



CAHYA MATA SARAWAK



one

forward vision  
ANNUAL REPORT 2013

## 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 Berhad (CMS), as one of the largest private sector corporations in Sarawak, has played a significant role in developing Sarawak. Tracing its humble origins back to cement manufacturing, CMS has successfully diversified into the 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 their infrastructure and related needs.

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

## THE COVER STORY

### ONE FORWARD VISION

At Cahya Mata Sarawak, our vision, ingenuity, and hard work have made us a major private-sector player in Sarawak, the largest state in Malaysia. Over the past four decades, we have earned a reputation for superior performance by meeting and exceeding the expectations of customers in Sarawak. And now our talented people, world-class capabilities, focused strategy and increasingly diversified business portfolio are transforming us into a company that is much more than simply successful and respected. With **ONE FORWARD VISION** we are determined to help create value for our customers and prosperity for all.

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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 Datu Michael Ting Kuok Ngie @ Ting Kok Ngie

Y Bhg Datu Hubert Thian Chong Hui

Mr Kevin How Kow

**GROUP COMPANY SECRETARY**

Denise Koo Swee Pheng

**REGISTERED OFFICE**

Level 6, Wisma Mahmud

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**WEBSITE**

[www.cmsb.com.my](http://www.cmsb.com.my)

**REGISTRAR**

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Level 6, Symphony House

Pusat Dagangan Dana 1

Jalan PJU, 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

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**AUDITORS**

Ernst & Young

**PRINCIPAL BANKERS**

Bank Kerjasama Rakyat Malaysia Berhad

CIMB Bank Berhad

Hong Leong Bank Berhad

Kenanga Investment Bank Berhad

OCBC Bank (Malaysia) Berhad

Public Bank Berhad

RHB Bank Berhad

United Overseas Bank (Malaysia) Berhad

**STOCK EXCHANGE LISTING**

Main Market, Bursa Malaysia Securities Berhad

Sector : Industrial Products

Stock Code : CMSB

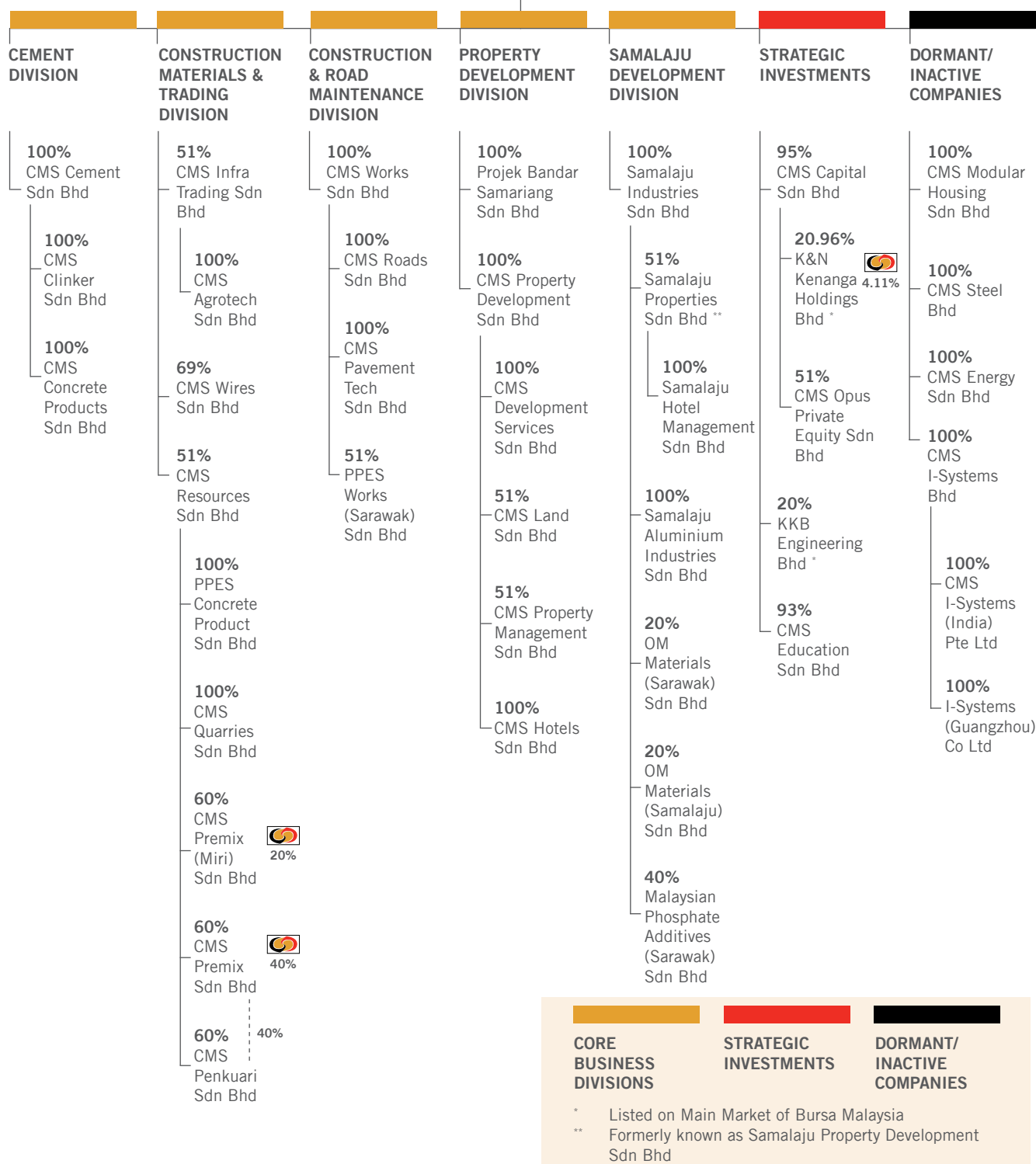
Stock Number : 2852

# CORPORATE STRUCTURE

As at 22 April 2014



CAHYA MATA SARAWAK



# CORPORATE MILESTONES



Mydin Signing

## STRENGTHENING OUR GROUP FOR SUSTAINABLE GROWTH

### 14 JANUARY

- A Lease Agreement was signed between Mydin Mohamed Holdings Bhd and Projek Bandar Samariang Sdn Bhd for the development of a Mydin store to be located in Bandar Samariang, Kuching.
- A Heads of Agreement was signed between Mydin Mohamed Holdings and CMS Land Sdn Bhd for the development of a new Mydin Hypermarket to be located at The Isthmus, Kuching.

### 04 FEBRUARY

OM Materials (Sarawak) Sdn Bhd, the joint-venture company in which CMS has a 20% equity interest through its wholly owned subsidiary, Samalaju Industries Sdn Bhd appointed Sinohydro Corporation (M) Sdn Bhd as its lump-sum turnkey engineering, procurement and construction (EPC) contractor and Sinosteel Jilin Electro-Mechanical Equipment Co. Ltd as a nominated sub-contractor for the construction and commissioning of OM Sarawak's ferrosilicon and manganese alloys smelting project in Samalaju Industrial Park, Bintulu.

### 21 FEBRUARY

CMS Opus Private Equity Sdn Bhd (COPE) received an award for Funds Raised in 2012 from Malaysian Venture Capital and Private Equity Association, Kuala Lumpur. COPE successfully raised over RM100 million in 2012 from institutional and corporate investors for its fund, COPE Opportunities 1 and COPE Opportunities 2.

### 20 AUGUST

The RM35 million Golden Bridge project across the Sarawak river was launched by the Chief Minister of Sarawak, YAB Pehin Sri Abdul Taib Mahmud. A consortium of companies including PPES Works (Sarawak) Sdn Bhd is the project contractor.



CMS Opus receives award

## CORPORATE MILESTONES



Borneo Samariang Resort City Launch

**29 AUGUST**

A ground-breaking ceremony of The Gateway Towers project consisting of two new headquarter buildings of the Sarawak Economic Development Corporation and Land Custody & Development Authority was held. Poised to be iconic additions to Kuching's new 274-acre Central Business District extension at The Isthmus, Kuching, the estimated project cost of each building including land cost is RM76 million.

**13 NOVEMBER**

- CMS, in collaboration with Sentoria Borneo Land Sdn Bhd (a subsidiary company of Sentoria Group Bhd) officially launched the Borneo Samariang Resort City project by the Chief Minister of Sarawak, YAB Pehin Sri Abdul Taib Mahmud.

Projek Bandar Samariang Sdn Bhd and Sentoria Group Bhd had earlier on 23 August 2013, signed two agreements for the sale of 500 acres of land in Bandar Samariang to Sentoria Borneo Land Sdn Bhd for the development of the Borneo Samariang Resort City.

- Projek Bandar Samariang Sdn Bhd and Sentoria Borneo Land Sdn Bhd, also signed a Memorandum of Understanding with University Malaysia Sarawak to conduct a study on the rejuvenation and revitalisation of the Kuching Wetlands National Park near Bandar Samariang, Kuching.

Gateway Towers Launch

**05 DECEMBER**

UCSI Group breaks ground in The Isthmus for Kuching's first Green Building Index Rated Eco-Hotel.

**31 DECEMBER**

Samalaju Industries Sdn Bhd entered into a joint venture with Malaysian Phosphate Venture Sdn Bhd and Arif Enigma Sdn Bhd to set up a RM1.04

billion integrated phosphate complex in Samalaju Industries Park. This plant once completed will be the first integrated phosphate complex in Southeast and the first non-metal or alloy-based plant in the Samalaju Industrial Park.



## CORPORATE MILESTONES



The Edge Billion Ringgit Club Award

## BUSINESS HIGHLIGHTS

**27 FEBRUARY**

CMS recorded a revenue of RM1.20 billion with a pre-tax profit of RM230.79 million for the year ended 31 December 2012.

**22 MAY**

CMS recorded a revenue of RM310.36 million with a pre-tax profit of RM54.81 million for Q1 2013.

**21 JUNE**

CMS paid its final dividend amounting to RM30.28 million for the year ended 31 December 2012.

**30 JULY**

CMS was crowned one of RHB's 'Top 5 Malaysian Small Cap Companies', an award initiated by RHB Investment Bank to showcase to investors the top range of Small Cap companies on Bursa Malaysia.



RHB's Top 5 Malaysian Small Cap Companies

**30 AUGUST**

CMS posted a revenue of RM338.33 million for Q2 2013, a growth of 16% compared to the same quarter in 2012. Its pre-tax profit of RM68.81 million is 26% higher than the PBT reported in Q1 2013.

**20 SEPTEMBER**

CMS received The Edge Billion Ringgit Club award for the 'Highest Profit Growth Company 2013 - Industrial Products Sector'.

**18 OCTOBER**

CMS paid its first interim dividend amounting to RM12.69 million for the year ended 31 December 2013.

**15 NOVEMBER**

CMS won 2<sup>nd</sup> Runner-up for Sarawak Chamber of Commerce & Industry's Annual Corporate Report Award 2013 for Overall Excellence Reporting.

**28 NOVEMBER**

CMS posted a revenue of RM335.40 million for Q3 2013, a growth of 16% compared to the same quarter in 2012. Its pre-tax profit for the 9 months ended 30 September 2013 rose to RM186.15 million, a 13% increase from the corresponding period in 2012.



## CORPORATE MILESTONES

Annual General Meeting 2013



## ENGAGING WITH STAKEHOLDERS

### 5-6 MARCH

Seven sell-side analysts from various broking houses made a familiarisation trip to CMS' major business units in Kuching and Bintulu. Analysts were briefed on CMS' scope and line of businesses as well as on the development under the Sarawak Corridor of Renewable Energy (SCORE) initiative. Altogether throughout the year, CMS held 9 such site visits and presented to nearly 90 analysts and fund managers from the investment community.

### 15 MARCH

CMS hosted a 'Meet & Greet' session with 16 Sarawak-based media editors and journalists. The event was organised to improve rapport and enhance working relationships with the local media.

### 21 MARCH

CMS held an Extraordinary General Meeting to seek shareholder's approval for a proportionate corporate guarantee for the development of its joint-venture ferrosilicon and manganese alloys smelting plant in Samalaju Industrial Park, Bintulu.

### 22 MAY

CMS held its 38<sup>th</sup> Annual General Meeting for shareholders for FY 2012.

### 29 NOVEMBER-4 DECEMBER

CMS Townhall briefings were held in Kuching, followed by Sibul, Bintulu and Miri. The purpose of holding these annual Townhall briefings is to keep all employees informed on the performance of CMS for the year 2013 and to be updated on CMS' business operations and strategic plans going forward. Datuk Syed Ahmad Alwee Alsree, Group Executive Director and Dato' Richard Curtis, Group Managing Director both addressed the employees and answered questions from the floor.



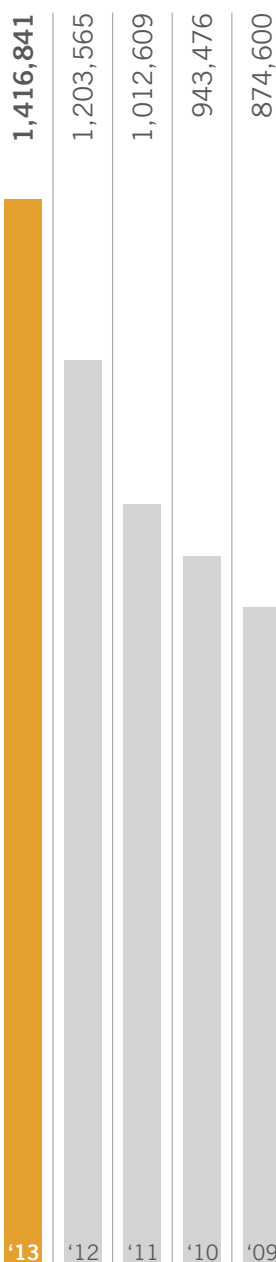
Analysts Visit

# PERFORMANCE AT A GLANCE

## REVENUE (RM'000)

**18%**

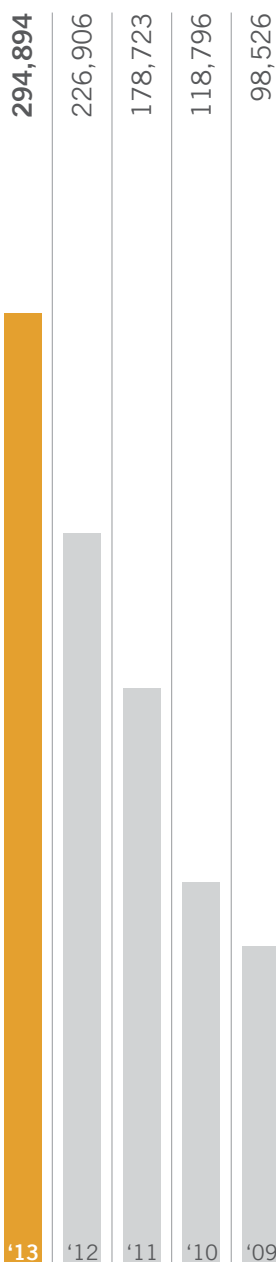
revenue increase



## PROFIT BEFORE TAXATION (RM'000)

**30%**

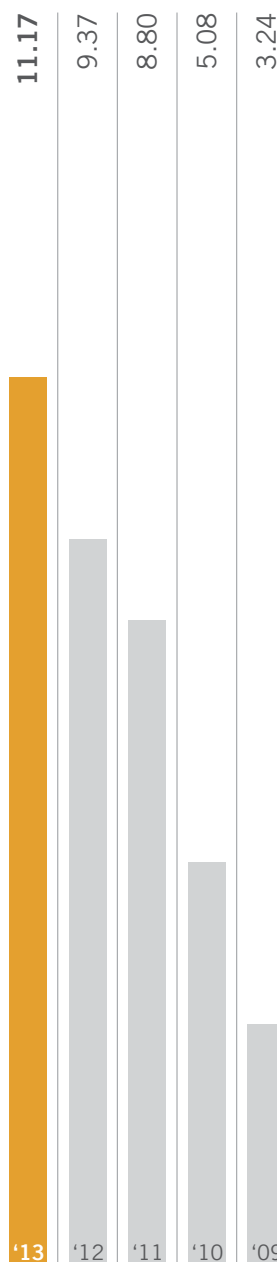
profit increase



## RETURN ON EQUITY (%)

**19%**

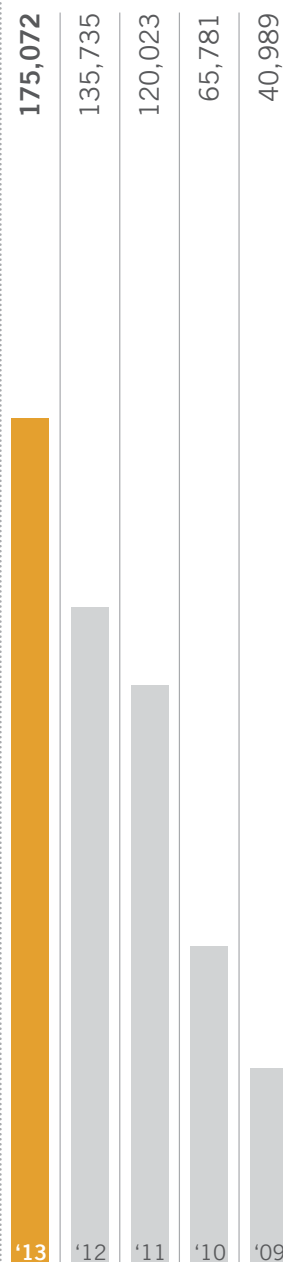
return increase



## PROFIT AFTER TAX AND NON-CONTROLLING INTERESTS (RM'000)

**29%**

profit increase




# FINANCIAL HIGHLIGHTS

	2009	2010	2011	2012	2013
Revenue (RM'000)	874,600	943,476	1,012,609	1,203,565	1,416,841
Profit before taxation (RM'000)	98,526	118,796	178,723	226,906	294,894
Profit attributable to owners of the Company (RM'000)	40,989	65,781	120,023	135,735	175,072
Weighted average number of shares ('000)	329,446	329,446	329,469	327,928	333,092
Basic earnings per share (sen)	12.44	19.97	36.43	41.39	52.56
Gross dividends per share (sen)	5	10	15	17	17
Total shareholders' funds (RM'000)	1,277,970	1,312,667	1,416,025	1,480,923	1,654,117
Total assets (RM'000)	2,289,302	2,114,823	2,100,572	2,140,240	2,423,892
Net tangible assets per share (RM)	3.65	3.79	4.10	4.37	4.70
Net assets per share (RM)	3.88	3.98	4.30	4.56	4.88
Return on average shareholders' equity (%)	3.24	5.08	8.80	9.37	11.17
Return on total assets (%)	1.79	3.11	5.71	6.34	7.22
Total borrowings (RM'000)	534,236	394,586	215,747	89,825	100,102
Gearings (times)	0.42	0.30	0.15	0.06	0.06
Current assets (RM'000)	1,515,346	1,338,175	1,182,117	1,141,742	1,349,054
Current liabilities (RM'000)	528,523	449,919	390,025	371,725	451,313
Current ratio (times)	2.87	2.97	3.03	3.07	2.99

