn. Bhd. ("SR"), 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 Haji Mahmud Abu Bekir Taib and Datuk Syed Ahmad Alwee Alsree), for the provision of office rental and office upkeep to the Group for an amount of RM1,107,853 (2011: RM908,081). There was an outstanding amount of RM8,543 (2011: Nil) with SR 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 RM49,298 (2011: RM5,771). There was no outstanding balance with KTA at the reporting date (2011: 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 Haji Mahmud Abu Bekir Taib, has relationship by virtue of his directorship. During the financial year, the Group incurred an amount of RM31,171 (2011: RM120,676) with BID. There was no outstanding balance with BID at the reporting date (2011: Nil).
- (vi) One of the directors of a subsidiary, Azam bin 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 RM153,335 (2011: RM160,930). There was an outstanding amount of RM28,353 (2011: RM27,342) with OPUS at the reporting date.
- (vii) One of the directors of a subsidiary, Azam bin Azman, by virtue of his directorship in Opus Capital Sdn. Bhd. ("OPUSCAP"), has interest in an contract for the provision of advisory services to the Group for an amount of RM127,200 (2011: RM127,200). There was no outstanding balance with OPUSCAP at the reporting date (2011: Nil).

(b) Compensation of key management personnel

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

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	6,831	6,576	4,271	4,494
Defined contribution plan	784	789	513	539
Share-based payments	841	1,370	544	924
	8,456	8,735	5,328	5,957

During the financial year, 540,000 share options were granted to the Group's key management personnel at an exercise price of RM2.23 each.

Notes to the Financial Statements

for the financial year ended 31 December 2012

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. In order to determine the fair value of such securities, the observable market prices in an open active market or dealer price quotations are used.

The unquoted available-for-sale financial assets are carried at cost as there are no other methods of reasonably estimating the fair values. It is not practicable to estimate the fair values with sufficient reliability without incurring excessive costs.

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: (contd.)

(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.

(vi) Financial guarantees

Fair value is determined based on the probability weighted discounted cash flow method. The probability has been estimated and assigned for the following key assumptions:

- The likelihood of the guaranteed party defaulting within the guaranteed period;
- The exposure on the portion that is not expected to be recovered due to the guaranteed party's default; and
- The estimated loss exposure if the party guaranteed were to default.

Notes to the Financial Statements

for the financial year ended 31 December 2012

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
2012	RM'000	RM'000	RM'000	RM'000
Financial assets				
Fixed income debt securities	-	55,537	-	55,537
Equity instruments	23,017	-	428	23,445
Unit trust funds	28,394	-	-	28,394
Wholesale fund	-	496	-	496
	51,411	56,033	428	107,872
Company				
2012				
Financial assets				
Fixed income debt securities	-	55,537	-	55,537
Equity instruments	23,017	-	300	23,317
Unit trust funds	28,394	-	-	28,394
	51,411	55,537	300	107,248
Group/Company				
2011				
Financial assets				
Fixed income debt securities	-	52,838	-	52,838
Equity instruments	8,314	-	300	8,614
Unit trust funds	27,557	-	-	27,557
	35,871	52,838	300	89,009

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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

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 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 and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group adopts a prudent approach to managing its liquidity risk. The Group always maintains sufficient cash and cash equivalents, and has available funding through a diverse source of committed and uncommitted credit facilities from various banks.

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Group and the Company's financial liabilities based on contractual undiscounted repayment obligations.

Group	Carrying amount RM'000	Cash Flows			Total RM'000
		On demand or within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	
At 31 December 2012					
Financial liabilities:					
Trade and other payables, excluding financial guarantees*	306,689	306,689	-	-	306,689
Loans and borrowings	89,825	44,453	54,539	576	99,568
Total undiscounted financial liabilities		351,142	54,539	576	406,257
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

Notes to the Financial Statements

for the financial year ended 31 December 2012

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

(b) Liquidity risk (contd.)

Analysis of financial instruments by remaining contractual maturities (contd.)

Company	Carrying amount	Cash Flows			Total
		On demand or within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	
RM'000					
At 31 December 2012					
Financial liabilities:					
Trade and other payables, excluding financial guarantees*	473,635	473,635	-	-	473,635
Total undiscounted financial liabilities		473,635	-	-	473,635
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 the reporting date, the counterparties to the financial guarantees do not have a right to demand cash as the defaults have not occurred. Accordingly, financial guarantees under the scope of MFRS 139 are not included in the above maturity profile analysis.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group 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 (2011: 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 RM552,315 (2011: RM759,282), 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

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

(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 2012, 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 at the reporting date.

	Group	
	Profit net of tax	
	2012	2011
	RM'000	RM'000
United States Dollars	981	2,263
Euro	5	2

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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

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, 52% (2011: 60%) of the Group and the Company's investment securities consist of fixed income securities, 21% (2011: 9%) 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 Group's profit net of tax will be RM1,888,727 (2011: RM368,910) 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 2012 and 2011.