## SHARE PRICE PERFORMANCE (RM)

	2009	2010	2011	2012	2013
Low	1.06	1.45	1.70	2.06	2.99
High	1.84	3.14	2.90	3.50	6.99
Closing	1.48	2.66	2.09	3.33	6.89

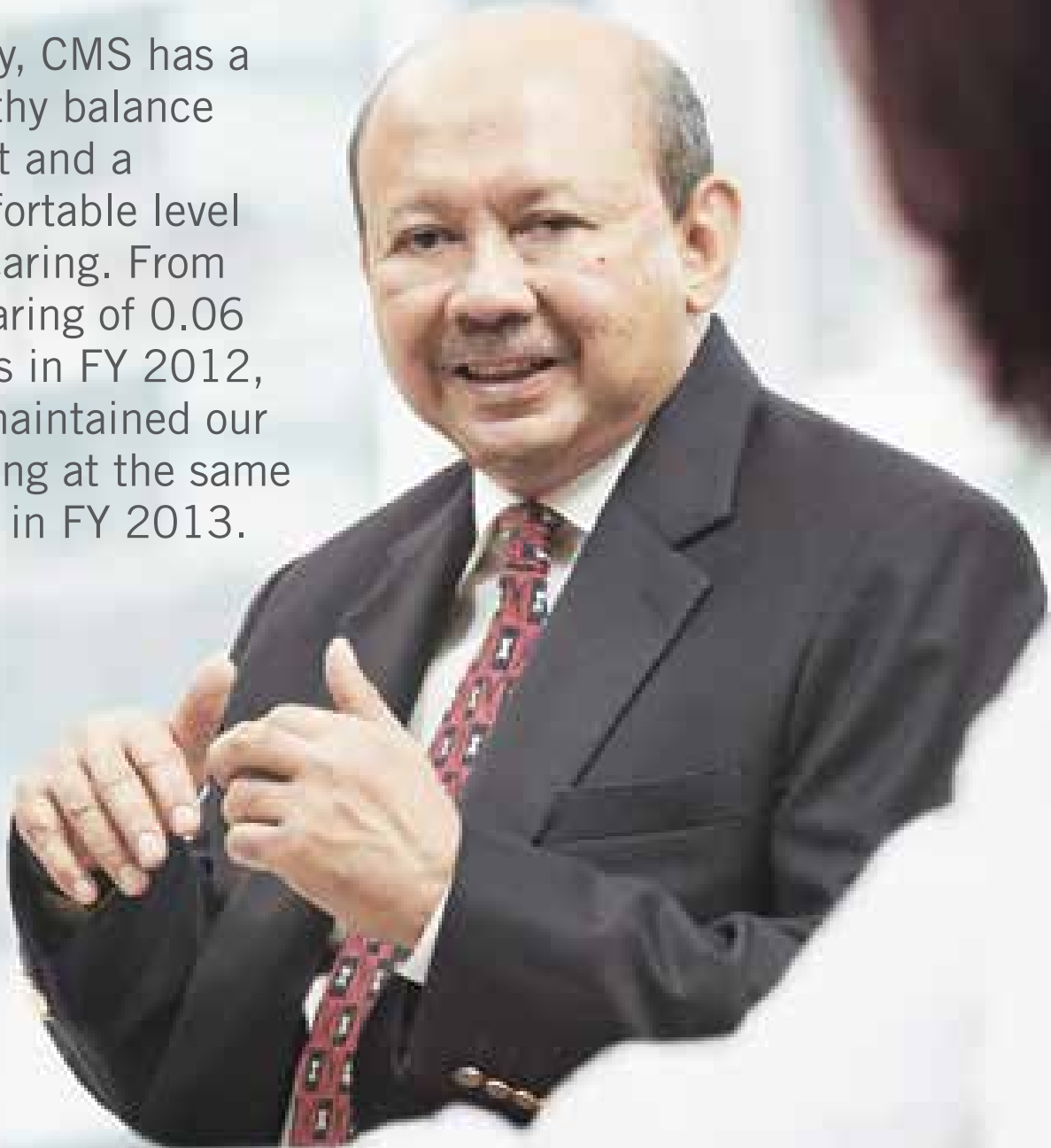


**OUR PEOPLE'S  
HARD WORK TODAY  
WILL ENSURE  
YOUR SUCCESS  
TOMORROW**



# CHAIRMAN'S STATEMENT

Today, CMS has a healthy balance sheet and a comfortable level of gearing. From a gearing of 0.06 times in FY 2012, we maintained our gearing at the same level in FY 2013.



## CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2013, your company, Cahya Mata Sarawak Berhad turned in a commanding performance on all fronts, further solidifying its position as Sarawak's leading infrastructure facilitator. Our core divisions, all weathered difficult operating environments to make strong advances forward - their progress a reflection of Sarawak's own dynamic progress.

Today, we continue to grow from strength to strength and from success to success by way of our core businesses, future growth projects and key strategic investments, all of which are contributing to our sustainable growth. The positive growth momentum we have gained is set to take off even further as we leverage on the many opportunities afforded by Sarawak's accelerating economic growth. This comes, firstly, by way of our involvement in the energy intensive industries under the Sarawak Corridor of Renewable Energy (SCORE) initiative, and secondly, from the host of infrastructure projects and services required across the State. As we put in place the building blocks to strengthen our sustainable and profitable portfolio of businesses, we are quickly propelling forward towards achieving our vision 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 FY 2013.

**FINANCIAL PERFORMANCE**

I am delighted to announce that CMS registered record revenue and profits growth for the year ended 31 December 2013 (FY 2013). This makes the fourth consecutive year in which CMS has bettered its performance year-on-year. Group revenue grew by 18% to RM1.42 billion in FY 2013 from RM1.20 billion previously, while profit before tax (PBT) rose by 30% to RM294.89 from RM226.91 million in the preceding year. Year-on-year, the Group registered profit after tax and non-controlling interests (PATNCI) of RM175.07 million in FY 2013, 29% higher than the previous year's PATNCI of RM135.74 million.

The 18% rise in Group revenue was mainly attributable to higher revenue from the Construction Materials & Trading Division which contributed 52% to this increase. The main contributors to the Group revenue were the Cement, Construction Materials & Trading as well as Construction & Road Maintenance Divisions. Together, these three Divisions contributed 84% (FY 2012: 86%) to Group revenue.



## CHAIRMAN'S STATEMENT

The 30% rise in Group PBT was driven by higher earnings from the Cement Division which contributed 44% to this increase in FY 2013. The main contributors to the Group's PBT were the Cement, Construction & Road Maintenance as well as Construction Materials & Trading Divisions. These three Divisions made a combined contribution of 84% (FY 2012: 83%) to the Group's PBT. A focus on optimising cost structures has helped make our core operations more cost efficient.

The Cement Division, comprising CMS Cement, CMS Clinker and CMS Concrete Products, saw its PBT soar by 46% to RM96.66 million in FY 2013 over FY 2012's PBT of RM66.37 million, mainly as a result of the turnaround of CMS Clinker's operations. The clinker operations, which suffered a loss of RM28.96 million in FY 2012 due to prolonged shutdown for upgrading, have been generally operating smoothly since March 2013 and registered a PBT of RM16.61 million for FY 2013.

The Construction Materials & Trading Division, comprising the Group's quarrying, premix, wires and trading businesses, reported higher PBT of RM55.08 million for FY 2013, exceeding FY 2012's PBT of RM40.66 million by 35%. This was primarily due to higher revenue and volume which arose from carrying out state and rural road maintenance and improvement works throughout Sarawak for the Public Works Department (also known as JKR). Furthermore, the Division's good performance was also the result of several major private projects secured and the supply and delivery of the first batch of polyurethane mild steel pipes to JKR in December 2013.

The Construction & Road Maintenance Division posted a PBT of RM95.24 million which included share of profit from joint ventures in FY 2013, representing an 18% increase over FY 2012's PBT of RM80.69 million. The higher PBT came on the back of an increase in construction works undertaken and the maintenance of longer road length.

The Property Development Division's PBT grew by 28% to RM31.27 million in FY 2013 in comparison to PBT of RM24.49 million in FY 2012, mainly due to the recognition of higher profits from the sale of land.

The Samalaju Development Division registered a marginal 6% rise in PBT (excluding our associate) to RM26.72 million in FY 2013 from RM25.31 million previously, on the back of higher revenue from a higher number of blocks of lodges built and occupied. However, the year's PBT was substantially reduced by a higher depreciation charge on the lodges.

The Strategic Investments Division (excluding our listed associates) turned in a slightly higher loss in FY 2013 as compared to FY 2012, primarily due to a higher loss reported by the education company. This was partially mitigated by higher profits recorded by our investment and private equity companies.

The Group recorded a higher share of profits from our listed associate companies, K&N Kenanga Holdings Berhad (KNKH) and KKB Engineering Berhad (KKB), as compared to the previous year. KNKH, our associate company in the stockbroking and investment banking industry, reported a pre-tax profit of RM8.79 million for FY 2013, an approximate 40% increase from FY 2012. Included in the current year's overheads are merger costs of RM27.76 million incurred in respect of the acquisition of ECM Libra Investment Bank Berhad and of ING Funds Berhad (IFB) which was mitigated by a gain on the acquisition of IFB. Our associate, KKB, which is involved in steel fabrication and the manufacture of steel pipes, posted higher profits in FY 2013 on the back of higher revenue generated from the steel fabrication and civil construction division, coupled with improved margin contribution from both the Engineering and Manufacturing sectors.

In FY 2013, associate company OM Materials (Sarawak), our 20:80 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), recorded a loss mainly as a result of exchange rate losses stemming from the appreciation of the US dollar against the ringgit. As at the end of February, the project is 57% completed and it is on track to begin phased commercial operations in Q3 2014 as scheduled.

The Board is well pleased with the strong advances made by all our core business divisions and we remain confident that these businesses will continue along a sustainable growth

## CHAIRMAN'S STATEMENT

pathway for the long-term. Shareholders can be rest assured that we will continue to build upon the solid momentum gained thus far as we work to propel CMS to new heights of success.

#### SHAREHOLDER VALUE CREATION

The Groups basic earnings per share (EPS) for FY 2013 rose to 52.56 sen from basic EPS of 41.39 sen in the preceding year. The Group's Return on Equity (ROE) rose to 11.17% for FY 2013 in comparison to a ROE of 9.37% in FY 2012. This is first time since 1996 CMS has turned in a normalised double digit ROE and the Board of Directors and Management are excited about our prospects going forward.

The Group's indicative dividend policy which has been in effect since FY 2012 calls for the distribution of a minimum of 30% of the PATNCI annually to Shareholders. This is 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, your Board is pleased to propose a final dividend of 12 sen per share tax exempt (single-tier) for FY 2013, subject to Shareholders' approval at the forthcoming 39<sup>th</sup> AGM. Together with the interim dividend of 5 sen per share (less 25% taxation) paid on 18 October 2013, this brings the total dividend pay-out for FY 2013 to 17 sen or an amount of RM53.36 million payable to Shareholders (FY 2012: 17 sen per share less 25% tax amounting to RM42.53 million paid to Shareholders).

We trust that this proposed dividend payout is in line with Shareholders' expectations. To those Shareholders who have been with us for some time now, as well as our loyal employees who are participants in our Employee Share Option Scheme (ESOS), you will know that we have definitely come a long way from some eight years ago and are today reaping the fruits of our efforts. Furthermore, at the Company's Extraordinary General Meeting in May 2014, the Board intends to seek Shareholders' approval for a proposed Subdivision of Shares and proposed Bonus Issue (which was announced earlier on 31 March 2014).

Today, CMS has a healthy balance sheet and a comfortable level of gearing. From a gearing of 0.06 times in FY 2012, we maintained our gearing at the same level in FY 2013. Our low gearing policy is a deliberate one which enables us to free up our substantial cash reserves (RM600 million as at 31 December 2013) for future investments. Having substantial cash reserves in this current economic climate bodes well for CMS as it gives us the leeway to more easily take advantage of attractive investment opportunities which may from time to time arise.

I am pleased to report that for our solid business management skills, we picked up the EDGE Billion Ringgit Club (EDGE BRC) award for the Highest Profit Growth Company 2013 – Industrial Products Sector. Every year the EDGE BRC honours the top businesses for their excellence in delivering quality results and returns.

#### RESPONSIBLE CORPORATE PRACTICES

Your Board of Directors is committed to proactively upholding and implementing strong standards of corporate governance, risk management and internal control throughout the length and breadth of our organisation. All these measures are helping ensure the sustainable growth of our businesses, strengthening investor confidence, safeguarding our corporate reputation and ensuring continued shareholder value creation.

As a result of our commitment to demonstrating the highest standards of responsible and transparent corporate reporting, our 2012 Annual Report was announced the second runner-up of the Overall Excellence Award 2013 in Corporate Reporting by the Sarawak Chamber of Commerce and Industry (SCCI). We have been a winner of the SCCI Awards on numerous occasions since 1999. In 2013, we continued to adopt the principles and recommendations set out in the Malaysian Code of Corporate Governance (MCCG) 2012. On the risk management front, we have contracted a third party to review our risk assessment and business continuity plan processes and practices and are awaiting their recommendation as to how we can bolster our practices in this key area. More details of 2013's corporate governance measures, risk management practices and internal control policies are spelt out in the relevant sections of this Annual Report.

## CHAIRMAN'S STATEMENT

Being Sarawak's leading infrastructure facilitator and a conscientious corporate citizen, CMS is genuinely committed to balancing its strong financial performance with responsible social and environmental obligations. As we set our sights on realising our vision of becoming the 'PRIDE of Sarawak and Beyond', we remain committed to embedding responsible and sustainable practices into our business operations and value chain so that we can stand as a model for responsible corporate behaviour.

A prime example of this is our commitment to the socio-economic growth of the State. From 2009 to 2013, CMS Cement increased cement prices by only 5%, despite production costs increasing by 15%. Over the same period, other construction material costs increased by 17%-70%. Our absorbing the increased production costs ourselves over a five-year span, without compromising on international standards of product quality, is indicative of CMS' vision to support Sarawak's growth and development.

On the human capital development front, we are undertaking various measures to bolster our workforce and ensure a sustainable talent pool. To date, we have begun to train a second batch of management trainees and have also implemented multi-tier succession planning to ensure the sustainability of our businesses and overcome the top talent shortage in Sarawak.

CMS is committed to undertaking a host of responsible and sustainable practices that underscore our commitment to growing in a profitable and responsible manner. Our many initiatives can be found in the Corporate Responsibility section of this Annual Report.

### OUTLOOK AND PROSPECTS

The Malaysian economy is expected to grow steadily in 2014, expanding by some 4.5%-5.5%. Domestic demand will remain the key driver of growth, albeit at a more moderate pace. The economy is also expected to be driven by higher exports and to benefit from stronger demand as key global economies recover. The implementation of tax reforms, subsidy rationalisation and other initiatives in the government's Budget 2014 is expected to bring higher revenues and contain fiscal deficit at 3.5% of the gross domestic product. Amidst this optimistic backdrop, there is a need to be vigilant and to continuously observe the larger global economy which is somewhat volatile in other parts of the world.

Sarawak's economy is projected to grow between 4.5-5.0% in 2014 on the back of strong domestic demand and increased investment in projects under SCORE and the 10th Malaysia Plan. The State continues to remain relatively insulated from external developments due to the long-term nature of its economic drivers in SCORE which have begun to take off. The implementation of SCORE continues to accelerate with twenty-five companies having invested approximately RM37 billion thus far. Based on the State Government's forecasts, SCORE is expected to attract RM334 billion worth of investments over 20 years.

As one of Sarawak's largest and most integrated infrastructure companies, CMS is set to benefit from its investments in SCORE and from the infrastructure required across the State. Our SCORE investments to date come by way of our 20% equity stake in OM Materials (Sarawak) to develop a manganese and ferroalloys smelter, as well as a more recent 40% equity stake in Malaysia Phosphate Additives (Sarawak) Sdn Bhd or MPAS, which will focus on developing Southeast Asia's first integrated phosphate complex in Samalaju.

## CHAIRMAN'S STATEMENT

CMS, with its sizable cash reserves and very low gearing, is in an ideal position to explore other avenues of opportunity within SCORE. Our healthy balance sheet, local knowledge, experienced management team and synergised portfolio of Sarawak-based businesses will enable us to maximise our participation in the Sarawak growth story. Our two new high growth ferrosilicon and manganese alloys as well as phosphate facilities will serve as catalysts to accelerate our growth while delivering long-term, sustainable profits and increased shareholder value. We also expect our role as a key infrastructure facilitator to strengthen as we ramp up the pace of development of our Kuching land banks and the Samalaju permanent township.

Going forward, CMS will continue to leverage on the synergies between our respective core competencies while pinpointing ways and means to optimise operational efficiency, lower costs and drive growth. We will continue to adopt a prudent approach towards the kind of businesses we want to be in and will carefully and regularly reassess our risk appetite to ensure we do not overstretch ourselves. While it has taken us some eight years to get where we are today, we are most assuredly on a sustainable pathway of growth. It is with great confidence that I say that CMS remains on track to be the best listed proxy investment for Sarawak's accelerating economic growth through our energy intensive industry investments and the consequential infrastructure requirements across the State. Your Board is confident that the Group will deliver a satisfactory performance in the next financial year.

#### ACKNOWLEDGEMENTS

In FY 2013, CMS firmly fortified its position as a prime mover in Sarawak's growth story. On behalf of the Board, I would like to convey my sincere appreciation to the many parties who contributed to our success.

Firstly, I wish to express my deep gratitude to you, our Shareholders, for your unwavering trust and confidence in CMS.

To the Group's over 2,000 direct employees as well as the Management teams and the Boards of all our Group's companies, I wish to convey my heartfelt appreciation for their many sacrifices, their diligence and loyalty to CMS. It is because of their collective efforts that we reached a new plateau of success and I know I can certainly count on Team CMS to move up to the next level of success.


Our sincere thanks go to the many external partners that work with or alongside us. We express our deep appreciation to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and all others rallying behind us for their continuous support and cooperation.

I wish to take this opportunity to express our heartfelt appreciation to our former Board member, Y Bhg Datuk Wan Ali Tuanku Yubi who resigned on 28 February 2014 as a Non-Independent Non-Executive Director of CMS. We thank Datuk Wan Ali Tuanku Yubi for his many valuable contributions during his long tenure with us and wish him every success in his future endeavours.

We ask that all our stakeholders continue to lend us their valuable support as we work to take the Group to new heights of success and truly establish CMS as the 'PRIDE of Sarawak and Beyond'.

Thank you.


Yours sincerely,



**YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL**

Group Chairman

22 April 2014



**OUR PEOPLE'S  
DILIGENCE TODAY  
BRINGS YOU  
CLOSER TO YOUR  
DREAMS OF  
TOMORROW**





# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013



CMS Portland Cement



## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

Dear Shareholders,

I am delighted to report that CMS' core business divisions progressed strongly in FY 2013 to post significant improvements on both the financial and operational fronts. The performance of the Group's core businesses is all the more encouraging given the challenges that each faced over the course of the year. To date, CMS has delivered four consecutive years of record revenue and profit growth which attests to the sustainability and robustness of our business model and the hard work and dedication of our Board and our staff.



CMS Clinker Plant, Mambong

The Group's 18% rise in revenue to an all-time high of RM1.42 billion (FY 2012: RM1.20 billion) was primarily attributable to higher revenue from the Construction Materials & Trading Division which contributed 52% towards this increase. The main contributors to Group revenue were the Cement Division (contributing 36% of Group revenue), followed by the Construction Materials & Trading Division (28% of Group revenue), Construction & Road Maintenance Division (20% of Group revenue), Samalaju Development Division (8% of Group revenue) and Property Development Division (5% of Group revenue).

The Group's 30% growth in profit before tax (PBT) to a record RM294.89 million (FY 2012: RM226.91 million) came primarily on the back of higher earnings from the Cement Division which contributed 45% to this increase. The main contributors to the Group's PBT were the Cement Division (contributing 33% of PBT), followed by contributions from the Construction & Road Maintenance Division (32% of PBT), Construction Materials & Trading Division (contributing 19% of PBT), Property Development Division (11% of PBT) and Samalaju Development Division (9% of PBT).

## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

CEMENT  
DIVISION  
REVENUE  
**RM514**  
million  
FY 2013 

**CMS' Cement Division, encompassing our cement, clinker and concrete product operations, continues to be our largest revenue driver and PBT contributor. Being the sole cement and clinker manufacturer in Sarawak, the Division's growth continues to be spurred by increased infrastructure and construction activities in the State.**

In FY 2013, the Cement Division registered a PBT of RM96.66 million, a 46% improvement over PBT of RM66.37 million previously. This strong improvement came on the back of continued growth in cement demand in the State and the completion of the clinker upgrading project which led to lower cement production costs. However, revenues declined by 2% to RM514.64 in comparison to RM522.87 in FY 2012 mainly as a result of a decline in ready-mix concrete sales volumes following the completion of a major supply contract.

**CEMENT OPERATIONS**

The Division's cement operations are managed by CMS Cement Sdn Bhd. To date, CMS Cement operates plants in Kuching and Bintulu and produces Portland Cement and Cemplast Masonry Cement.

With an annual combined rated production capacity of 1.75 million MT per annum, our cement operations continue to leverage on healthy market demand to fuel their growth. For the period 2011 to 2013, the combined average utilisation rate of the Kuching and Bintulu plants was 85%. In tandem with growing local demand, our cement plants are expected to run up to 95% of their rated capacity while any shortfall will be met by cement imported by CMS Cement.



CMS Cement Plant, Kuching

To meet the anticipated continued increases in demand, CMS Cement is set to construct a 1.0 million MT per annum grinding plant adjacent to our Mambong clinker plant. Construction of the new RM200 million plant is scheduled to launch in the first half of 2014 (1H 2014) while cement production is set to commence by 1H 2016. With a third plant in its stable, CMS Cement's total production capacity will increase by almost 60%. This will enable us to meet growing cement demand in Sarawak, to have significant reserve production capacity in the event of a prolonged shutdown of one of the three plants for whatever reason, as well as potentially to extend our supply into nearby countries.

To date, the Group has invested over RM60 million to upgrade and improve our cement operations. This investment encompasses bulk terminals with packing facilities in Sibu and Miri, bulk cement loading and unloading facilities at the Kuching plant, and upgrades to our secondary jetty at Kuching.

## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013



CMS Clinker Plant, Mambong

Our investments in bulk terminals in Sibul and Miri in particular are noteworthy, as these terminals, which boast flat-design storage facilities, are among the first in Asia to utilise the innovative aeration panel, fluidised transfer and pneumatic conveying technologies from Europe. This innovation enables us to transport bulk cement from Kuching to the terminals, using purpose-built 7,000-MT barges equipped with fully enclosed pneumatic self-loading and unloading systems. As a result, all of Sarawak's main centres of economic activity namely, Kuching, Sibul, Bintulu, Miri and their hinterlands have the assurance of a consistent and sufficient supply of bag and bulk cement to meet their needs. The aeration panels and fluidised transfer technology on the barges ensure the quality and freshness of our cement is preserved throughout the journey.

In 2014, CMS Cement will make additional investments amounting to some RM20 million to further improve its production and distribution capabilities. This will include the construction of an additional 4,000-MT cement silo in Kuching to increase storage capacity; upgrading works on the main jetty in Kuching to improve our ability to handle the export of bulk cement and the import of raw materials or bulk cement more efficiently; plus an additional bag cement packer in Bintulu to improve our capacity for bag cement.

#### CLINKER OPERATIONS

CMS Cement also owns CMS Clinker Sdn Bhd, Sarawak's sole clinker manufacturer that has adjoining raw material reserves to last for at least the next 50 plus years. Today, CMS Clinker operates a plant in Mambong on the outskirts of Kuching which has a production capacity of 0.9 million MT per annum. Currently, this plant is able to meet up to 85% of the clinker demand from CMS Cement's plant in Kuching.

In the clinker industry, there are three main factors that 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, approximately 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. The plant has also been modified to run on cheaper locally mined coal of lower calorific value. Following this upgrading exercise in 2012, the plant's performance is progressively improving in terms of reliability, output, lowered power consumption and fuel costs, thereby reducing overall clinker production costs.

## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

### CMS CONCRETE PRODUCTS

CMS Concrete Products Sdn Bhd has built a reputation for itself as a leading manufacturer of pre-formed concrete products. The Company's range of offerings includes reinforced concrete square piles, bridge beams, culverts, ready-mixed concrete and Industrialised Building System (IBS) components. All these are produced at its 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 an 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. This latter plant has 60,000 m<sup>2</sup> capacity for precast wall panels per annum and is currently running at 60% of its capacity. We are currently exploring a host of measures to improve the operational efficiency and sales of both these facilities.

CMS Concrete Products first began producing pre-fabricated IBS components in 2011. This was in response to the Government's call for the construction industry to leverage on innovation to reduce Malaysia's reliance on foreign labour as well as 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 exploring the development of new IBS and concrete products and is also looking to establish a manufacturing plant in the Bintulu area to meet growing demand for its products.



CMS Concrete Products Plant, Kuching

## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

CONSTRUCTION  
MATERIALS &  
TRADING DIVISION  
REVENUE  
**RM393**  
million  
FY 2013 

The Group's Construction Materials & Trading Division, which is involved in quarrying, premix, wire manufacturing and trading operations, is one of the Group's core revenue and earnings drivers. It turned in 28% of Group revenue and 19% of our earnings in FY 2013.

The year saw the Division registering revenue of RM393.40 million while its PBT increased by 35% to RM55.08 million from RM40.66 million previously. Both our quarry and premix companies reaped record high revenues from increasing the Division's contracting services involving improvement and maintenance works on state and rural roads for the Public Works Department (also known as Jabatan Kerja Raya or JKR). Revenue also came by way of supply contracts secured from federal road maintenance concessionaires, access roads to the Baram Dam under the Sarawak Corridor of Renewable Energy (SCORE) initiative and Samalaju Industrial Park.



Sibanyis Quarry

#### QUARRYING OPERATIONS

Our quarrying operations come under the ambit of CMS Quarries Sdn Bhd and CMS Penkuari Sdn Bhd which are in the business of producing granite, microtonalite and limestone aggregates. Our five operating quarries in Stabar, Penkuari, Akud, Sebuyau and Sibanyis hold quarrying licenses for up to 20 years and have a combined annual rated capacity of 3.15 million MT per annum. Together, these five quarries command approximately 30% of the market share for stone aggregates sold in Sarawak.

Our newest quarry at Gunung Sibanyis outside Kuching, which commenced full commercial operations in July 2011, has stone reserves which are expected to last more than 100 years based on the existing quarry plant annual capacity of 900,000 MT. There are plans to upgrade this quarry to increase its production output by 43% in 2014. This will enable CMS Quarries to continue providing a steady supply of good quality stone aggregates at competitive prices to meet growing market demand throughout Sarawak.

The planned riverine jetty in Samarahan, which will greatly facilitate upstate deliveries by barge, is not yet operational pending final approvals which are underway. Plans to establish quarries in the north of Sarawak are still pending suitable stone reserves being identified.



## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013



CMS Premix Plant, Kuching



CMS Wires, Kuching - wire mesh

### PREMIX OPERATIONS

CMS Premix Sdn Bhd and CMS Premix (Miri) Sdn Bhd together enjoy approximately 65% of the market share of Sarawak's high quality asphaltic concrete (premix) and bitumen emulsion market. These materials are utilised in the construction of roads, flyovers and airport runways in Sarawak. Our premix operations are undertaken by six plants in Kuching, Sarikei, Sibul, Miri, Bintulu and Limbang which manufacture, deliver and lay premix, as well as a 15-MT per hour Bitumen emulsion plant in Kuching which manufactures bitumen emulsion and cutback bitumen products. Two of the Group's premix plants have a rated capacity 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 2013, we purchased a new 100 MT per hour fully mobile premix plant which is strategically situated at Sri Aman. This new mobile plant essentially places our operations right at the doorsteps of our customers in the region, whereas before we could only deliver into the area via our Kuching plant approximately 180 km away. Plans are in hand to acquire a further similar mobile plant to meet large localised demand surges.

### WIRES OPERATIONS

CMS Wires Sdn Bhd, which manufactures steel drawn wires and wire mesh for the local construction industry, holds a market share of approximately 15%. Previously, the Company's sole 5,500 MT per annum plant produced approximately 4,800 MT of steel wires and mesh per annum. Following the purchase of a second hand welding machine in September 2013, CMS Wires expects to increase its wire mesh output by 30%. The Company is refurbishing an unused cement store in Bintulu to serve as the Company's warehouse for its finished products for the Bintulu market.

### TRADING OPERATIONS

The Group's trading arm, CMS Infra Trading Sdn Bhd, trades, either as an agent or distributor, in a range of water management products (including pipes and fittings, water treatment chemicals and systems), construction materials and systems, road management products, building protection systems, petroleum products and other related products. With the State's growing water infrastructure needs this has led to strong sales of mild steel water pipes. Its subsidiary, CMS Agrotech Sdn Bhd, produces high-grade organic compost at its Kuching plant. In FY 2012, CMS Agrotech commenced retail sales of halal-certified organic compost and is collaborating with researchers to develop a range of organic plant specific fertilisers.

## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

CONSTRUCTION  
& ROAD  
MAINTENANCE  
DIVISIONREVENUE  
**RM289**  
million  
FY 2013 

**Our Construction & Road Maintenance Division undertakes a wide range of infrastructure construction projects and road maintenance activities across the State. The projects are implemented primarily through its subsidiaries PPES Works (Sarawak) Sdn Bhd, CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd. Existing projects include roads maintenance, water infrastructure, buildings and pavement rehabilitation works which are supported by stable recurring revenues from the two road concessions which are maintaining a total of approximately 6,000 km of State and Federal roads in Sarawak.**

In FY 2013, the Division registered revenue of RM289.26 million while its PBT grew by 18% to RM95.24 million. This came on the back of increased revenue of approximately RM131 million from construction works, roads, water infrastructure and building works projects, and was supported by higher, recurring revenue of approximately RM158 million from the two road maintenance concessions.

Over the course of 2013, the Division improved its technical capabilities by acquiring new machinery and equipment for in-house projects use and by increasing staff training to improve its operational efficiency and productivity. The Division continues to place an emphasis on the quality of work it undertakes so as to align with the Group's mission of 'Producing Quality, On Spec & On Time'. This also is going a long way in helping customers readily view the Division as a trusted contractor within the State.



CMS Roads' maintenance crew



## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

PROPERTY  
DEVELOPMENT  
DIVISION

## REVENUE

**RM75**million  
FY 2013 

**CMS' Property Development Division owns two large land banks in and around Kuching. One is a 3,911-acre land bank in Petra Jaya owned by Projek Bandar Samariang Sdn Bhd that is being developed into a riverine township called Bandar Samariang; and the other is a 246-acre land bank in Muara Tebas owned by CMS Land Sdn Bhd that is being developed into Kuching's new central business district, The Isthmus.**

The Division recorded revenue of RM74.98 million in FY 2013 while its PBT grew to RM31.27 million in FY 2013 from RM24.49 previously on the back of the recognition of profits from the sale of a land parcel in December 2013. This business has strong potential for long-term, sustainable growth in view of the vast undervalued development land bank whose development potential is now being unlocked. Profits continue to be underpinned by strategic land sales which are structured in order to catalyse the development of the Division's own adjoining land parcels and to take advantage of Sarawak's accelerating urbanisation and economic growth.



Bandar Samariang shophouses

**BANDAR SAMARIANG**

Bandar Samariang, located 7 km from the Kuching city centre and within easy reach of the beaches of Damai and Santubong, is today home to some 25,000 residents. This integrated township encompasses a variety of residential homes, a commercial centre and schools as well as the scenic Santubong Mountain as its backdrop. It has an estimated gross development value (GDV) of RM474 million (for developments between 2013 and 2018).

As a consequence of improved road access, an increase in critical mass, visible affordability and CMS' improved build quality, interest in the township and sales continue to trend upwards. The Federal Administrative Centre road, linking Bandar Samariang directly to the 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. Another parcel of land has been sold to Sentoria Group Berhad for the development of a water theme park and a resort city (Borneo Samariang Resort City) which will further catalyse the area's development. Meanwhile, plans are in the offing for a Mydin Hypermarket at Samariang to begin construction in 2014. This is in addition to CMS' own plans for the development of other parcels of land which will include schools, shop and industrial lots as well as public amenities and housing.

## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013



The Isthmus, Kuching

**THE ISTHMUS**

Progress on the 246-acre Isthmus development, which will serve as Kuching's new central business district, continues to gather momentum. To date, some 49 acres have been developed incorporating projects and infrastructure that are beginning to integrate a new business vibrancy and contemporary lifestyle with the city's natural beauty and charm. Of the remaining land available, 98 acres have been earmarked for development. This will include a niche waterfront residential enclave, hotel, tertiary educational centre, petrol stations, commercial shops, commercial showrooms, and two signature Green Building Index (GBI) certified office buildings.

Over the course of 2013, the river pontoon wharf, a service road and related infrastructure at the Isthmus were brought to completion. Construction of one of the petrol stations is also at an advanced stage. Among the near-term developments that are due to commence are the hotel and the first phase of commercial shops comprising 54 units of three-storey strata titled units, as well as commercial showrooms.

September 2013 saw the signing of the sales and purchase agreement for land for the two signature office buildings while negotiations are underway for the construction contracts for these two buildings. All these are helping strengthen the Isthmus' standing as a strategic up-and-coming CBD of Kuching.

**OTHER DEVELOPMENTS**

The Property Development Division also possesses several other land parcels that represent significant future development opportunities to be unlocked, some immediately and others once development in and around Kuching ramps up.

Lot 9244, one of the planned niche residential developments nestled amidst 19 acres of prime land in the Stutong area of Kuching, is envisioned to be a landmark development. The planned development will comprise semi-detached houses and two 14-storey condominium blocks with built-up areas ranging from 750 sq. ft. to 3,800 sq. ft. A high-level double volume sky deck in the condo blocks will be dedicated to providing a recreational experience that blends harmoniously with unobstructed views of the city skyline and beyond. On current estimates, the development has a GDV of approximately RM260 million.