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 2012 and 2011.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loans and borrowings (Note 29)	89,825	215,747	-	85,507
Equity attributable to the owners of the Company	1,480,923	1,416,025	1,062,276	1,116,303
Gearing ratio	6%	15%	*	8%

* As the Company does not have any loans and borrowings as at 31 December 2012, accordingly no gearing ratio is presented.

Notes to the Financial Statements

for the financial year ended 31 December 2012

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 divisions, and has seven reportable operating segments as follows:

- (i) Cement - manufacturing of cement, clinker and concrete products;
- (ii) Construction materials and trading - quarry operations, production and sale of premix, wires and general trading;
- (iii) Construction and road maintenance - civil engineering, road construction and maintenance;
- (iv) Property development - property holding and development and project management;
- (v) Samalaju development - lodging and catering services;
- (vi) Strategic investments - financial services and education;
- (vii) Others - head office and dormant companies.

For each of the division, the Group Managing Director reviews the internal management reports on a monthly basis and conducts performance dialogues with the divisions 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.

Segment analysis by geographical locations has not been presented as the Group's operations are predominantly conducted in Malaysia.

Notes to the Financial Statements

for the financial year ended 31 December 2012

45. Segment information (contd.)

	Cement RM'000	Construction materials and trading RM'000	Construction and road maintenance RM'000	Property development RM'000	Samalaju development RM'000	Strategic investments RM'000	Others RM'000	Adjustments and elimination RM'000	Notes	Per consolidated financial statements RM'000
31 December 2012										
Revenue:										
External customers	522,875	281,494	234,899	59,511	72,250	9,101	23,435	-		1,203,565
Inter-segment	21,574	53,556	5,866	229	-	-	3,501	(84,726)	A	-
Total revenue	544,449	335,050	240,765	59,740	72,250	9,101	26,936	(84,726)		1,203,565
Results:										
Interest income	2,768	2,217	6,826	297	677	697	73	(13,031)		524
Depreciation and amortisation	30,486	3,713	2,388	259	13,941	215	2,568	(62)		53,508
Share of results of associates	-	-	-	-	(241)	3,375	-	-		3,134
Share of results of jointly controlled entities	-	-	956	-	-	-	-	-		956
Other non-cash expenses	1,472	2,164	3,102	185	222	8,363	1,075	-	B	16,583
Segment profit/(loss) before tax	66,374	40,660	79,730	24,493	25,311	(9,120)	6,813	(7,355)	C	226,906
Assets:										
Investments in associates	-	-	-	-	47,590	289,793	-	-		337,383
Investments in jointly controlled entities	-	-	-	-	-	-	3,948	-		3,948
Additions to non-current assets	32,546	2,296	15,439	1,670	30,253	226	766	39	D	83,235
Segment assets	686,301	307,057	321,512	257,583	77,015	28,768	728,997	(266,993)	E	2,140,240
Segment liabilities										
	115,752	156,628	71,163	58,436	78,816	21,887	468,930	(518,295)	F	453,317





Notes to the Financial Statements

for the financial year ended 31 December 2012

45. Segment information (contd.)

31 December 2011

Revenue:

	Cement RM'000	Construction materials and trading RM'000	Construction and road maintenance RM'000	Property development RM'000	Samalaju development RM'000	Strategic investments RM'000	Others RM'000	Adjustments and elimination RM'000	Notes	Per consolidated financial statements RM'000
External customers	444,977	221,605	184,706	103,336	26,314	8,051	23,620	-		1,012,609
Inter-segment	18,457	46,237	10,932	183	-	-	36,788	(112,597)	A	-
Total revenue	463,434	267,842	195,638	103,519	26,314	8,051	60,408	(112,597)		1,012,609

Results:

Interest income	3,000	2,109	6,996	617	65	565	2	(11,717)		1,637
Depreciation and amortisation	24,864	3,365	2,215	177	1,514	174	1,864	741		34,914
Share of results of associates	-	-	-	69	(169)	12,475	-	-		12,375
Share of results of jointly controlled entities	-	-	1,248	-	-	-	-	-		1,248
Other non-cash expenses	2,336	3,925	937	228	25,556	1,271	2,070	-	B	36,323
Segment profit/(loss) before tax	101,315	25,117	69,481	2,534	(11,742)	(703)	(1,066)	(6,213)	C	178,723

Assets:

Investments in associates	-	-	-	74	9,030	284,130	-	-		293,234
Investments in jointly controlled entities	-	-	3,628	-	-	-	-	-		3,628
Additions to non-current assets	95,101	21,873	2,753	420	27,704	251	2,008	3,414	D	153,524
Segment assets	622,512	221,853	283,724	248,983	36,855	24,479	808,655	(146,489)	E	2,100,572

Segment liabilities

	41,735	103,315	90,774	74,669	64,884	19,370	339,692	(235,892)	F	498,547
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Notes to the Financial Statements

for the financial year ended 31 December 2012

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	2012 RM'000	2011 RM'000
Impairment loss on financial assets	8	2,564	4,018
Impairment loss on investment in an associate	8	3,126	722
Project under study written off	8	26	25,193
Inventories written down	8	58	-
Inventories written off	8	1,697	-
Dilution loss arising from deemed disposal of an associate	8	5,000	-
Share options granted under ESOS	9	4,112	6,390
		16,583	36,323