Another high-end residential development that the Division is undertaking is Petra Jaya, North Kuching's Lane Park Residences which consist of 16 units of luxury semi-detached houses spanning four acres of land. The development will include private communal gardens and a jogging track exclusive to the home owners.

Our other parcels of land will be retained until the appropriate development opportunities arise although concept plans are already being worked on.

## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

SAMALAJU  
DEVELOPMENT  
DIVISION  
REVENUE  
**RM113**  
MILLION ㊦  
FY 2013

The Samalaju Industrial Park (SIP) forms one of the five growth nodes that fall under the ambit of the SCORE initiative. It focuses on heavy and energy intensive industries that are keen to leverage the competitive edge afforded by Sarawak's attractive long-term renewable energy costs and its strategic proximity to fast growing East Asian markets. SIP offers the Group the opportunity to be a major local participant in SCORE and is expected to propel the Samalaju Development Division forward as a major engine of growth for CMS.



Samalaju Lodge

The Group has been actively participating in Samalaju by virtue of our involvement in three core areas, firstly our ventures into energy-intensive industries at SIP, secondly the provision of temporary workers' accommodation in our Lodges and thirdly our property development activities within the same. In the first core area, our venture involves a 20% equity stake in OM Materials (Sarawak) Sdn Bhd (OM Materials Sarawak) for the development of a 873,000 MT per annum ferrosilicon and manganese alloys smelter, while another venture revolves around our 40% stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS) which is developing a 500,000 MT per annum phosphate additives plant. These two investments are expected to materially contribute to the Group's future growth and its sustainable profits.

In the second core area on the accommodation and housing front, the Division has been tasked with addressing the accommodation needs of industries locating to the SIP. To this end, we have developed the Samalaju Lodges to provide accommodation for workers, supervisors and managers of industries at Samalaju both during construction and when operational. The third core area involves the development of the new 2,000-acre Samalaju Eco-Park Township and adjoining services, hotel and light industrial areas to create an attractive Township to enhance SIP's appeal to investors, potential employees and support industries.

In FY 2013, the Samalaju Development Division reported a commendable hike in revenue to RM112.98 million from RM72.25 million in FY 2012 on the back of a higher number of workers being accommodated in FY 2013. The Division's PBT (excluding our associate), however, rose only marginally to RM26.72 million from RM25.31 million previously. This was due to higher depreciation charges against its buildings, plant and machinery in view of the expiry of the original temporary construction workers' accommodation contracts at the lodges.

## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

### SAMALAJU LODGES

In 2013, the Samalaju Development Division expanded the capacity of the accommodation facilities at the Workers, Supervisors and Executives Lodges to 9,230 beds. Over the last three years, the Samalaju Lodges were mainly occupied and used exclusively by one tenant and given the impending expiry of this contract, the Division is actively exploring accommodation opportunities with prospective new tenants which are expected to begin arriving in the second half of 2014.

Where in the past, the total bed space capacity touched 9,000 beds or more, future capacity is expected to be much lower as the prospective tenants are proposing different and less dense room configurations.

### SAMALAJU ECO-PARK

Covering a total area of 2,000 acres, the Samalaju Eco-Park Township will incorporate the natural semi-undulating terrain of the area, with the Township being planned to preserve as much of the land's natural landforms and gentle water bodies. Planned and developed with the future

in mind, Samalaju Eco-Park was born out of the vision to provide a balanced, healthy and sustainable lifestyle to the thousands working in Samalaju Industrial Park. Green and blue spaces in the form of parks, water bodies and canals, community gardens and a golf course dot the Township to provide spaces for the community.

Having obtained approvals from the Sarawak State Government for both the master land use zoning plan and blocking plan of the Eco-Park, the Division has started planning for the development of the first phase comprising 500 units of residential housing with a mix of landed property and apartment blocks to be ready by the end of 2015. The commercial centre of the Township, which will comprise a mix of shop-houses, mix-use complexes, markets and a shopping centre, will be centred on a canal system, with shops being afforded frontages of the canal and river walk. It will provide a conducive environment for a variety of commercial and entertainment outlets and activities and will encompass alfresco dining, street cafes and markets as well as entertainment outlets.



Samalaju Lodge

## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013



Samalaju Workers' Lodge

**SAMALAJU CENTRAL**

Located in the heart of the Samalaju Industrial Park and surrounded by OM Sarawak, Pertama Ferroalloys, Press Metal and Tokuyama is the 86-acre Samalaju Central. With the aim of providing retail, commercial and industrial units to both small and medium enterprises, Samalaju Central is designed to be both a green lung, and a commercial hub comprising commercial shop lots, semi-detached light industrial buildings and vacant industrial lots. Plans for the first phase of development include 129 units of commercial shop lots, a food emporium, and a transportation hub and are pending approval from the State Planning Authority. Construction on this first phase is expected to commence soon after approval and is to be ready by the end of 2015.

**TANJUNG SAMALAJU RESORT HOTEL**

The Tanjung Samalaju Resort Hotel development is perched on a 26.16 acre site along the cliffs of the Samalaju Peninsula, offering stunning views of both the South China Sea and the Similajau National Park. Designed to be an oasis amidst the hustle and bustle of the industrial park, the hotel will encompass 150 rooms and suites, 9 chalets (3 units each) as well as a host of modern facilities. The 177-room 4-star hotel will be equipped with all the necessary amenities, including a swimming pool, a gym and games room, meeting and function rooms, a coffee house and lounge and a business centre. The hotel will be ready in Q4 2014 and when ready, will provide quality accommodation to both short and medium term stay visitors to the industrial park.

**SAMALAJU LIGHT INDUSTRIAL PARK**

Spread across 198 acres adjacent to the Township and comprising semi-detached industrial units, the Samalaju Light Industrial Park is designed to cater to both small and medium-sized companies and other supporting industries looking to gain a foothold in the area. It will help create the critical mass of industries necessary for a vibrant industrial park. The launch of the semi-detached industrial lots at the park is slated for the end of 2015.

**FERROSILICON AND MANGANESE ALLOYS SMELTING PROJECT**

The Group has a 20% equity stake in OM Materials Sarawak for the development of a ferrosilicon and manganese alloys smelter in the SIP, while the remainder 80% is owned by OM Holdings Ltd, an Australian-listed vertically integrated miner, smelter and trader of manganese and other ores and alloys. The smelter project entails the development of a 873,000 MT capacity smelter in two phases at an approximate total project cost of USD592 million and is expected to commence commercial production in phases from Q3 2014.



Casting of molten manganese alloy

In FY 2013, OM Materials Sarawak recorded a loss mainly as a result of the exchange rate losses stemming from the appreciation of the US dollar against the ringgit.



## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

We envisage that market demand for both ferrosilicon and manganese alloys from the smelter will be driven by long-term growth prospects for steel production in the East Asian region. The smelter is also expected to reap the benefits of both competitive energy costs and its strategic proximity to growing East Asian markets which will translate into a competitive first quartile position in the industry's operating and delivery cost curve. These reasons, together with the change in industry dynamics, largely driven by rising power prices and labour costs, growing East Asian demand for non-China sourced ferrosilicon alloys, higher environmental standards affecting older plants, and the Chinese Government's disincentives to export energy intensive products, bode well for the smelter's future growth.

To date, the last mile connection from the Samalaju substation to the smelting plant has been completed. The substation is currently at the test commissioning stage and it will be ready to draw power from the Sarawak power grid well before the start of its commercial operations scheduled for Q3 2014.

As at the end of February, the project is 57% completed and on track to kick-start commercial operation as scheduled with full commercial production expected to be reached by 2H 2015. OM Materials Sarawak is expected to contribute significantly to the CMS Group's earnings from 2015 onwards.

### INTEGRATED PHOSPHATE COMPLEX

CMS has joined forces to build Southeast Asia's first integrated phosphate complex in Samalaju at a projected cost of some RM1.04 billion. On 31 December 2013, the Group's wholly-owned subsidiary, Samalaju Industries Sdn Bhd (SISB) entered into a shareholders' agreement with Malaysian Phosphate Ventures Sdn Bhd (MPV) and Arif Enigma Sdn Bhd (AESB) to form a joint venture (JV) company called Malaysia Phosphate Additives (Sarawak) Sdn Bhd or MPAS. MPAS will focus on the development, construction and commissioning of an integrated phosphate plant that will have an annual production capacity of approximately 500,000 tonnes of phosphate and related products. Under the shareholders' agreement, SISB and MPV will have a 40% equity stake each in MPAS with the remaining 20% to be held by AESB.

The complex is being built on 350 acres of land near the Samalaju deepwater port (which is also currently under construction) and will leverage on Sarawak's competitively priced power. Ground clearing and earthworks began in Q1 2014 and the complex is scheduled to be operational in phases starting Q1 2016 and to be fully commissioned by Q2

2018. It will employ nearly 1,000 skilled workers and staff and will be funded via a mixture of shareholders' equity and long-term bank funded debt.

The project is noteworthy from several aspects. It is the first high-impact project in Samalaju by a 100% Malaysian company. It involves direct domestic investment of up to approximately RM1.0 billion and promotes the development of local intellectual property and the sharing of technology through a mutually beneficial JV. Being the first non-metal or alloy based plant in SCORE's SIP, it takes SCORE and CMS into a dynamic new industrial sector that offers long-term sustainable demand growth as well as opportunities for investment in downstream manufacturing in the animal feed, fertiliser, cleaning and detergent sectors that will be attracted to locate themselves adjacent to their feedstock supplier.

The phosphate complex project is also set to propel Malaysia forward as a leader in the production of halal certified animal feed for poultry, fisheries, cattle and other ruminant livestock. Phosphorus is an essential base nutrient for animal and plant growth with no substitute and is widely used in food, feed and fertiliser products. Demand is growing due to population growth, changing dietary preferences and the increased use of fertilisers. As the first large scale producer of soluble phosphates in Malaysia, the project will also contribute significantly towards the Government's effort to increase food security and the palm oil industry's competitiveness.

### STRATEGIC INVESTMENTS

#### – LISTED ASSOCIATES

#### K&N KENANGA HOLDINGS BERHAD

With a 25% equity stake, CMS is the largest shareholder of K&N Kenanga Holdings Berhad (Kenanga) and its Group of Companies which include Kenanga Investment Bank Berhad, Kenanga Deutsche Futures Sdn Bhd, Kenanga Capital Sdn Bhd and Kenanga Investors Berhad. Established for more than 40 years, this financial group is involved in equity broking, investment banking, futures broking, treasury, specialised finance and fund management. It is one of Malaysia's largest independent investment banks (year-to-date, based on Bursa Malaysia's Participating Organisations Trading Summary) and is listed on the Main Board of Bursa Malaysia Securities Berhad.

For FY 2013, the revenue of Kenanga increased by 71% to RM517.60 million from the year before. Significant exceptional expenses were incurred following the acquisitions of ECM Libra Investment Bank Berhad and ING Funds

## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

Berhad in 2012 and as a result, Kenanga's profit before tax for 2013 stood at RM8.79 million. Excluding merger-related costs, PBT would have been RM36.55 million.

As one of the top three largest brokerage houses in Malaysia, Kenanga Investment Bank Berhad (KIBB) has one of the largest pools of remisiers in the country and an extensive branch network nationwide. In 2013, the Equity Broking business doubled its revenue with market share increasing to 9% from 6%. At the end of 2013, KIBB ranked second in the country on the broker league table.

The year saw the Investment Banking division clocking in one of the highest number of deals relative to other industry players in 2013. It was also the underwriter for most of the initial public offerings in Malaysia including that for Tune Insurance Malaysia Berhad, Air Asia X Berhad, Caring Pharmacy Berhad, Barakah Offshore Petroleum Berhad and Kanger International Berhad.

Following its acquisition of ING Funds Berhad, Kenanga Investors Berhad substantially expanded its retail assets and its distribution force to over 1,200 unit trust advisers and 700 licensed Private Retirement Scheme consultants nationwide. In 2013, its Assets under Management (AUM) doubled to RM6 billion, positioning it among the top 10 asset managers in terms of AUM, from a list of 89 asset managers in Malaysia. Kenanga Investors Berhad also continued to deliver strong and consistent funds performances in 2013 by winning the Best Performing Equity Fund award (three years and five years) at the prestigious The Edge-Lipper Malaysian Fund Award, while its Kenanga Syariah Growth Fund won the Best Performing Equity Malaysia Diversified Fund for 10 years.

Consistently over the last 11 years, Kenanga's futures subsidiary, Kenanga Deutsche Futures Sdn Bhd (KDF) has maintained its position as the Number 1 futures broker in the country. It has also been named "Top Overall Futures Broker" and "Top Equity Futures Broker" by Bursa Malaysia Derivatives Berhad. In 2013, KDF extended its outreach initiatives to include Russia, Korea and the US which raised its profile among potential investors globally.

### 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 and manufacturing of steel pipes and pipe specials. For FY 2013, KKB achieved consolidated revenue of RM228.88 million as well as posted a PBT of RM47.11 million and a net profit of RM34.96 million.

In line with KKB's strategy to expand its steel fabrication activities to undertake larger and more complex work (including the Oil and Gas sectors), a new modern fabrication plant was constructed in Kuching. Fronting the Sarawak River, the new plant and open yard incorporate a newly commissioned heavy load-out jetty facility and sizeable covered all weathered workshops.

The expansion into the Oil and Gas sector is underway following KKB's success in securing a Petronas Approved License for its associate, OceanMight Sdn Bhd, to undertake major onshore fabrication of offshore facilities and related works. This diversification is expected to contribute positively to the earnings and net assets of KKB commencing 2014.

### STRATEGIC INVESTMENTS

#### – UNLISTED

#### EDUCATION

CMS continue to play a role in the development of the nation's future leaders through our subsidiary CMS Education Sdn Bhd, which owns and operates the Tunku Putra School in Kuching's Petra Jaya on a 22 acre campus. Having first opened its doors in January 1997, the school today provides kindergarten, primary and secondary-level classes for the national and international streams. Classes are purposefully kept small and with excellent teaching from its specialist expatriate and Malaysian teachers and a wide range of sporting and extracurricular activities (including its new English as a Second Language or ESL unit) students are assured of quality attention as they reap the benefits of a holistic education. Tunku Putra's 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.

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 enabling this by ensuring that the staff of overseas investors who are posted to Sarawak, as well as Sarawakian parents,



## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013



Tunku Putra School, Kuching

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.

For FY 2013, Tunku Putra generated gross revenue of RM6.27 million, with 532 students. During the year, there were 122 new applications, an improvement over FY 2012's number.

#### CMS OPUS PRIVATE EQUITY

CMS Opus Private Equity Sdn Bhd (CMS Opus) is a private equity firm whose investment objective is primarily to focus on achieving long-term capital gains through investments in unlisted emerging growth companies in Malaysia and the ASEAN region.

Having begun operations in mid-2006, CMS Opus has grown and established a name for itself in Malaysia's private equity industry. CMS Opus is one of a few private equity firms that adopt Shariah-compliant investment principles. In 2013, the Company successfully established its third fund called COPE Opportunities 3 (COPE 3) through the Ekuinas 2nd Tranche Outsourced Fund Managers (OFM) Programme.

The COPE 3 Fund's primary objectives are to generate financial returns, whilst enhancing equitable economic participation in the Malaysian economy in a market-friendly and sustainable manner. The Fund is expected to pursue minority stakes in growth companies where it will serve as an active shareholder with a clear proposition to add value.

For FY 2013, CMS Opus managed to return investment capital totalling RM17,001,314 including a gain of RM3,736,952 to its COPE 1 fund investors.

#### MOVING FORWARD

Even as all CMS' core business divisions turned in strong performances in FY 2013, we remain confident that they will be able to maintain growth momentum in a sustainable manner going forward. Today, CMS is clearly one of the best proxy-listed investments for Sarawak's accelerating economic growth. Our growth is being driven, firstly by the State's strategy to attract energy-intensive industries under SCORE, and secondly by the consequential infrastructure and related services needed across the State.

Sarawak's SCORE initiative aims to bolster the State's economy and elevate the quality of life of the people of Sarawak and their per capita income. Under SCORE, Sarawak's economy is expected to experience the following growth by the year 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), we envisage that both investment opportunities and demand for CMS' cement and construction materials' products and services, our township and property developments and our construction and road maintenance services, will increase.

As at March 2014, SCORE had approved 25 projects with an investment of RM37.4 billion already committed and up to 18,000 potential jobs created. Domestic and foreign

## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

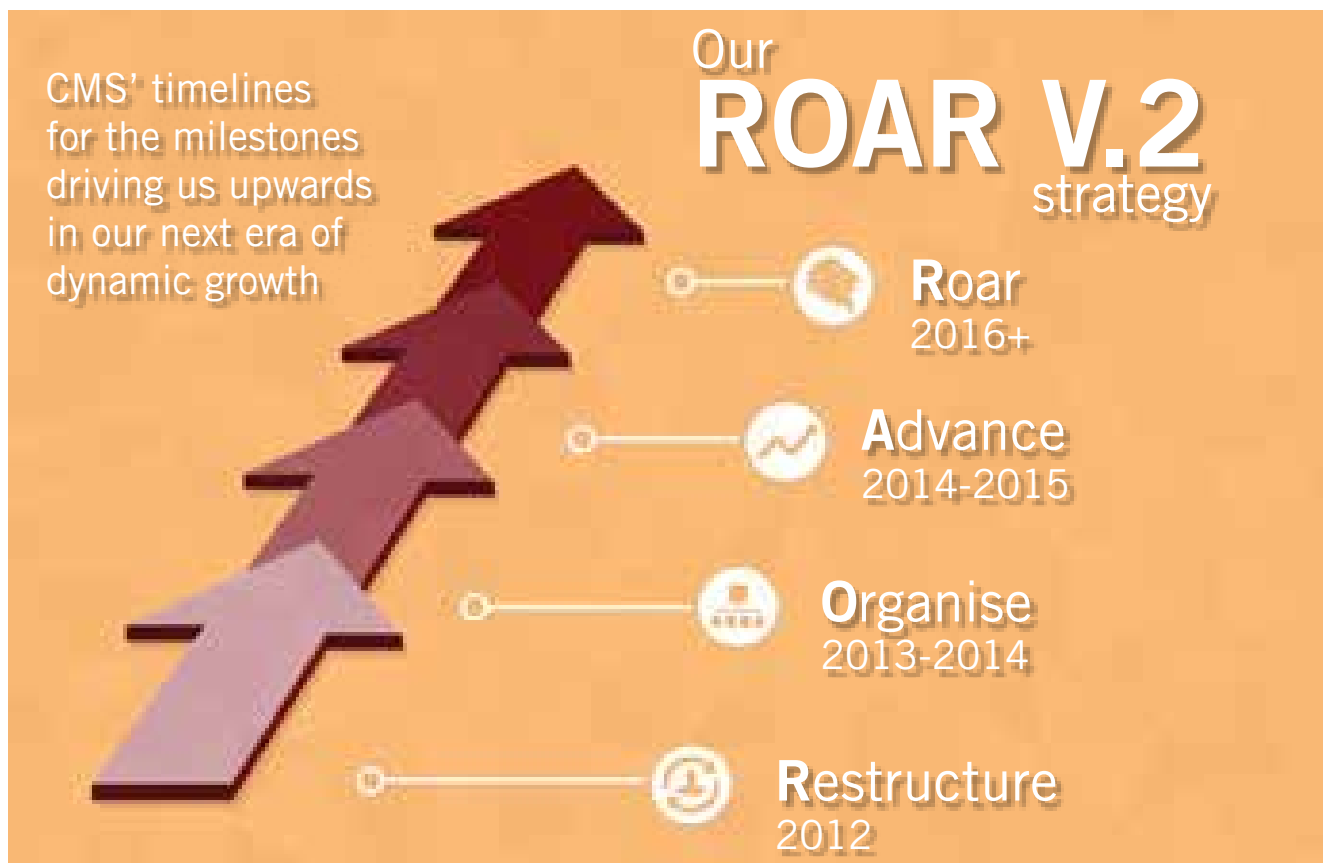
equity investment is expected to continue to rise both in the upstream energy intensive manufacturing segments but increasingly also in the downstream or support industries and services sectors. All this attests to SCORE's standing as an attractive investor proposition.

Through our equity stakes in OM Materials Sarawak and MPAS, through our core business divisions and our two listed strategic investments we expect to secure long-term, sustainable profits growth which will significantly enhance shareholder value. This will be facilitated by our financial discipline, strong balance sheet, our unrivalled local knowledge, our non-partisan professionalism and our management bandwidth which we will always seek to exercise so as to be in every way supportive of Sarawak's development plans.

2014 is set to be a successful year for CMS even as we continue to put the strategic building blocks in place to enhance sustainable business growth that goes beyond our currently visible plans. As we venture forth, we will continue to be guided by the principles under our Nine-Point Scorecard that aim to stimulate growth and ensure we turn in a robust

performance. These principles call for us to sustain solid and sustainable profits; uphold prudent financial policies to ensure a strong balance sheet; and ensure an experienced and professional management team is steering CMS forward. We are also tasked to undertake strong corporate governance measures; enhance ties and build respect among the communities that we serve; as well as gain strong support from our shareholders and bankers. Finally, we will set our sights on private sector-driven profitability; leverage on a strong SCORE play; and develop, for future use, an expertise which can take us beyond Sarawak's shores.

We are also being guided by our **ROAR V.2** strategy which was launched in 2012. This follows on from the original **ROAR** strategy launched in late 2006 which defined the current management team's first milestones and timelines to turn CMS into a high performing company. **ROAR** stands for **Restructure, Organise, Advance** and **Roar**. In the case of **ROAR V.2**, it sets out a fresh set of challenging milestones and timelines for CMS to advance to even greater heights based on its current strategies and strengths for the period 2012 through to 2016.



## GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2013

CMS Cement Plant, Kuching



As CMS continues on its journey, rest assured that we will continuously take stock of our progress and challenge ourselves so that we remain agile, focused and not complacent so we do not stumble in what is visibly a volatile, uncertain, complex and ambiguous (V.U.C.A) world. We already play a significant role within the State of Sarawak in several key economic sectors and will endeavour to honour our obligations to our four stakeholders comprising our shareholders, staff, customers, and especially to our community that we serve by exhibiting professionalism, integrity and a respect and care for others in all our dealings.

#### IN APPRECIATION

Our achievements to date and standing as Sarawak's leading infrastructure facilitator come on the back of the support of many parties. We wish to convey our heartfelt appreciation 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 unwavering trust and confidence in us as well as for extending us their kind support and cooperation.

I wish to convey my utmost gratitude to our Board of Directors for their wise counsel which helped us stay the course amidst the year's multiple challenges. To the CMS family of employees, I wish to express my heartfelt appreciation for your loyalty, hard work and commitment to high performance which have stood us in good stead time and time again and which are set to take us even further as we set our sights on new heights of success.

As CMS embraces its new pathways of opportunity on our journey to greater success, I am confident that we are well prepared to overcome all challenges that come our way as well as to capitalise prudently and wisely on opportunities. We trust all our stakeholders will continue to lend us their staunch support as we set our sights on truly being the 'PRIDE of Sarawak and Beyond'. Thank you.

Yours sincerely,

**DATO' RICHARD CURTIS**

Group Managing Director  
22 April 2014



**OUR PEOPLE'S  
EFFORTS TODAY  
ENSURES  
YOUR COMFORT  
TOMORROW**



# BOARD OF DIRECTORS' PROFILE



## **Y A M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL**

Malaysian

Age: 62 years

### **Group Chairman**

### **Independent, Non-Executive Director**

### **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 Syed Anwar 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 Syed Anwar is the Chairman of Nestle (M) Berhad, Lembaga Zakat Selangor, Pulau Indah Ventures Sdn Bhd (a joint venture company between Khazanah and Temasek of Singapore) and Matrix Capacity Petroleum Sdn Bhd. He is also the Chancellor of SEGi University.

Tan Sri Syed Anwar holds a Bachelor of Arts degree in Accounting from Macquarie University in Sydney, Australia. He is a qualified Chartered Accountant, having qualified in 1984. He does not own any shares in the Company, has no conflict of interest with the Group, does not have any personal interest in any business arrangement involving the Group, has no family relationship with any other director and/or major shareholder of the Group.

Tan Sri Syed Anwar has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2013.



## BOARD OF DIRECTORS' PROFILE

**Y BHG DATO SRI MAHMUD ABU BEKIR TAIB**

Malaysian

Age: 50 years

**Deputy Group Chairman****Non-Independent, Non-Executive Director****Member – Nomination & Remuneration Committee****Member – ESOS Committee**

Dato Sri Mahmud Abu Bekir Taib is Deputy Group Chairman of CMS. He was appointed to the Board of CMS as Group Executive Director on 23 January 1995. Having pursued his tertiary education in USA and Canada, Dato Sri Mahmud has extensive experience in the stock-broking and corporate sectors. He was a founding member of Sarawak Securities Sdn Bhd, Sarawak's first stock-broking company which is now merged with K&N Kenanga Holdings Berhad. Dato Sri Mahmud is currently Chairman of Sarawak Cable Berhad and director of CMS subsidiaries in construction, construction materials and property development. He is also director of several other private companies.

Dato Sri Mahmud is the brother of Datuk 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 three (3) out of five (5) meetings of the Board of Directors in the financial year ended 31 December 2013.

## BOARD OF DIRECTORS' PROFILE



### Y BHG DATUK SYED AHMAD ALWEE ALSREE

Singaporean

Age: 48 years

**Group Executive Director**

**Chairman – Group Risk 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 Kenanga Investors Berhad, CMS Cement Sdn Bhd, CMS Clinker Sdn Bhd, CMS Education Sdn

Bhd, CMS Land Sdn Bhd, CMS Roads 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 Datuk Hanifah Hajar Taib (a major shareholder of CMS).

Datuk Syed Ahmad has attended three (3) out of five (5) meetings of the Board of Directors in the financial year ended 31 December 2013.

## BOARD OF DIRECTORS' PROFILE

**Y BHG DATO' RICHARD ALEXANDER JOHN CURTIS**

British, Malaysian Permanent Resident

Age: 62 years

**Group Managing Director**

**Member – Group Risk Committee**

Dato' Richard Alexander John Curtis is Group Managing Director of CMS having been appointed to the Board on 4 September 2006. He graduated with a Bachelor of Law (LL.B.) (Honours) degree from University of Bristol, United Kingdom and is a Sloan Fellow of the London Business School. He began his career in legal practice as a solicitor in Norton Rose (1974-1979) in London and then joined Jardine Matheson & Co. (1979-1983) in Hong Kong after which he joined the Jardine Offshore Group (1983-1986) in postings to Singapore and Indonesia. Dato' Richard also pursued his own businesses (1988-1997) in retail, consultancy and construction. He was Chief Executive Officer of The Melium Group from 1997 to 2000, a leading Malaysian retail company and F&B chain operator. Dato' Richard is a director of K&N Kenanga Holdings Berhad and Kenanga Investment Bank Berhad and a number of CMS subsidiaries.

Dato' Richard is a Trustee of Yayasan Raja Muda Selangor. Dato' Richard has no family relationship with any director and/or major shareholder of the Company.

Dato' Richard has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2013.

## BOARD OF DIRECTORS' PROFILE


**Y BHG DATU MICHAEL TING KUOK NGIE  
@ TING KOK NGIE**

Malaysian

Age: 73 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 Sarawak (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.

Datu Michael has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2013.

## BOARD OF DIRECTORS' PROFILE



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

Malaysian

Age: 65 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. General (R) Tan Sri Zahidi was made a Member of Dewan Negara Perak Darul Ridzuan by DYMM Paduka

Seri Sultan Perak on 25 November 2006 and is a Director of Yayasan Sultan Azlan Shah. On 23 April 2013 General (R) Tan Sri Zahidi was appointed as Orang Kaya Bendahara Seri Maharaja Perak Darul Ridzuan by DYMM Paduka Seri Sultan Perak and the Dewan Negara Perak Darul Ridzuan. 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 all five (5) meetings of the Board of Directors in the financial year ended 31 December 2013.

## BOARD OF DIRECTORS' PROFILE

**Y BHG DATU HUBERT THIAN CHONG HUI**

Malaysian

Age: 66 years

**Independent, Non-Executive Director**

**Member – Group Audit Committee**

**Member – Nomination & Remuneration Committee**

**Member – Group Risk Committee**

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 Sarawak (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.

He has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2013.



## BOARD OF DIRECTORS' PROFILE

**KEVIN HOW KOW**

Malaysian

Age: 65 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 Singapore Chartered Accountants. 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, Saham Sabah Berhad and M3nergy 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 2013.

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

**01. Y BHG DATUK SYED AHMAD ALWEE ALSREE**

*Group Executive Director*

Joined CMS in February 2004

**02. Y BHG DATO' RICHARD ALEXANDER JOHN CURTIS**

*Group Managing Director*

Joined CMS in September 2006

**03. WOO YOKE MENG**

*Advisor, Group Internal Audit*

Joined CMS in March 2000

**04. GOH CHII BING**

*Head, Cement Division*

Joined CMS in October 1992

**05. TAN MEI FUNG**

*General Manager, Group Finance*

Joined CMS in August 1997

**06. VINCENT KUEH HOI CHUANG**

*Head, Property Development Division*

Joined CMS in August 2012

**07. DANNY SIM WEI MIN**

*General Manager, Group Procurement*

Joined CMS in March 2001

**08. DAVID LING KOAH WI**

*Group General Counsel*

Joined CMS in August 2007



## SENIOR MANAGEMENT TEAM

**09. Y BHG DATO ISAAC LUGUN***Head, Samalaju Development Division**Joined CMS in January 1996***10. TUAN SYED HIZAM BIN SYED MAHMOOD EZZULARAB  
ABDUL-MOEZ ALSAGOFF***Group Chief Financial Officer**Joined CMS in January 2005***11. ABDUL NASSER MOHD SANUSI***General Manager, Special Projects**Joined CMS in February 2004***12. LIM JIT YAW***Head, Construction & Road Maintenance Division**Joined CMS in January 2006***13. CHONG SWEE SIN***Head, Construction Materials & Trading Division**Joined CMS in June 1991***14. WENDY YONG SAN SAN***Senior General Manager, Group Human Resources**Joined CMS in May 1994***15. DALJIT SINGH***Head, Group Information Technology**Joined CMS in July 2004***16. MOHAMED ZAID ZAINI***Head, Business Development**Joined CMS in March 2014*



**OUR PEOPLE'S  
PASSION TODAY  
WILL BUILD YOU A  
BETTER TOMORROW**



# CORPORATE RESPONSIBILITY

## OUR COMMITMENT TO RESPONSIBLE CORPORATE PRACTICES

As a responsible corporate citizen, Cahya Mata Sarawak is genuinely committed to balancing out its robust financial performance with responsible social and environmental performance.



Habitat Home Build at Santubong

As we commit to growing in a profitable and responsible manner, we continue to hold ourselves accountable to our stakeholders, namely our shareholders, employees, customers and the communities we operate in. Our ongoing efforts to embed responsible and sustainable practices into our business operations and value chain, as well as to better these efforts, is today enabling us to stand as a model for responsible corporate behaviour in Sarawak and Beyond.

In 2013, we strengthened our existing corporate responsibility (CR) efforts in the areas of the Workplace, Community, Environment and Marketplace as well as introduced several new CR initiatives, all of which helped us move closer towards achieving our vision of becoming the 'PRIDE of Sarawak and Beyond'.

## OUR COMMITMENT TO STRENGTHENING OUR WORKPLACE

Here at CMS, we are dedicated to creating an inspiring workplace that attracts and retains highly skilled people. Via our emphasis on continuous learning and growth, we are enabling our employees to make the most of their careers, while our focus on maintaining a healthy employee work-life balance is producing well-rounded individuals. Programmes like our management trainee and talent development programme and succession planning initiatives are ensuring a steady flow of capable leaders to meet our business needs today and tomorrow. As a result of these and other effective measures, a talented, harmonious and industrious workforce is driving CMS today.

### Breakdown of Employees as at 31 December 2013

Total no. of employees	2,122
Management	111
Executives	347
Non-Executives	1,624
Daily-Paid	40
Turnover rate	6.73%

### In-House Training Capability Programme

As part of our efforts to develop in-house trainers in various disciplines, we launched the CMS In-House Training Capability (ITC) Programme in 2012. This programme is addressing the Group's internal training needs and building up our trainers' expertise in general and specific areas. Following the success of the first ITC programme in 2012, we conducted another 12 training sessions in 2013 with all training sessions receiving "exceed expectations" ratings.

### Group Training Initiatives

In 2013, we continued to focus on building up our human capital by organising various training and development programmes. A total of 483 CMS employees underwent some 9,092 man-hours of external training, while a total of 861 employees underwent some 11,872 man-hours of in-house training.

### Management Trainee Development Programme

The year saw a total of 18 management trainees involved in the CMS Management Trainee Development Programme. 2013's programme kicked off on 15 April with all trainees attending a one-week orientation session in preparation for their core training at the CMS corporate office and specialist training at the respective divisions or departments. As a part of the programme, trainees were assigned to specific departments. To-date, a total of 16 out of 18 management trainees are still undergoing training in the programme scheduled for completion in April 2014.



## CORPORATE RESPONSIBILITY

**CMS Compassionate Fund**

Our employees are the heart and soul of CMS and we do our part to look out for them and their families. To this end, the CMS Compassionate Fund has been set up to provide financial assistance to CMS employees in need. In 2013, the Fund disbursed a total of RM50,369.20 in financial aid to employees.

**CMS Work-Life Balance Programme**

In line with our aim to create a holistic work culture, we established our Work-Life Balance Programme. The programme serves to help CMS employees manage their time between working life and family or home life by building a routine that caters to career growth and self/family development outside the work environment. The year saw us implementing six initiatives under the programme.

**CMS Work-Life Balance Activities**

14 June	Fruity Day
22 June	Zumba Exercise
23 Aug	I Appreciate You Day
26 Sept	What's in a Meal? Day
31 Oct	Stress Prevention Day
6 Nov & 4 Dec	Let's Call it a Day

**CMS Safety Month Campaign**

To keep our people safe and healthy, we continue to uphold stringent health, safety and environmental measures. In 2013, we launched our first Safety Month Campaign at the Group level with the theme 'ROAR Your Emergency Response Plan (ERP)' and the slogan 'UCUX' (meaning 'You See You Act!'). The Campaign was launched in conjunction with the annual CMS Health Run on 7 October 2013 at the Tunku Putra School, Kuching and concurrently in Sibu, Bintulu and Miri.

The Safety Month Campaign sought to create awareness about the importance of safety and health among employees while garnering their support in assisting Management to identify workplace risks and implement the necessary safety and health measures. The month-long activities included demonstrations on the specific response procedures to initiate during accidents and incidences of spillage, landslides or fire. It also involved health and safety talks from the Ministry of Health, the National Institute for Occupational Health & Safety (NIOSH), Public Works Department (PWD), Kuching Specialist Hospital and the Fire and Rescue Department (BOMBA).

In line with our emphasis on improving the safety culture throughout our organisation, we continued with our key performance indicator (KPI) demerit points system for all executive-level and above employees. Through leveraging on more frequent safety training sessions and regular toolbox briefings at all CMS manufacturing operations, we raised awareness on the importance of safety and ensured zero fatalities and permanent disabilities across the CMS Group throughout 2013.