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:

	2012 RM'000	2011 RM'000
Share of results of associates	3,134	12,375
Share of results of jointly controlled entities	956	1,248
Unallocated corporate expense	(11,445)	(19,836)
	(7,355)	(6,213)

D Additions to non-current assets consist of:

	2012 RM'000	2011 RM'000
Property, plant and equipment	81,789	153,092
Land held for property development	1,446	385
Intangible assets	-	47
	83,235	153,524

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:

	2012 RM'000	2011 RM'000
Investments in associates	337,383	293,234
Investments in jointly controlled entities	3,948	3,628
Deferred tax assets	18,124	10,810
Inter-segment assets	(626,448)	(454,161)
	266,993	(146,489)

Notes to the Financial Statements

for the financial year ended 31 December 2012

45. Segment information (contd.)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (contd.)

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:

	2012 RM'000	2011 RM'000
Deferred tax liabilities	32,496	31,819
Income tax payable	20,522	5,977
Loans and borrowings	89,825	215,747
Inter-segment liabilities	(661,138)	(489,435)
	(518,295)	(235,892)

46. Dividends

Group and Company

2012 RM'000	2011 RM'000
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Recognised during the financial year:

Dividends on ordinary shares:

- First and final dividend for 2011: 15 sen (2010: 5 sen) less 25% taxation per share	37,080	12,355
- Interim dividend for 2012: 5 sen (2011: Nil) less 25% taxation per share	12,251	-
- Special dividend for 2011: Nil (2010: 5 sen) less 25% taxation per share	-	12,356
	49,331	24,711

Proposed but not recognised as a liability as at 31 December:

Dividends on ordinary shares, subject to shareholders' approval at the AGM:

- Final dividend for 2012: 12 sen (2011: 15 sen) less 25% taxation per share	29,237	37,067
	29,237	37,067

At the forthcoming Annual General Meeting, a final dividend in respect of the financial year ended 31 December 2012 of 12% less 25% taxation on 324,858,940 ordinary shares, amounting to a dividend payable of RM29,237,305 (9 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.

Notes to the Financial Statements

for the financial year ended 31 December 2012

47. Subsequent event

At its Extraordinary General Meeting held on 21 March 2013, the Company obtained approval from its shareholders to provide a proportionate corporate guarantee in the amount of up to USD43 million and RM87.2 million and other financial assistance (including shareholders' support and other collateral) for the benefit of OM Materials (Sarawak) Sdn. Bhd. ("OM Sarawak"), a 20% owned associate of Samalaju Industries Sdn. Bhd. ("SISB"), which, in turn is a wholly owned subsidiary of the Company.

Following the shareholders' approval on 21 March 2013, OM Sarawak entered into the Facilities Agreement ("FA") dated 28 March 2013 with a consortium of banks for credit facilities of USD215 million and RM436 million to part finance the construction and operation of a ferro silicon alloy smelter ("Project"). As required under the FA, both the Company and SISB entered into the Project Support Agreement dated even date which provides for a proportionate corporate guarantee (guaranteeing all of OM Sarawak's payment obligations under the FA until 18 months after completion of the Project, including without limitation, the principal amount, the interest accrued thereon and related hedging payments, the completion of the Project, and all of SISB's obligations under the finance documents, which consist primarily of providing the shareholders' support described below); shareholders' support (which may be in the form of shareholders' advances or subscription to fully paid up ordinary shares in OM Sarawak); and other collateral from the shareholders of OM Sarawak, proportionate to their respective shareholdings, as security for the FA.

48. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 28 March 2013.



Notes to the Financial Statements

for the financial year ended 31 December 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 2012 and 2011 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2011 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	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:				
- Realised	657,079	561,613	138,333	180,594
- Unrealised	(13,816)	(21,079)	980	40
Total share of retained profits from associates:				
- Realised	7,245	12,658	-	-
- Unrealised	3,453	6,256	-	-
Total share of retained profits from jointly controlled entities				
- Realised	3,948	1,427	-	-
	657,909	560,875	139,313	180,634
Consolidation adjustments	60,774	71,795	-	-
Retained profits as per financial statements	718,683	632,670	139,313	180,634

Analysis of Shareholdings

ANALYSIS OF SHAREHOLDINGS AS AT 1 APRIL 2013

Authorised Share Capital	:	1,000,000,000 ordinary shares of RM1.00 per share 400 non-cumulative redeemable preference shares of RM1.00 per share
Issued and Paid-up Share Capital	:	332,916,740 ordinary shares of RM1.00 per share
Voting Right	:	One voting right for one ordinary share

Directors' Shareholdings

Name of Shareholders	Direct Shareholdings	% of Issued Capital	Indirect Shareholdings	% of Issued Capital ³
1. Dato Sri Mahmud Abu Bekir Taib	29,400,085	9.12	-	-
2. General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin	50,000	0.02	-	-
3. Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	-	-	19,000 ¹	0.01
4. Datuk Syed Ahmad Alwee Alsree	-	-	45,630,102 ¹	14.16

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Capital ³
1 to 99	46	1.13	1,291	0.00
100 to 1,000	1,105	27.08	1,032,419	0.32
1,001 to 10,000	2,298	56.31	9,309,428	2.89
10,001 to 100,000	536	13.13	15,619,700	4.85
100,001 to less than 5% of issued shares	91	2.23	128,526,970	39.88
5% and above of issued shares	5	0.12	167,755,632	52.06
Total	4,081	100.00	322,245,440 ³	100.00

Category of Shareholders

Category	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Capital ³
Individuals	3,331	81.62	121,661,228	37.75
Banks/Finance companies	9	0.22	1,939,600	0.60
Investment Trusts/Foundation/Charities	0	0.00	0	0.00
Industrial and Commercial Companies	82	2.01	49,384,402	15.33
Government Agencies/Institutions	2	0.05	26,988,860	8.38
Nominee Companies	657	16.10	122,271,350	37.94
Total	4,081	100.00	322,245,440 ³	100.00

Thirty Largest Shareholders as per Record of Depositors

Name of Shareholders	No. of Ordinary Shares Held	% of Issued Capital ³
1. Majaharta Sdn Bhd	44,925,102	13.94
2. Lejla Taib	37,000,000	11.48
3. Dato Sri Sulaiman Abdul Rahman Taib	29,465,085	9.14
4. RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Dato Sri Mahmud Abu Bekir Taib</i>	29,400,085	9.12
5. Sarawak Economic Development Corporation	26,965,360	8.37
6. Pui Cheng Wui	15,953,005	4.95
7. Citigroup Nominees (Asing) Sdn Bhd <i>Exempt AN for Citibank NA, Singapore (Julius Baer)</i>	15,523,000	4.82

Analysis of Shareholdings

8.	DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Exempt AN for Deutsche Bank AG Singapore (PWM Asing)</i>	11,819,100	3.67
9.	Chua Sim Neo @ Diana Chua	8,783,500	2.73
10.	Malaysia Nominees (Asing) Sendirian Berhad <i>Pretoria Limited</i>	6,000,000	1.86
11.	Malaysia Nominees (Asing) Sendirian Berhad <i>Kimber Cove Corporation</i>	6,000,000	1.86
12.	UOBM Nominees (Asing) Sdn Bhd <i>Galliano Holdings Limited</i>	6,000,000	1.86
13.	UOBM Nominees (Asing) Sdn Bhd <i>Roundsun Assets Limited</i>	5,646,200	1.75
14.	Malaysia Nominees (Asing) Sendirian Berhad <i>Fullstead Finance Corporation</i>	5,287,695	1.64
15.	Malaysia Nominees (Asing) Sendirian Berhad <i>Bakerville Profits Limited</i>	5,146,200	1.60
16.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (Nomura)</i>	4,323,800	1.34
17.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt AN for JPMorgan Chase Bank, National Association (Norges BK)</i>	3,921,700	1.22
18.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt AN for Morgan Stanley & Co. LLC (Client)</i>	3,617,000	1.12
19.	Jimmy Thomas @ James Abraham Thomas	3,387,900	1.05
20.	UOBM Nominees (Asing) Sdn Bhd <i>Taminga Profits Limited</i>	2,605,600	0.81
21.	Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for Dimensional Emerging Markets Value Fund</i>	1,995,200	0.62
22.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt AN for the Bank of New York Mellon (BNYM as E&A)</i>	1,162,900	0.36
23.	Amanahraya Trustees Berhad <i>Public Smallcap Fund</i>	1,084,800	0.34
24.	Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for DFA Emerging Markets Small Cap Series</i>	942,500	0.29
25.	Ting Pik King	796,000	0.25
26.	Pui Tiong Yeong	752,200	0.23
27.	Datin Hanifah Hajar Taib	705,000	0.22
28.	HSBC Nominees (Asing) Sdn Bhd <i>Exempt AN for the Bank of New York Mellon (Mellon Acct)</i>	679,100	0.21
29.	Koperasi Permodalan Felda Malaysia Berhad	665,700	0.21
30.	Koperasi Permodalan Felda Malaysia Berhad	650,000	0.20
Total		281,203,732	87.26

Substantial Shareholders as per Register of Substantial Shareholders, excluding nominee companies

Name of Substantial Shareholders	Direct Shareholding	Indirect Shareholding	% of Issued Capital ³
1. Datin Hanifah Hajar Taib	705,000	44,925,102 ²	14.16
2. Datuk Syed Ahmad Alwee Alsree	-	45,630,102 ¹	14.16
3. Majaharta Sdn Bhd	44,925,102	-	13.94
4. Jamilah Hamidah Taib	-	44,925,102 ²	13.94
5. Lejla Taib	37,000,000	-	11.48
6. Dato Sri Sulaiman Abdul Rahman Taib	29,465,085	-	9.14
7. Dato Sri Mahmud Abu Bekir Taib	29,400,085	-	9.12
8. Sarawak Economic Development Corporation	26,965,360	-	8.37