CMS In-House Games

**CMS In-House Games**

In our effort to build a great team of people and strengthen employee pride in being part of the CMS family we continue to leverage on the CMS Games to bring employees from all levels and divisions together. Themed 'Synergy through Sports', this platform is an excellent opportunity for employees at every level of the organisation and in different divisions to mingle together while building up great esprit de corps. 2013's CMS Games kicked off on 22 June 2013 and came to a close on 23 November 2013 with the Purple House declared overall champion among the eight participating houses.

Over 1,000 employees across the CMS Group participated in the 2013 In-House Games which included football, futsal, badminton, bowling, table-tennis, carrom and darts.

**OUR COMMITMENT TO ENRICHING COMMUNITIES**

CMS remains committed to elevating and enriching the many communities we serve in Sarawak through our CR endeavours. Far from diminishing, the passion in which we carry out our undertakings continues to grow with each new task that we undertake. In 2013, CMS strengthened its effort to reach out to the community by implementing existing programmes and introducing new ones.

## CORPORATE RESPONSIBILITY

### *In the Spirit of Volunteerism*

Employee volunteerism continues to be an area of strength within CMS. Our employees have consistently sought to make a tangible difference by undertaking initiatives that cut across racial and cultural boundaries to meet a broad range of humanitarian needs. In 2007, we launched the 'Doing Good' platform to improve CMS' contribution to the community through employee volunteerism. This 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 CMS is required (as per their KPIs) 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	2,118
2008	7,215	2,047
2009	4,218*	1,329
2010	11,428	1,272
2011	17,041	1,955
2012	34,328	2,018
2013	45,038	2,122

\* Excluding CMS Roads and CMS Pavement Tech

In 2013, CMS employees throughout the Group volunteered 45,038 man-hours of their time to 'Doing Good' activities, a 31% increase over the previous year's man-hours clocked in. The year's initiatives included



Gotong Royong at SK Sebat, Sematan

fundraising charity sales, personal cash donations, community rebuilding, blood donation drives, community clean-ups and much more. The significant increase in man-hours attests to the fact that CR is very much ingrained in the hearts and minds of CMS employees.

### *Fundraising Activities*

In the year under review, employees of the Group undertook various fundraising initiatives that made a tangible difference in communities. We followed through on some of the previous year's activities which included our participation in the Go Bald 5.0 event organised by the Sarawak Children's Cancer Society whereby three CMS employees shaved their heads to raise a total of RM25,762.00. This amount is to date the largest sum raised by our employees for a single charity event. CMS employees also helped to raise funds for the Perkata Special School, Sarawak Cheshire Home, Kuching Autistic Association, Salvation Army Children's Home, Cheshire Home and The Blind Centre, to name a few. In total, our employees raised RM73,725.00 in cash, including personal donations, through fundraising events (2012: RM56,552.50).

### *Habitat for Humanity & Other Community Building Works*

Habitat home-build sessions provide an avenue for CMS volunteers with minimal construction skills to help the poor construct their houses. Through our continuing collaboration with Habitat for Humanity, our employees participated in six Habitat home-builds in 2013. CMS Roads, CMS Cement and PPES Works staff were particularly active in helping re-build the communities around them. Various construction works and numerous repair works were carried out at schools, a home for the underprivileged elderly, a children's home, mosques, churches and beaches in several locations.

### **How we spent our time 'Doing Good' in 2013**

Breakdown of CSR Initiatives	%
Health Awareness Events/Programmes	55
Re-building Communities	24
Sustaining Charitable Organisations	8
Saving Lives	7
Community Clean-ups (Gotong-Royong)	6

## CORPORATE RESPONSIBILITY



CMS Roads, CMS Cement and PPES Works employees were particularly active in helping re-build the communities around them. Various construction works and numerous repair works were carried out at schools, a home for the underprivileged elderly, a children's home, mosques, churches and beaches in several locations. Apart from their active employee volunteerism efforts, these companies also made contributions in the form of raw materials such as cement, stones and wire mesh.

#### Gotong Royong

Through our annual gotong royong or community clean-up and rebuilding efforts, CMS volunteers help out at numerous schools, mosques, churches, charitable organisations and longhouses throughout Sarawak. As part of 2013's CR efforts, 50 volunteers from CMS Cement Sdn Bhd and CMS Concrete Products joined forces to help repair the access road near the Pending Plant, while CMS Cement Bintulu organised a gotong royong at Kampung Kuala Segan.

#### Health Awareness Events

In line with CMS' on-going internal Work Life Balance Programme, employees are reaping the benefits of a healthier lifestyle by participating in running events. In 2013, CMS employees participated in 20 running/walking events including the Colour Rush Run, The Spring Live Run, Monster Dash, Walk-a-Payung and the MRCS Charity Jog-a-thon for which CMS Group Managing Director, Dato' Richard Curtis was the patron this year.

The annual CMS Health Run held in October saw a jump in the number of participants in 2013. For Kuching, there were 853 participants (2012: 392), and for the first time, the Runs were simultaneously held in the towns of Sarikei (169 participants), Bintulu (131 participants) and Miri (183 participant). The participants included employees of the Group and their family members, KKB Engineering and K&N

Kenanga Bhd as well as teachers and students of Tunku Putra School.

#### Saving Lives through Blood Donation Drives

Blood donation drives continued to be an important aspect of our CR initiatives in 2013, comprising 7% of the Group's total CR activities. CMS staff participated regularly in a number of blood drives that were organised by both internal and external parties such as the CMS Cement Bintulu Blood Drive on 23 January 2013.

#### Corporate Sponsorship and Donations

In 2013, corporate donations totalling RM290,469 were made to over 22 charitable organisations or events throughout Sarawak.

#### Sustainability of CR Projects

CMS' CR efforts cover 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 depicted below. The year saw an increase in the number of sustainable projects for the periods below one year and that of three years and above.

Sustainability Period	2012 %	2013 %
Under 1 year	38.5	46
1-3 years	47.8	23
More than 3 years	13.7	31

#### OUR COMMITMENT TO GOOD ENVIRONMENTAL PERFORMANCE

CMS is committed to preserving the environment and to this end we implement environment-friendly practices throughout our operations. Our measures to date include the implementation of initiatives that uphold regulatory compliance and contribute to increased productivity, cost savings and efficiency.

#### Excellent Regulatory Compliance

##### CMS Quarries

CMS Quarries is helping preserve the environment by embedding environmental thinking and action in all aspects of its operations as well as ensuring all its activities comply with relevant environmental laws and policies. Five of CMS Quarries' worksites at Stabar, Bukit Akud, Penkuari, Sebuyau and Gunung Sibanyis attained excellent levels in ambient air quality and were in compliance with the strict boundary noise limits set by the Natural Resource Environment Board

## CORPORATE RESPONSIBILITY



(NREB). An appointed NREB-registered consultant continues to prepare an Environmental Monitoring Report on all our quarry sites on a quarterly basis.

In addition to the above, Stabar Quarry received Integrated Management System (IMS) certification in 2013 from the Moody Intertek Certification body. The IMS certification which consists of three standards – ISO 9001 (Quality), OHSAS 18001 (Safety) and ISO 14001 (Environment) – attests to the fact that this operation today has high safety and environmental management standards in addition to the quality certification it received in 2002.

#### *CMS Premix*

Environmental stewardship has always been an integral component of CMS Premix's business practices. In 2013, the company's operations in Kuching, Sibu, Miri and Bintulu successfully complied with the requirements of the Environment Clean Air Quality Regulations 1978 which focus on reducing smoke emission from stacks and dust emission. Monitoring activity



continues to be undertaken by an appointed Department of Environment (DOE)-registered consultant on a quarterly basis at all premix sites. In 2013, the premix site in Kuching received IMS Certification from the Moody Intertek Certification body.

#### *CMS Cement*

CMS Cement undertakes quarterly stack emission monitoring of its chimneys at its plant to measure and establish data for the (i) main bag filter, (ii) inland hopper bag filter, (iii) Packer A bag filter, (iv) Packer B bag filter and (v) the bag filter between Cement Silo 1 And Silo 2 (unloading bulk) to determine compliance with the Recommended Environmental Quality (Clean Air) Regulations, 1978. In 2013, the dust particulate emission standard was 0.10 g/Nm<sup>3</sup>.

The company also conducts Total Suspended Particulate (TSP) and PM10 Ambient Air Monitoring readings at two locations outside the plant. The TSP Ambient Air Monitoring measures the ambient air quality due

to the impact of the cement process on the surrounding air in compliance with the Recommended Malaysian Air Quality Guideline Standard of 260 µg/m<sup>3</sup>. Meanwhile, the PM 10 Ambient Air Monitoring measures the ambient air quality due to the impact of the cement process on the surrounding air in compliance with the Recommended Malaysian Air Quality Guideline Standard of 150 µg/m<sup>3</sup>. The year saw all the monitored results falling within the regulatory standard limit for Portland Cement imposed by the DOE.

In 2013, more than 50% of CMS Cement's employees took part in its Waste Recycling Campaign with some 10,643 kg of recycling items collected for the local council. CMS Cement has also reduced its use of jumbo bags by about 27% (from 53,915 to 39,406 pieces) with more cement being sent in loose form to Sibu and Miri via the bulk carrier.



## CORPORATE RESPONSIBILITY



#### Samalaju Development Division

Land clearing for property development in Sarawak is commonly undertaken by the clean clearing or open burning method, which includes burning and re-burning of biomass. This method is quick but it degrades the air quality, causing persistent haze problems. Even common zero-burning methods such as the chipping and dumping methods have proven challenging as the processed biomass from both these methods takes years to decompose.

Samalaju Properties is adopting a different zero burning method called the mulching method which is being used to clear 200 acres (about 11,000 palm trees) of land in Samalaju Township. The mulched biomass takes less than two months to decompose, thereby reducing the idling time of land and other resources. This process also kills any unwanted weed or undergrowth and provides large quantities of nutrients. It also acts as an organic fertilizer for floral growth, improves the physical properties of the soil and returns the nutrients back to nature therefore supporting a sustainable nutrient cycle. In adopting sustainable development policies and employing the mulching method, Samalaju Properties is underscoring the Group's commitment to responsible environmental management.

Samalaju Properties continues to uphold its vision of creating a renewable and sustainable future by using rainwater harvesting as a means to conserve water at its worker and executive lodges within the Samalaju Township. The harvested rainwater acts as an independent water supply and supplements the main water supply for daily use therefore enhancing the water supply, reducing the impact on water resources, and improving the management of surface water runoff.

#### CMS Clinker

In 2013, CMS Clinker's emissions results and noise levels fell within regulatory standards. Its 2013 achievements include the following:

- Cooler stack dust emissions of 0.055 g/Nm<sup>3</sup> against the 0.1g/Nm<sup>3</sup> guideline (Standard C);
- Excellent average dust concentration readings 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;
- CMS Clinker coal mill stack dust emissions of 0.056 g/Nm<sup>3</sup> against the 0.1 g/Nm<sup>3</sup> (Standard C);
- Both day and night noise levels below the DOE/NREB recommended guidelines; and
- Waste gas stack dust emissions of 0.0705 g/Nm<sup>3</sup> against the 0.2g/Nm<sup>3</sup> guideline (Standard C).

The upgraded CMS Clinker plant is currently at the operations stabilisation stage and an optimisation programme will follow. The plant is today running in a more efficient manner with 100% low CV coal which has led to excellent clinker quality production, higher throughput and a reduced carbon footprint. The initiative to utilise alternative fuels and alternative raw materials at the plant will come into play in a more intense manner following the completion of a storage shed in the third quarter of 2014. Discussions with the DOE regarding the sludge/slag utilisation in the plant have already begun.

#### Property Division

Our Property Division is incorporating green features in the construction of its buildings where possible. It is achieving this via its designs that incorporate LED street lights at the upcoming Raintree Square strata-titled shop-houses; as well as through the construction of the Green Building Index or GBI-certified Land Custody and Development Authority and Sarawak Economic Development Corporation headquarter buildings.

## CORPORATE RESPONSIBILITY

Samalaju Lodge is currently equipped with a large R180CB HDPE water tank (3metre in diameter and 2.9meter in height) which is capable of collecting 18,000 litres of rainwater. Rainwater collected in the tank is used for irrigation and cleaning purposes. Water for irrigation purposes includes water for landscape irrigation and plant watering, while that for cleaning purposes includes water for cleaning of the lodge's toilets, drainage and surroundings.

### OUR COMMITMENT TO RESPONSIBLE MARKETPLACE PRACTICES

CMS is committed to upholding good and fair marketplace practices and to ensuring transparency in all its dealings. To this end, the year saw us making good progress in the area of open and proactive communications.

#### *Responsible and Transparent Reporting*

We endeavour to present a comprehensive and transparent report of the year's activities to shareholders. Our efforts in this area were rewarded once again when our Annual Report was announced the 2<sup>nd</sup> Runner-up of the Overall Excellence Award 2013 in Corporate Reporting by the Sarawak Chamber of Commerce and Industry (SCCI) in November 2013. This recognition proves your Company's consistency in demonstrating the highest standards of responsible and transparent corporate reporting to our shareholders and the public. CMS has been a winner of the SCCI Awards on numerous occasions since 1999 for Sarawak-registered listed entities.

Our efforts to strengthen our business performance and market capitalisation were recognised when CMS was ranked among the 'Top 5 Malaysian Small Cap Companies' by RHB Investment Bank on 30 July 2013. On 20 September 2013, CMS continued to garner critical acclaim for its solid business management when it picked up the EDGE Billion Ringgit Club award for the Highest Profit Growth Company 2013 - Industrial Products Sector.



CMS received an Overall Excellence Reporting Award for Annual Report 2013

#### *Timely Updates*

Through the Investor Relations section of our website ([www.cmsb.com.my](http://www.cmsb.com.my)), we continue to deliver timely information that is relevant to investors. Apart from a dedicated section on financial statements and announcements to Bursa Malaysia, shareholders and interested parties can also track daily movements of our 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*

Being a public-listed entity, we endeavour to uphold high standards of 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 revised 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 line with our corporate mission to 'Produce Quality, On Spec & On Time', we continue to engage our customers on an ongoing 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.

#### **MOVING FORWARD**

As CMS moves forward as a more robust entity focused also on new areas of opportunity, we remain committed to conducting our business in a responsible manner by ensuring the delivery of meaningful and tangible CR outcomes in the areas of the Community, Workplace, Environment and Marketplace. Only by delivering true and sustainable value as well as establishing strong and enduring ties with our many stakeholders, can we truly achieve our ambition of becoming the 'PRIDE of Sarawak and Beyond'.



# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of CMS (“Board”) would like to assure shareholders of its 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 (“the Code”) throughout the CMS Group (“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 has made a concerted effort over the past few years to ensure that the Group’s corporate governance framework remains robust and relevant and will continue to enhance its role in improving governance practices effectively to safeguard the interests of shareholders and other stakeholders.

## BOARD OF 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 is committed to acting in the best interests of the Company and its shareholders by exercising due diligence and care in discharging its duties and responsibilities.

### 2. Board Charter

The Board has adopted a Board Charter which sets out the roles and responsibilities of the Board and Board Committees and serves as a guide and reference for Directors in relation to their role, powers, duties and functions. The Board Charter also outlines processes and procedures for the Board and Board Committees for convening of their meetings. The Board Charter, which will be reviewed periodically, is available on the Company’s website at [www.cmsb.com.my](http://www.cmsb.com.my).

### 3. Roles and Responsibilities of the Board

The Board discharges its responsibilities in the best interests of the Company. During the year the Board continued to observe its duties and responsibilities guided by the following six (6) core responsibilities:

- Review, approve and monitor the Group’s strategic plan and direction

The Board plays an active role in the development of the Group’s strategic plan and direction. In the third quarter of each financial year, the Board holds a dedicated session to carry out its strategic planning exercise with the Senior Management of the Group. The Board deliberates, challenges and approves the broad strategic proposals upon which the Senior Management proceed to develop the Group Management Plan (“GMP”) for the ensuing three (3) years. This GMP is then further developed by Senior Management on a divisional/departmental basis, to include budgets for the upcoming year, forecasts for the ensuing two (2) years, detailed business and operational strategies and plans by individual business units including both justifications and a risk assessment. Each one is then presented to the Group Managing Director (“Group MD”) and the Group Chief Financial Officer (“Group CFO”) for deliberation and finalisation during a series of Challenge Sessions in October each year. The final consolidated GMP is then tabled to the Board in the November session for approval.

For 2013, the Board strategic planning exercise was held offsite in September. The Board subsequently approved the Group’s Management Plan 2014 – 2016 in November. Progress of the plans are reported to the Board at every Board meeting throughout the year and half-year reviews are also conducted to monitor Senior Management’s implementation of the approved strategic plans.

- Oversee and evaluate the Company’s business conduct

The Group’s operations and performance are measured and tracked against approved targets set out in the Key Performance Indicators of Senior Management which are cascaded down to all the executive staff across the Group. The Group MD presents a Business Overview at every Board meeting which includes an overview of each division’s performance, key operational issues and industry updates.

- Identify and manage principal risks

The Board, via the Group Risk Committee (“GRC”), regularly monitors the review and management of principal risks. In 2013, the Board approved a

## STATEMENT ON CORPORATE GOVERNANCE

Group-wide Enterprise Risk Management framework to be developed which includes the development of an integrated business continuity plan.

- Review the adequacy and integrity of the Group's internal control systems

The Board, via the Group Audit Committee ("Group AC"), reviews the adequacy and integrity of the Group's internal control systems.

- Succession planning

The Board, via the Nomination & Remuneration Committee ("NRC"), implements and ensures an effective succession planning is in place for both the Board and Senior Management of the Group. The Board is satisfied that the NRC, in its current form, effectively discharges its functions in respect of nomination and remuneration matters which are listed separately in its terms of reference ("TOR") for clarity and thus there is no need to separate the nomination and remuneration functions.

The NRC reviews the Group's human resources plan including the succession planning framework and other initiatives such as jobs and salary review and also considers the renewal of service contracts of the Chairman, Executive Directors and key management positions and reports the progress thereof to the Board.

- Oversee the development and implementation of investor relations ("IR") programme

The Board recognises the importance of a sound IR programme in its efforts to communicate effectively with the investing community and other stakeholders. Continuous engagement is made through a planned IR programme.

#### 4. Code of Ethics for Directors

The Board continues to adhere to the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. The Board's Code of Ethics is available on the Company's website at [www.cmsb.com.my](http://www.cmsb.com.my).

#### 5. 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 has adopted 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.

#### 6. Access to Information and Advice

The Directors have individual and independent access to the advice and dedicated support services of the Group Company Secretary and may seek advice from Management on issues under their respective purview.

The Group Company Secretary is a person qualified to act as a company secretary under Section 139A of the Companies Act, 1965. The Group Company Secretary provides guidance to the Board on policies, procedures, rules and regulations and relevant laws as well as best practices on governance relating to the Directors' duties and responsibilities. The Group 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 minuted and subsequently communicated to the relevant Management for necessary actions.

The Board and Board Committees may also seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties, if deemed necessary. In 2013, an independent external consultant was engaged to provide a benchmarking analysis of the review of the Directors' fees to the NRC and Board.

## STATEMENT ON CORPORATE GOVERNANCE

**STRENGTHEN COMPOSITION & REINFORCE INDEPENDENCE****1. Board Composition and Balance**

There are currently eight (8) Directors on the Board of CMS, which is within the maximum size of eighteen (18) as provided under the Company's Articles of Association. This consists of the Independent Non-Executive Chairman, the Non-Independent Non-Executive Deputy Chairman, two (2) Executive Directors [designated as Group MD and Group Executive Director ("Group ED")], three (3) Independent Non-Executive Directors and one (1) remaining Non-Independent Non-Executive Director. The current Board composition complies with Paragraph 15.02 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, the Independent Non-Executive Chairman heads the Board and, as Chairman of NRC, also performs the role as the Senior Independent Non-Executive Director to whom concerns relating to the Company may be conveyed by the shareholders and stakeholders.

The four (4) Independent Non-Executive Directors, by virtue of their roles and responsibilities, represent the minority shareholders' interests. Based on their breadth of knowledge and experience in their respective fields of expertise, they 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.

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 Board is of the view that given the size of the Group, the current number of eight (8) Directors is an optimum and well-balanced number, which effectively addresses the current scope and complexity of the diverse

businesses of the Group. The current Board size also allows for effective deliberations at Board meetings and ensures Board meetings are conducted in an efficient and robust manner.

The Board is mindful of requirements of the Code and the need to refresh itself from time to time and is actively exploring avenues towards improving board diversity including gender diversity. The Board is committed to ensure its succession planning is done in a smooth manner to ensure continuity and stability of the Board.

The profiles of the Board members are presented on pages 40 to 47 of this Annual Report.

**2. Separation of Position between the Chairman and Executive Directors**

There is a clear division of roles and responsibilities between the Chairman and Executive Directors which are held by different individuals. The Chairman leads the Board with a focus on governance and compliance and is responsible for ensuring the Board's effectiveness and conduct. The Executive Directors have overall responsibilities 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 Senior Management across the Group. The distinct and separate roles of the Chairman and Executive Directors with a clear division of responsibilities, ensures appropriate balance of power and authority in an effective Board.

**3. Annual Assessment of Independence**

Pursuant to its TOR and in line with Recommendation 3.1 of the Code, the NRC conducts an annual assessment of the independent directors to continuously enhance the Board's overall performance.

The NRC has assessed the independence of the four (4) Independent Non-Executive Directors for 2013. The NRC and Board are satisfied with the level of independence demonstrated by these Directors. All these Directors met the criteria under the definition of Independent Director set out in Chapter 1 of the MMLR.

## STATEMENT ON CORPORATE GOVERNANCE

With regard to General (Retired) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin who is eligible to stand for re-election at the forthcoming 39<sup>th</sup> AGM, the NRC and Board are satisfied that he is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company. The Board therefore recommends the proposal to re-elect him in accordance with Article 110 of the Company's Articles of Association.

### 4. Tenure of Independent Non-Executive Director

The Board had taken steps to implement the nine-year policy for Independent Non-Executive Directors in line with Recommendation 3.2 of the Code. In 2013, Datuk Wan Ali Tuanku Yubi (subsequently resigned on 28 February 2014) and Datu Michael Ting Kuok Ngie @ Ting Kok Ngie were re-designated as Non-Independent Non-Executive Directors.

### 5. Shareholders' Approval for Re-appointment of Independent Non-Executive Director after a Tenure of Nine Years

Pursuant to its TOR and in line with Recommendation 3.1 of the Code, the NRC has assessed the independence of Mr Kevin How Kow, who has served on the Board for more than nine (9) years, and recommended to the Board to retain him as an Independent Non-Executive Director of the Company in view that he continues to exercise independent and objective judgement, has detailed knowledge of the Group's businesses and has proven commitment, experience and competency particularly to act as Independent Chairman of the Group Audit Committee.

As such, the NRC and Board have determined that Mr Kevin How Kow, who is a chartered accountant by training and had a long career with Messrs Ernst & Young, be retained and continue acting as an independent director to fulfil the requirements of Paragraph 15.10 of the MMLR. In line with Recommendation 3.3 of the Code, a proposal is being submitted to shareholders for their approval at the forthcoming 39<sup>th</sup> AGM.

### 6. Board Effectiveness Evaluation ("BEE")

The NRC carries out an annual assessment of the effectiveness of the overall Board and Board Committees via the in-house BEE survey questionnaires, comprising a Board and Board Committee Effectiveness Self/Peer Assessment. The BEE is facilitated by the Group Company Secretary. The NRC reviews the outcome of the BEE and recommends to the Board the areas identified for continuous improvement. The Board's effectiveness is assessed in the areas of Board composition, process and interaction, roles and responsibilities, training and financial reporting.

The Board has approved the NRC's recommendation to carry out the BEE once every two (2) years instead of annually with the next exercise to be conducted in 2014. In regard to the assessment for 2013, the NRC opined there has been no significant change to the composition of the Board and Board Committees and took into account the results of the previous BEE conducted on the Board and Board Committees where the ratings have been fairly consistent with an average overall rating of 4.11 out of 5 in the latest BEE. The NRC was satisfied that, presently, the 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 was also satisfied that all the Board members and key officers are suitably qualified to hold their positions as Directors and/or key officers of CMS in view of their respective academic and professional qualifications, experience, industry knowledge and qualities.

### 7. Remuneration Policy

The Board approves the NRC's recommendation on policy and framework for the Directors' remuneration as well as the remuneration and terms of service of Executive Directors and Senior Management. The Board is mindful of the need to ensure the remuneration package for Directors is competitive 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.

## STATEMENT ON CORPORATE GOVERNANCE

The remuneration package for Executive Directors is balanced between fixed and performance-linked elements. This is based on the Group's policies and market rates and typically include base salaries, allowances, performance contract payments, share options, pension or contribution plans, benefits-in-kind and perquisites. A portion of the Executive Directors' compensation package has been made variable in nature which is determined based on the individual's performance which in turn is aligned with the Group's key performance targets and long-term creation of shareholder value. The Executive Directors are not paid Directors' fees or meetings allowances for Board and Board Committee meetings that they attend and are members of.

In 2010 the Executive Directors were offered options under the Company's Employees' Share Option Scheme ("ESOS") which was approved by shareholders at the Extraordinary General Meeting held on 27 May 2010 as a long term incentive plan with the objective to align the interest of the Senior Management with the shareholders and to motivate, retain and reward them by giving them the opportunity to participate in the equity of the Company and thereby, relate their contribution directly to the performance of the Group.

The Non-Executive Directors are not entitled to participate in any employee share scheme or variable performance-linked incentive scheme. They are entitled to fixed Directors' fees and Board Committee fees and meeting attendance allowances based on the number of meetings attended during the year. The Non-Executive Directors are entitled to overseas business trips and reimbursement of travel allowances.

The Board has not reviewed its remuneration policy for Non-Executive Directors since 2003. However an in-house benchmarking exercise was conducted in 2011 where it was noted that the Non-Executive Directors remuneration was placed in the Upper Quartile of the survey.

In 2013, the Board approved the increase in meeting attendance allowance from RM500 per sitting to RM1,000 per sitting. The meeting allowance applies to Board, Board Committee and general meetings of the Company.

In 2013, the Board also engaged an independent external consultant to provide a benchmarking analysis of the review of the Directors' fees against selected listed peer companies in Malaysia to the NRC and Board. Based on the said study, the Board is recommending a review of the existing Directors' fees for the financial year ended 31 December 2013 to reflect the increase in responsibilities of the Non-Executive Directors for shareholders' approval at the forthcoming 39<sup>th</sup> AGM. The Board's view is that it is timely to revise the Directors' fees since it was last revised in 2003 and to reflect the active engagement of the Board and the Group's diverse businesses. The Board approved the NRC's recommendation to increase the Directors' fees with effect from the year 2013 as follows:

- For Non-Executive Directors from RM60,000 to RM85,000 per annum
- For the Non-Executive Chairman at a factor of 1.5 times of the Non-Executive Directors from RM72,000 to RM127,500 per annum
- For the Non-Executive Deputy Chairman at a factor of 1.5 times of the Non-Executive Directors from RM60,000 to RM127,500 per annum

## STATEMENT ON CORPORATE GOVERNANCE

All the Directors have the benefit of Directors & Officers Liability Insurance in respect of any liabilities arising from acts committed in their capacity as Directors. The Directors are required to contribute jointly towards the premium of the said policy which is renewed annually.

Each individual Director abstains from the NRC and/or Board decision on his own remuneration package. Directors who are also shareholders abstain from the AGM decision on his own remuneration package.

The number of Directors whose remuneration falls under the bands of RM50,000 for the financial year 2013 in line with the disclosure requirements under the MMLR is as follows:

Remuneration Band (RM)	Number of Directors	
	Executive	Non-Executive
100,001 – 150,000	-	2
200,001 – 250,000	-	3
750,001 – 800,000	-	1
800,001 – 850,000	-	1
1,800,001 – 1,850,000	1	-
2,700,001 – 2,750,000	1	-

The Board is of the view that transparency and accountability with regard to Directors' remuneration is met by this disclosure method.

The Directors' aggregate remuneration for the financial year 2013 is as follows:

Remuneration (RM'000)	Executive	Non-Executive	Total
Salaries & other emoluments	3,863	1,522	5,385
Defined contribution plans	463	130	593
Fees	-	841	841
Share option granted under ESOS	228	-	228
Estimated money value of benefits-in-kind	268	83	351
Total	4,822	2,576	7,398



## STATEMENT ON CORPORATE GOVERNANCE

## FOSTERING COMMITMENT

## 1. Time Commitment

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities. This is evidenced by the attendance record of the Directors at Board and Board Committee meetings for 2013 as set out in the table. In addition to the four (4) scheduled meetings, one (1) Special Board meeting was held as well as a Board strategic retreat held in September. All Directors have complied with the minimum attendance of at least 50% of Board meetings held in the financial period pursuant to the MMLR.

Name of Director	Board		Group AC		NRC		GRC		ESOS Committee	
	No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings	
	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%	Attended/ Held	%
YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	5/5 (Chairman)	100	5/5	100	6/6 (Chairman)	100	-	-	1/1 (Chairman)	100
Dato Sri Mahmud Abu Bekir Taib	3/5 (Deputy Chairman)	60	-	-	6/6	100	-	-	1/1	100
Datuk Syed Ahmad Alwee Alsree	3/5	60	-	-	-	-	4/4 (Chairman)	100	0 <sup>^</sup>	0
Dato' Richard Curtis	5/5	100	-	-	-	-	4/4	100	-	-
General (R) Tan Sri Dato' Seri Mohd Zahidi Zainuddin	5/5	100	-	-	6/6	100	-	-	1/1	100
Datuk Wan Ali Tuan Ku Yubi **	4/5	80	-	-	1/2 <sup>+</sup>	50	3/4	75	1/1	100
Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	5/5	100	1/1 <sup>+</sup>	100	6/6	100	-	-	1/1	100
Datu Hubert Thian Chong Hui	5/5	100	4/4 <sup>#</sup>	100	4/4 <sup>@</sup>	-	-	-	-	-
Kevin How Kow	5/5	100	5/5 (Chairman)	100	-	-	4/4	100	-	-

\* Resigned on 12 March 2013

# Appointed on 12 March 2013

+ Resigned on 28 March 2013

@ Appointed on 28 March 2013

^ Resigned on 22 May 2013

\*\* Resigned as Director on 28 February 2014

To facilitate the Directors' time planning, an annual meeting calendar is prepared and circulated by the Group Company Secretary and agreed with the Directors before the commencement of each year. All the scheduled meetings dates for the Board, Board Committee and AGM as well as the Board strategic retreat are set in advance in the Directors' calendar for the year.

## STATEMENT ON CORPORATE GOVERNANCE

Directors also attend site and/or plant visits from time to time which are arranged with the respective senior management in the Group. In 2013, members of the Board visited the Cement Plant in Kuching and Samalaju Industrial Park in Bintulu. In addition, the Chairman of the Board meets with new management trainees and shares his experiences at Internal Audit workshops conducted by the Group Internal Audit Department annually.

### 2. Supply of Information to the Board

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 and Board Committee meeting notice, agenda items and papers are circulated at least one (1) week prior to the meeting.

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

The Chairman of the respective Board Committees reports to the Board on the outcome and/or key issues deliberated by the Board Committees at the Board meetings. Any recommendations for Board approval are also presented and deliberated prior to decision making.

### 3. Training

All Directors have attended the required Mandatory Accreditation Programme pursuant to the MMLR. 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.

In 2013, the Directors attended the following training programmes, conferences and seminars:

Training focus	Training programmes and conferences/seminars
Corporate Governance	<ul style="list-style-type: none"> <li>• 5<sup>th</sup> Annual Corporate Governance Summit – “Embedding the Culture of Voluntary Governance on Organization”</li> <li>• Breakfast Talk with Natasha Kamaladdin, Managing Partner and Director, Ethos &amp; Company – “Best of Corporate Malaysia &amp; Transformations”</li> <li>• Advocacy Sessions on Corporate Disclosure for Directors</li> <li>• Integrity Convention: Enforcement Agency Integrity Commission</li> </ul>
Financial/Audit	<ul style="list-style-type: none"> <li>• 2013 Corporate Fraud Conference in East Malaysia Financial Services Act 2013 – Key Implications; Basel III and its impact on Capital and Liquidity; New Audit Opinion, Accounting and other Regulatory Updates</li> <li>• New Financial Service Act &amp; Islamic Financial Service Act Mergers &amp; Acquisitions Conference 2013</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Disney Institute – Disney's Approach to Quality Service</li> <li>• MMBC 2013 Internationalisation of SMEs, Strategies &amp; Opportunities Conference</li> <li>• CEO Forum 2013 – The Rest of the World and Malaysia: External Challenges to Malaysia's Growth</li> <li>• Winning the War for Talent Program</li> <li>• 32<sup>nd</sup> Management Conference</li> <li>• Peace &amp; Security Forum 2013 – The Search for Human Security</li> </ul>
Investor Relations	<ul style="list-style-type: none"> <li>• The Sarawak Growth Story</li> </ul>

## STATEMENT ON CORPORATE GOVERNANCE

## BOARD COMMITTEES

The Board has established four (4) Committees to assist in discharging its duties. All Board Committees have written TOR which are in accordance with the recommendations of the Code. The said Board Committees' TOR are periodically reviewed by the Board and are available on the Company's website attached to the Board Charter at [www.cmsb.com.my](http://www.cmsb.com.my).

The proceedings and deliberations of Board Committees are reported at every Board meeting by the Chairman of the respective Board Committees.

## 1. Group Audit Committee

The TOR, composition and a summary of the activities of the Group AC are set out under the Group AC Report which is presented on pages 73 to 78 of this Annual Report. The Group AC meets at least four (4) times a year.

## 2. NRC

The Company has a combined Nomination Committee and Remuneration Committee where the same members are entrusted with the functions of both the Nomination Committee and Remuneration Committee. Members are mindful of their respective roles and deliberations at NRC meetings which are clearly demarcated in the TOR as well as the agenda of each meeting.

The Board accepted the recommendations to combine the Nomination and Remuneration Committees as their responsibilities are related or overlap but it is important that their focus is not diluted.

Membership of NRC is as follows:

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail - Chairman of NRC (Independent, Non-Executive)
Dato Sri Mahmud Abu Bekir Taib (Non-Independent, Non-Executive)
General (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin (Independent, Non-Executive)
Datuk Wan Ali Tuanku Yubi® (Non-Independent, Non-Executive)
Datu Michael Ting Kuok Ngie* (Non-Independent, Non-Executive)
Datu Hubert Thian Chong Hui^ (Independent, Non-Executive)

® Re-designated as Non-Independent Director on 12 March 2013, resigned as NRC member on 28 March 2013 and resigned as Director on 28 February 2014

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

^ Appointed on 28 March 2013

In line with Paragraph 15.08A of the MMLR, the membership of NRC was refreshed at the end of 2012 to comprise exclusively of Non-Executive Directors and subsequently in March 2013 to comprise a majority of its members being independent. The authority and responsibilities of the NRC are spelt out in its TOR which was reviewed and updated to reflect changes in regulations.

The NRC meets at least twice a year. In 2013 NRC held six (6) meetings. The attendance of NRC members is presented on page 65 of this Annual Report.