¹ Deemed interested pursuant to Section 134(12)(c) of the Companies Act, 1965

² Deemed interested pursuant to Section 6A of the Companies Act, 1965

³ Excludes 10,671,300 ordinary shares of RM1.00 each retained as treasury shares as at 1 April 2013

List of Properties

As at 31 December 2012

Location	Date of acquisition	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	44 years (2056)	0.03/ N/A	-	394
Lot 449, Block 15 Salak Land District, Kuching	2007	Mixed zone land	Land & school	Leasehold	55 years (2068)	7.49/ 5,322	6 years	21,791
Lot 678, Section 66 Kuching Town Land District, Kuching	2010	Mixed zone land	Vacant land	Leasehold	26 years (2038)	3.20/ N/A	-	10,597
Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate, Kuching	1996	Land & cement mill	Office & factory	Leasehold	24 years (2036)	6.25/ 15,223	35 years	21,110
Lot 766, Block 20, Kemena Land District, Bintulu	1997	Land & cement mill	Office & factory	Leasehold	50 years (2062)	6.88/ 68,797	16 years	15,772
Lot 767, Block 20, Kemena Land District, Bintulu	1997	Land	Vacant land	Leasehold	50 years (2062)	10.13/ N/A	-	6,563
Lot 571, Block 4, Sentah Segu Land District, Kuching	1992/2002	Land & clinker mill	Office & factory	Leasehold	30 years (2042)	18.2/ 58,595	15 years	57,904
Lot 528, Block 4, Sentah Segu Land District, Kuching	1996	Land	Vacant	Leasehold	60 years (2072)	0.11/ N/A	-	0
Lot 872, Block 4, Sentah Segu Land District, Kuching	1996	Land	Vacant	Leasehold	59 years (2071)	0.22/ N/A	-	116
Lot 415, Block 32, Kemena Land District, Bintulu	1996	Industrial land	Held for rental income	Leasehold	32 years (2044)	2.23/ N/A	-	1,732
Lot 34 & 35, Section 15, Kuching Town Land District, Nanas Road, Kuching	1994	4-storey shophouse	Held for rental income	Leasehold	803 years (2815)	0.41/ 1,400	16 years	4,032
Lot 9882, Section 64, Kuching Town Land District, Kuching	2010	Mixed zone land	Vacant land	Leasehold	86 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	42 years (2054)	2.73/ N/A	-	133
Lot 444, Block 11, Seduan Land District, 8th Mile, Sibul Ulu Oya Road, Sibu.	1994	Mixed zone land	Premix operation	Leasehold	43 years (2055)	2.76/ N/A	-	117

List of Properties

As at 31 December 2012

Location	Date of acquisition	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 71, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Quarry operation	Leasehold	44 years (2056)	18.94/ N/A	-	1,834
Lot 294, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Quarry operation	Leasehold	44 years (2056)	2.75/ N/A	-	443
Lot 212, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Office & factory	Leasehold	44 years (2056)	5.04/ 1,700	15 years	3,850
Lot 353, Block 17, Kuching Central Land District, Kuching	1996	Mixed zone land	Premix operation	Leasehold	44 years (2056)	2.24/ N/A	4 years	382
Lots 338, 340-345, Block 10, Sentah Segu Land District, Kuching	1996	Mixed zone land	Quarry operation	Leasehold	26 years (2038)	3.07/ N/A	-	597
Lot 302-304, 354-357, 362 and 363, Block 17, Kuching Central Land District, Kuching	1999	Mixed zone land	Quarry operation	Leasehold	812 years (2824)	4.27/ N/A	-	3,439
Lot 342-343, Block 17, Kuching Central Land District, Kuching	1999	Mixed zone land	Quarry operation	Leasehold	12 years (2024)	0.74/ N/A	-	151
Lot 134, Section 64, Kuching Town Land District, Kuching	1998	Mixed zone land	Jetty and land	Leasehold	46 years (2058)	0.43/ N/A	-	1,058
Lot 358, Block 17, Kuching Central Land District, Kuching	2012	Mixed zone land	Quarry operation	Leasehold	812 years (2824)	0.44/ N/A	-	799
Lot 355, Block 17, Kuching Central Land District, Kuching	2012	Mixed zone land	Quarry operation	Leasehold	812 years (2824)	0.16/ N/A	-	150
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	48 years (2060)	0.01/ 334	15 years	366
Lot 2116, Sublot 2, Kuching Town Land District, Kuching.	2003	3-Storey corner shophouse	Office	Leasehold	48 years (2060)	0.01/ 328	15 years	455
Lot 493, Block 5, Muara Tebas Land District, Sejingkat, Kuching	1996	Mixed zone land	Vacant land	Freehold	In perpetuity	1.22/ N/A	-	255

List of Properties

As at 31 December 2012

Location	Date of acquisition	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 494, Block 5, Muara Tebas Land District, Sejingkat, Kuching	1998	Mixed zone land	Vacant land	Leasehold	25 years (2037)	0.53/ N/A	-	72
Lot 488, Block 5, Muara Tebas Land District, Sejingkat, Kuching	1996	Mixed zone land	Vacant land	Leasehold	14 years (2026)	2.70/ N/A	-	256
Lot 220-222, Section 63, Kuching Land District, Kuching	2007	Intermediate 4-storey shophouses	Office	860 years	784 years (2797)	0.04/ 4,452	4 years	3,322
Lot 1319, Block 7, Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	84 years (2096)	26.42/ N/A	-	22,269
Lot 2342, Block 7 Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	84 years (2096)	38.20/ N/A	-	32,194
Lot 2839, Block 7 Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	97 years (2109)	1.67/ N/A	-	1,406
Lot 2850, Block 7 Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	97 years (2109)	3.49/ N/A	-	2,945
Lot 2852, Block 7 Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	97 years (2109)	2.59/ N/A	-	2,186
Lot 2855, Block 7 Muara Tebas Land District, Sejingkat, Kuching	1997	Mixed zone land	Land held for development	Leasehold	97 years (2109)	16.67/ N/A	-	14,049
Lot 622, Section 66, Kuching Town Land District, Kuching	1998	Mixed zone land	Land held for development	Leasehold	46 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	46 years (2058)	14.51/ 832	2 years	17,268
Lot 9244, Block 11, Muara Tebas Land District, Stutong, Kuching	2011	Mixed zone land	Land held for development	Leasehold	59 years (2071)	7.751/ N/A	-	7,753
Lot 846, Block 9, Salak Land District, Kuching	1999	Mixed zone land	Land held for township development	Leasehold	86 years (2098)	1,366.50/ N/A	-	10,616
Lots 3284, 3765, 3986 - 3990, 3992-3994 & 3541, Block 9, Salak Land District, Kuching	1999	Mixed zone land	Land held for township development	Leasehold	86 years (2098)	55.55/ N/A	-	477

List of Properties

As at 31 December 2012

Location	Date of acquisition	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 1, Block 13, Salak Land District, Kuching	1999	Mixed zone land	Land held for township development	Leasehold	86 years (2098)	349.70/ N/A	-	2,711
Lot 2082, Section 66, Kuching Town Land District Kuching	1996	Land & factory	Office & factory	Leasehold	33 years (2045)	0.85/ 3,936	29 years	2,386
Parcel 42, Block 71, Kuching Central Land District, Kuching	-	**	Quarry operation	-	-	N/A/ 1,262	20 years	110
G.N. No.100 Sebuyau, Kota Semarahan Division, Kuching	-	**	Jetty	-	-	N/A	-	547
Lot 360 & Lot 361, Block 17, Kuching Central Land District, Kuching	-	**	Temporary sheet pile storage	-	-	N/A	-	272
Lot 246, Block 5, Sentah Segu Land District, Kuching	-	**	Quarry operation	-	-	N/A/ 994.37	2 years	7,953
Jalan Bintulu-Miri (Coastal Road), Samalaju Industrial Park, Bintulu	-	**	Quarters, office, lodge	-	-	N/A/ 42,007	2 years	34,456
Lots 552-553, Upper Lanang Road, Sibau	-	**	Bulk terminal	-	-	N/A/ 2,841	2 years	9,535
Lot 239, Lorong 5, Block 4, Jalan Krokop Riverside, Miri	-	**	Bulk terminal	-	-	N/A/ 4,074	2 years	9,539

** Land owned by third party

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CEMENT

CMS Cement Sdn Bhd (321916-K)

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CMS Clinker Sdn Bhd (49256-V)

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CMS Concrete Products Sdn Bhd (366884-X)

PPES Concrete Product Sdn Bhd (152276-P)

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E concrete@cmsb.com.my
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CONSTRUCTION MATERIALS & TRADING

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93350 Kuching
T +60 82 610 226
F +60 82 612 434

CMS Quarries Sdn Bhd (121767-D)

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T +60 82 615 605 / 610 226
F +60 82 615 598
W 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
W www.cmsb.com.my/penkuari

CMS Premix Sdn Bhd (117700-W)

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7th Mile Penrissen Road
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T +60 82 614 208
F +60 82 614 626
W 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
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F +60 82 486 085
W www.cmsb.com.my/wires

CMS Infra Trading Sdn Bhd (196635-M)

CMS Agrotech Sdn Bhd (859264-P)

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SAMALAJU DEVELOPMENT

Samalaju Industries Sdn Bhd (783430-V)

Samalaju Aluminium Industries Sdn Bhd (782329-P)
Sarawak Aluminium Company Sdn Bhd (783974-K)
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Samalaju Property Development Sdn Bhd (752695-D)

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Medan Central Commercial Centre
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F +60 86 337 995
E samalaju@cmsb.com.my
W www.spdsamalaju.com.my

Group Directory

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 82-230311

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
E works@cmsb.com.my
W 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 82-230311
E hotline@nraya@works.cmsb.com.my
W 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 240233
F +60 82 239842
W 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
E sales@cmsp.cmsb.com.my
W 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

OTHERS

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
E info@tps.edu.my
W www.tps.edu.my

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
E azam@opusasset.com
W www.cmsb.com.my/opus

ASSOCIATE COMPANIES

K&N Kenanga Holdings Berhad (302859-X)

8th Floor Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
T +603 2164 9080
F +603 2161 4990
E kenanga@kenanga.com.my
W 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
E kpl@kkbeb.com.my
W www.kkbeb.com.my

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Eighth Annual General Meeting of the Company will be held at **Colosseum 1, Pullman Hotel, 1A, Jalan Mathies, 93100 Kuching, Sarawak** on **Wednesday, 22 May 2013** at **11:00 a.m.** for the following purposes:

1. To receive the Audited Financial Statements for the year ended 31 December 2012 and the Reports of the Directors and Auditors thereon. **(Ordinary Resolution 1)**
2. To approve the payment of a final dividend of 12 sen gross per share less income tax of 25% for the financial year ended 31 December 2012. **(Ordinary Resolution 2)**
3. To re-elect the following Directors who retire pursuant to Article 110 of the Company's Articles of Association:-
 - a) YBhg Datuk Syed Ahmad Alwee Alsree **(Ordinary Resolution 3)**
 - b) YBhg Dato' Richard Alexander John Curtis **(Ordinary Resolution 4)**
 - c) YBhg Mr Kevin How Kow **(Ordinary Resolution 5)**
4. To re-elect YBhg Datu Hubert Thian Chong Hui who retires pursuant to Article 112 of the Company's Articles of Association. **(Ordinary Resolution 6)**
5. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129(6) of the Companies Act, 1965:-
 - a) "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 7)**
6. To approve the payment of Directors' fees amounting to RM 447,000 for the financial year ended 31 December 2012. **(Ordinary Resolution 8)**
7. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 9)**

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following ordinary resolutions:-

8. Proposed Retention of Independent Director

"THAT subject to the passing of Ordinary Resolution 5, approval be and is hereby given to YBhg Mr Kevin How Kow who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years to continue to act as an Independent Non-Executive Director of the Company pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012." **(Ordinary Resolution 10)**

9. Authority to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965

"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 allot and 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 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." **(Ordinary Resolution 11)**

10. Proposed renewal of Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature and new Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature ("Proposed Shareholders' Mandate for RRPT")

"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 Part A of the Circular to Shareholders dated 30 April 2013 ("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 for RRPT 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



Notice of Annual General Meeting

- (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 for RRPT.

AND THAT the estimated value given on the recurrent related party transactions specified in Section 2.1.4 of the Circular being provisional in nature, the Directors of the Company be hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.1.8 of the Circular." **(Ordinary Resolution 12)**

11. Proposed Renewal of Shareholders' Mandate in respect of the Authority for Purchase by the Company of its Own Shares ("Proposed Share Buy-Back")

"THAT subject to Section 67A of the Companies Act, 1965, provisions of the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Company be and is hereby authorised to renew the approval granted by the shareholders of the Company at the Extraordinary General Meeting of the Company held on 30 May 2012, authorising the Directors of the Company to exercise the power of the Company to purchase such amount of ordinary shares of RM1.00 each in the Company from time to time through Bursa Securities subject further to the following:-

- (i) the aggregate number of shares purchased does not exceed 10% of the total issued and paid-up ordinary share capital of the Company ("Purchased Shares") at the point of purchase;
- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing the Purchased Shares shall not exceed the total retained profits and share premium account of the Company at the time of the purchase(s); and
- (iii) the authority conferred by this resolution will commence immediately upon passing of this resolution and will continue to be in force until;
 - (a) the conclusion of the next Annual General Meeting ("AGM") of the Company;
 - (b) the expiration of the period within 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 but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965;
 - (c) revoked or varied by a resolution passed by the shareholders in general meeting.

whichever is earlier.

- (iv) Upon the completion of the purchase(s) of the Purchased Shares, the Directors of the Company be and are hereby authorised to deal with the Purchased Shares in the following manner:-
 - (a) to cancel the Purchased Shares so purchased; or
 - (b) to retain the Purchased Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities; or
 - (c) to retain part of the Purchased Shares so purchased as treasury shares and cancel the remainder; or
 - (d) to deal in such other manner as Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary to implement, finalise and give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with fullest power to do all such acts and things thereafter as the Directors may deem fit and expedient in the best interest of the Company." **(Ordinary Resolution 13)**

Notice of Annual General Meeting

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the final dividend of 12 sen gross per share less 25% tax for the financial year ended 31 December 2012, if approved at the above Annual General Meeting, will be paid on 21 June 2013 to Depositors whose names appear in the Record of Depositors on 7 June 2013.

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 7 June 2013 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

30 April 2013

NOTES:

1. Only depositors whose names appear in the Record of Depositors as at 15 May 2013 be regarded as members and entitled to attend, speak and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or in the case of a corporation, a duly authorised representative) to vote in his stead. If the proxy is not a member, he shall be any person and there shall be no restriction as to the qualification of the proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint a proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy 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 meeting or at any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. Proposed Retention of Independent Director

In line with the Malaysian Code on Corporate Governance 2012, the Nomination & Remuneration Committee has assessed the independence of YBhg Mr Kevin How Kow, who has served for a cumulative term of more than nine years and the Board has recommended that the approval of the shareholders be sought to re-appoint Mr Kevin How Kow as an Independent Non-Executive Director to fulfil the requirements of Paragraph 15.10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The full details of the justification and recommendations for retention are set out in the Statement of Corporate Governance in the Annual Report 2012 on pages 40 to 41.

2. Authority to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965

The proposed Ordinary Resolution 11, if passed, would authorise the Directors to issue and allot shares up to an aggregate amount not exceeding 10% of the issued and paid-up capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. The purpose for the renewal of a general mandate is to avoid any delay and costs in convening a general meeting to specifically approve such an issue of shares for any possible fund raising activities, including but not limited to placement of shares for the purpose of funding future investment projects, additional working capital and/or acquisitions.



Notice of Annual General Meeting

This authority, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next Annual General Meeting of the Company.

As at the date of this Notice, no new shares were issued pursuant to the mandate granted to the Directors at the Thirty-Seventh Annual General Meeting held on 30 May 2012 and which will lapse at the conclusion of the forthcoming Thirty-Eighth Annual General Meeting.

3. Proposed Shareholders' Mandate for RRPT

The proposed Ordinary Resolution 12, if passed, will allow the CMS 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 30 April 2013 for further information.

4. Proposed Share Buy-Back

The proposed Ordinary Resolution 13, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the issued and paid-up share capital of the Company. The mandate shall continue to be in force until the date of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of the Company in a general meeting and is subject to annual renewal. Please refer to the Circular to Shareholders dated 30 April 2013 for further information.

Statement Accompanying Notice of Annual General Meeting

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Names of Directors who are seeking re-election at the 38th Annual General Meeting pursuant to Article 110 of the Company's Articles of Association:

- a) Y Bhg Datuk Syed Ahmad Alwee Alsree
- b) Y Bhg Dato' Richard Alexander John Curtis
- c) Y Bhg Mr Kevin How Kow

Name of Director who is seeking re-election at the 38th Annual General Meeting pursuant to Articles 112 of the Company's Articles of Association:

- a) Y Bhg Datu Hubert Thian Chong Hui

Name of Director who is seeking re-appointment at the 38th Annual General Meeting pursuant to Section 129(6) of the Companies Act, 1965:

- a) Y Bhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie

Name of Director who is seeking approval to continue to act as Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012:

- a) Y Bhg Mr Kevin How Kow

The profiles of the directors are set out on pages 28 to 33 of the Annual Report 2012. Their shareholdings in the Company are set out on page 177.



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Form of Proxy



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

Number 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 ("the Company") 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-Eighth Annual General Meeting of the Company to be held at Colosseum 1, Pullman Hotel, 1A, Jalan Mathies, 93100 Kuching, Sarawak on Wednesday, 22 May 2013 at 11:00 a.m. and at any adjournment thereof and to vote as indicated below:

No.	Resolutions	For	Against
1.	Receive the Audited Financial Statements and Reports of the Directors and Auditors thereon		
2.	Approval of Final Dividend		
3.	Re-election of Y Bhg Datuk Syed Ahmad Alwee Alsree as Director		
4.	Re-election of Y Bhg Dato' Richard Alexander John Curtis as Director		
5.	Re-election of Y Bhg Mr Kevin How Kow as Director		
6.	Re-election of Y Bhg Datu Hubert Thian Chong Hui as Director		
7.	Re-appointment of Y Bhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie as Director		
8.	Approval of Directors' fees		
9.	Re-appointment of Auditors		
10.	Proposed Retention of Y Bhg Mr Kevin How Kow as Independent Director		
11.	Authority to Directors to allot and issue shares		
12.	Proposed Shareholders' Mandate for RRPT		
13.	Proposed Share Buy-Back		

Date: _____ 2013

Signature: _____

Notes

- Only depositors whose names appear in the Record of Depositors as at 15 May 2013 be regarded as members and entitled to attend, speak and vote at the meeting.
- A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or in the case of a corporation, a duly authorised representative) to vote in his stead. If the proxy is not a member, he shall be any person and there shall be no restriction as to the qualification of the proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint a proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy 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 meeting or at any adjournment thereof.

Folding line



The Company Secretary
Cahaya Mata Sarawak Berhad (21076-T)
Level 6 Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Sarawak
Malaysia

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