## STATEMENT ON CORPORATE GOVERNANCE

The main activities of the NRC carried out and/or fulfilled in 2013 are summarised as follows:

- Nominating Function
  - Annual assessment of Board and Board Committees (BEE for 2012)
  - Re-election and re-appointment of Directors at the 38<sup>th</sup> AGM
  - Appointment of CMS nominated representatives on the Boards of subsidiary companies
  - Renewal of contract for Chairman, Group MD and Senior Management
  - Review of Board and Senior Management Succession Planning
- Remuneration Function
  - Review of Directors' remuneration
  - 2012 and 2013 half year review of performance evaluation of Group MD and Senior Management
  - Approval of guidelines of performance contract payment and staff annual salary increment
  - Review of Group-wide Job Grade and Salary Structure
  - Review of the Group Human Resources Policies and Procedures Manual

The Company adopts a transparent and formal procedure for appointment of new Directors. The nomination process involves identification and evaluation of candidates and interviewing them followed by deliberation at an NRC meeting and recommendation by the NRC to the Board. The NRC considers and evaluates their competencies, skills, suitability, experience and other qualities prior to recommendation to the Board. Upon approval of the Board, new appointed Directors undergo an induction programme arranged by the Group Company Secretary to ensure they familiarise themselves quickly with the Group's businesses, vision, mission and values. New Directors also meet with Senior Management as well as make visits to the various operating businesses. In 2013, no new Directors were appointed to the Board.

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to election by shareholders at the first AGM after their appointment. One-third (1/3) of the Directors, or 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 AGM and they may offer themselves for re-election. All Directors must submit themselves for re-election at least once in every three (3) years.

At the 38<sup>th</sup> AGM held on 22 May 2013, three (3) Directors who retired by rotation under Article 110 of the Company's Articles of Association were re-elected by the shareholders. One (1) new Director who was appointed in 2012 and retired under Article 112 of the Company's Articles of Association was elected by the shareholders.

Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are over seventy (70) years of age shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM. At the 38<sup>th</sup> AGM held on 22 May 2013, one (1) Director who retired under Section 129(6) of the Companies Act, 1965 was re-appointed by the shareholders.

The re-appointment and re-election of Directors at the AGM are subject to prior assessment by the NRC and such Directors are requested to give their written consent on their re-appointment and re-election. In assessing the suitability of candidates, the NRC takes into account the competencies, contribution, commitment and other attributes as well as the peer assessment based on the BEE. The NRC also assesses the Board structure and balance including independence criteria. The NRC's recommendations are then submitted to the Board and shareholders respectively for approval.

## STATEMENT ON CORPORATE GOVERNANCE

## 3. GRC

The GRC was established by the Board in 2009 with the primary responsibility of ensuring the effective functioning of the risk management function at the Group level.

Membership of GRC is as follows:

Datuk Syed Ahmad Alwee Alsree - Chairman of GRC (Executive)
Dato' Richard Curtis (Executive)
Datuk Wan Ali Tuanku Yubi® (Non-Independent, Non-Executive)
Kevin How Kow (Independent, Non-Executive)
Datu Hubert Thian Chong Hui^ (Independent, Non-Executive)

® Re-designated as Non-Independent Director on 12 March 2013, resigned as Director on 28 February 2014 and ceased as member of GRC on 28 February 2014

^ Appointed on 17 March 2014

The GRC meets at least once every quarter. In 2013 GRC held four (4) meetings. The attendance of GRC members is presented on page 65 of this Annual Report.

## 4. ESOS Committee

The ESOS Committee was established by the Board in 2010 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.

Membership of ESOS Committee is as follows:

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail - Chairman of ESOS Committee (Independent, Non-Executive)
Dato Sri Mahmud Abu Bekir Taib (Non-Independent, Non-Executive)
Datuk Syed Ahmad Alwee Alsree^ (Executive)
General (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin (Independent, Non-Executive)
Datuk Wan Ali Tuanku Yubi® (Non-Independent, Non-Executive)
Datu Michael Ting Kuok Ngie* (Non-Independent, Non-Executive)

® Re-designated as Non-Independent Director on 12 March 2013, resigned as Director on 28 February 2014 and ceased as member of ESOS Committee on 28 February 2014

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

^ Resigned on 22 May 2013

## STATEMENT ON CORPORATE GOVERNANCE

The membership of the ESOS Committee was also refreshed in May 2013 to comprise exclusively of Non-Executive Directors. The authority and responsibilities of the ESOS Committee are spelt out in its TOR which is reviewed periodically.

The ESOS Committee meets at least once a year. Aside from the one (1) meeting which was held in 2013, a total of twenty four (24) Circular Resolutions pertaining to the exercise of options under the Company's ESOS were passed and approved by the Committee after verification by the Internal Audit Department. The frequency of these Circular Resolutions reflects the active participation of the Grantees in subscribing for the options under the Company's ESOS and the ESOS Committee members' level of commitment in ensuring the timely recommendation to the Board to approve the allotment and issuance of new CMS shares thereon. The attendance of ESOS Committee members is presented on page 65 of this Annual Report.

### ACCOUNTABILITY AND AUDIT

#### 1. 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 is assisted by the Group AC in overseeing the Group's financial reporting processes and the quality of the financial reporting.

#### 2. Directors' Responsibility Statement

The Directors have also provided assurance that the financial statements prepared for each financial year give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results and cash flow of the Group as required by the Act.

The Statement of Responsibility by Directors in respect of the audited financial statements of the Company and Group is outlined on page 84 of this Annual Report.

#### 3. Internal Controls and Risk Management

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.

The Directors' Statement on Risk Management and Internal Control which provides an overview of the state of internal controls within the Group is outlined on pages 79 to 81 of this Annual Report.

### CONDUCT

#### 1. Related Party Transactions

The Group AC, with the assistance of the 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 that may arise including any transaction, procedure or course of conduct that raises questions of management integrity. The Internal Audit Department carries out a review of significant new recurrent related party transactions to ensure full compliance with the established procedures. The results of this annual review are tabled to the Group AC meetings and thereafter reported to the Board.

Details of the related party transactions are disclosed in Note 42 of the Audited Financial Statements on pages 180 to 182 of this Annual Report.

#### 2. Disclosure of Interest

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 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 the Company, 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.



## STATEMENT ON CORPORATE GOVERNANCE

## EFFECTIVE COMMUNICATIONS

## 1. Shareholders and Investors

The Board recognises the need for and the importance of effective communication with shareholders and the investment community. Continuous engagement is maintained with the investing community through a planned IR programme managed by the Group MD and Group CFO. This is supported by a dedicated Investor Relations section on the Group's website at [www.cmsb.com.my](http://www.cmsb.com.my) which details, amongst others, contact details and up to date share prices.

## 2. External Auditors

The Group AC meets with the 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 AC and approved by the Board. The Group AC also reviews the proposed fees for audits and non-audit services and makes recommendations for Board approval.

The Group AC places great emphasis on the objectivity and independence of the external auditors and, as such, undertakes an annual assessment of the objectivity, independence and quality of service delivery of the external auditors. The external auditors' presence is requested at the Company's AGM to attend to any issues raised by the shareholders. In February 2014, the Group AC assessed the independence of Messrs. Ernst & Young ("EY") as external auditors of the Company for 2013. Overall, the Group AC was satisfied with EY's objectivity, independence and performance for 2013 and recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming 39<sup>th</sup> AGM.

The details of the statutory audit, audit-related and non-audit fees approved in 2013 to the external auditors are set out below:

	RM'000
Fees paid/payable to EY and its affiliates	
• Audit services	634
• Non-audit services including tax services	518
<b>Total</b>	<b>1,152</b>

## 3. Internal Audit Department

The Company has an established Internal Audit Department which assists the Group AC 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 AC 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 AC and his findings and recommendations are communicated to the Board via the Group AC.

A statement on the Internal Audit Function is presented on page 78 of this Annual Report.

## 4. Internal Corporate Disclosure Policy and Procedures

The Board has adopted an internal Corporate Disclosure Policy and Procedures to facilitate the handling and disclosure of material information in a timely and accurate manner. The internal Corporate Disclosure Policy and Procedures, which will be reviewed periodically, is available on the Company's website at [www.cmsb.com.my](http://www.cmsb.com.my).

## STATEMENT ON CORPORATE GOVERNANCE

### 5. Annual General Meeting

The AGM is especially important for individual shareholders as it provides the main forum for direct dialogue with the Board. At the AGM, the Chairman briefs the members, proxies and corporate representatives present of their right to speak and vote on the resolutions set out in the Notice of AGM and invites them to raise questions on items on the agenda before putting each resolution to vote. Appropriate answers are provided by the Board members or Chairman of the respective Board Committees. The Group MD presents a comprehensive review of the Group's operating and financial performance and reads out the Company's responses to queries and/or comments submitted in advance of the AGM by the Minority Shareholder Watchdog Group.

The 38<sup>th</sup> AGM of the Company was held on 22 May 2013 at the Pullman Hotel, Kuching. The Notice of Meeting attached to the Annual Report was distributed to the shareholders. The 38<sup>th</sup> AGM was attended by shareholders comprising registered individuals, proxies and corporate representatives. There was a forum for the shareholders to raise questions and/or issues at the AGM regarding the Group's performance for the financial year 2012 which the Directors appropriately addressed. This was followed by the Group MD's presentation of an overview of the Group's operating and financial performance for 2012. Suggestions which were received from the shareholders at the Company's AGM are considered for implementation, where appropriate.

The Notice of Meeting for the 39<sup>th</sup> AGM has been enhanced to include all relevant information in regard to shareholders' rights and explanatory notes on resolutions to be tabled as special business. The Board shall consider the use of electronic voting for both show of hands and polling, to facilitate greater shareholder participation, taking into consideration its reliability, applicability, cost and efficiency.

### 6. Timely and Effective Dissemination of Information

During the financial year 2013, CMS released 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.

Bursa Securities also provides for the Company to electronically publish all its announcements, including the full version of its Annual Report and quarterly financial results. These can be accessed online through Bursa Malaysia's website at <http://announcements.bursamalaysia.com.my> and the Company's website at [www.cmsb.com.my](http://www.cmsb.com.my).

### COMPLIANCE STATEMENT

This Statement on the Company's Corporate Governance practices is made in compliance with Paragraph 15.25 of the MMLR. The Board is satisfied that in 2013, the Company has fully applied the broad Principles set out in the Code.

**This Statement is made in accordance with the Board's approval on 17 March 2014.**

# 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 2013.

## 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 on 12 March 2013)  
(Non-Independent, Non-Executive Director)

## Terms of Reference of the Group Audit Committee

### 1. Constitution

- a) The Committee was established by a resolution of the Board on 27 March 1995.
- b) The functions of the Committee shall extend to CMS Group of Companies collectively referred to as the “Group”.
- c) 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. Composition

- a) 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, and comprise a majority of independent directors as defined below:
  - is not an executive director of the Company or its related corporation;
  - is not a major shareholder of the Company or its related corporation;
  - is not a relative of any executive director, officer or major shareholder of the Company or its related corporation (“relative” means the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child);
  - is not acting as a nominee or representative of any executive director or major shareholder of the Company or its related corporation;
  - is not engaged as an adviser by the Company or its related corporation or is not presently a partner, director (except as an Independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to the said corporation; or
  - has not engaged in any transaction with the Company or its related corporation or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of the Company) which has engaged in any transaction with the Company or its related corporation.

## GROUP AUDIT COMMITTEE REPORT

- b) At least one member of the Committee:
  - must be a member of the Malaysian Institute of Accountants (MIA); or
  - 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
  - fulfills such other requirements as prescribed or approved by Bursa Securities.
- c) The members of the Committee shall elect from among their number a Chairman who is an independent director.
- d) Where the Members for any reason are reduced to less than three (3), the Board shall within three (3) months of the event, appoint such number of new Members as may be required to make up the minimum number of three (3) Members.
- e) All Members shall hold office only for so long as they serve as Directors of the Company.
- f) Members of the Committee may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Directors of the Company.
- g) The Secretary of the Committee shall be the Group Company Secretary.

### 3. Duties

The duties of the Committee are:-

- a) review the following and report the same to the Board of Directors of the Company:
  - with the external auditor, the audit plan;
  - with the external auditor, his evaluation of the system of internal controls;
  - with the external auditor, his audit report;
  - the assistance given by the employees of the CMS Group to the external auditor;
  - the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
  - the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - the quarterly results and year end financial statements, before the approval by the Board of Directors, focusing particularly on -
    - changes in or implementation of major accounting policy changes;
    - significant and unusual events; and
    - compliance with accounting standards and other legal requirements;
  - any related party transaction and conflict of interests situation that may arise within the CMS Group including any transaction, procedure or course of conduct that raises questions of management integrity;
  - any letter of resignation from the external auditors of the CMS Group;
  - whether there is reason (supported by grounds) to believe that the CMS Group's external auditor is not suitable for re-appointment; and
  - verify the allocation of options pursuant to the Company's share issuance scheme at the end of each financial year.
- b) recommend the nomination of a person or persons as external auditors;

## GROUP AUDIT COMMITTEE REPORT

- c) approval of appointment or termination of the Group Internal Auditor and to ensure that the Group Internal Audit function has an independent status within the CMS Group;
- d) appraisal or assessment of the performance of staff of the internal audit function;
- e) direct any special investigations on the CMS Group's operations to be carried out by the Group Internal Audit Division or any other appropriate agencies;
- f) 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 CMS Group, where necessary;
- g) perform other related duties as may be agreed by the Committee and the Board of Directors; and
- h) assess, review, update and recommend any changes to its terms of reference to the Board of Directors for approval pursuant to changes to the relevant regulatory requirements or when there are changes to the direction and/or strategies of the Company that may affect the Committee's role.

### 4. Authority

- a) The Committee is authorised to investigate any matter within its terms of reference. In carrying out its duties and responsibilities, the Committee shall have the following powers:
  - Full, free and unrestricted access to any information, records, properties and personnel of the CMS Group in respect of risks that have been identified;
  - To obtain independent professional advice and expertise necessary for the performance of its duties; and
  - All Members shall have access to the advice and services of the Group Company Secretary.
- b) 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.

### 5. Meetings and Minutes

- a) The Committee shall meet as and when required upon request by the Members, provided that the Committee shall meet at least quarterly.
- b) The Chairman of the Committee, or the Secretary on the requisition of the Members, shall at any time summon a meeting of the Members by giving five (5) days' notice.
- c) The Group Chairman shall always be invited to attend meetings of the Committee.
- d) No business shall be transacted at any meeting of the Committee unless a quorum is present. The quorum of each meeting shall be a majority of independent directors.
- e) If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall be dissolved. The meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day and as such other time and place as the Members may determine. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting, the meeting shall be dissolved. In the event the meeting is dissolved due to insufficient quorum and/or a disagreement arises between the Members of the Committee which is not resolved, such matter(s) shall be tabled to the Board for deliberation and/or decision.

## GROUP AUDIT COMMITTEE REPORT

- f) Attendance at a meeting may be by being present in person or by participating in the meeting by means of video or teleconference.
- g) In the event of equality of votes, the Chairman shall have a casting vote.
- h) 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 and the Group Internal Auditor. The Committee may at their discretion and as the need arises, invite one or more persons of relevant expertise to attend the meeting.
- i) Draft minutes of each meeting shall be distributed to each Member of the Committee within one (1) week of the meeting.
- j) Minutes of each meeting shall be kept at the registered office of the Company under the custodian of the Company Secretary. The Minutes shall be open for the inspection of the Board, external auditor, internal auditor, management and other persons deemed appropriate (subject to prior consent of the Chairman of the Committee) by the Company Secretary.
- k) The Chairman shall provide to the Board a summary of the proceedings, signed by the Chairman of the Committee, after each meeting.
- l) The Committee may deal with matters by way of circular resolutions in lieu of convening a formal meeting.
- m) All recommendations and findings of the Committee shall be submitted to the Board for approval. Upon such approval, the Secretary shall distribute to each Member a copy of the said approval.

### Meetings in 2013

During the year ended 31 December 2013, 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 Hubert Thian Chong Hui	4/4 (100%)
Datu Michael Ting Kuok Ngie	1/1 (100%)

The Committee held two meetings with the external auditors on 28 March 2013 and 26 November 2013 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 2013

The Committee carried out its duties in accordance with its term of reference during the financial year and up to end March 2014. 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;



## GROUP AUDIT COMMITTEE REPORT

- Review of major litigation, claims and / or issues that may have substantial financial impact;
- 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 and approved 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 the recommendation to the board on final dividend for the year ended 31 December 2013;
- Reviewed the Statement on Risk Management and Internal Control (including the related Engagement Letter from Ernst & Young) 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.
- Reviewed the Audit Committee's and Internal Audit's Terms of References.

### 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 2013 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.

## GROUP AUDIT COMMITTEE REPORT

### 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 efficiency and effectiveness have been provided to both operations management and the Committee.

The Group Internal Audit Department is staffed by a team of 7 and the cost of maintaining the function in 2013 amounted to RM1,324,252 (2012: RM1,084,640).

**This statement is made in accordance with a resolution of the Board of Directors dated 17 March 2014.**

# 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 Group's assets. This Statement prepared in accordance with paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") and Practice Note 9 of Bursa Malaysia Securities Berhad ("Bursa Securities") has been approved by the Board of Cahya Mata Sarawak Berhad ("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 risk management and 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, fraud 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 Group'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 are 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 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 effectiveness of the risk management function at the Cahya Mata Sarawak Berhad 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's information and approval as appropriate.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 the responsibility of 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's 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 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 authorisation levels for all aspects of the businesses. Such delegation is subject to periodic review throughout the year as to their implementation and for their continuing suitability.
- Clearly documented internal procedures set out in the Group Financial Policies and Procedures Manual.
- A detailed Group Procurement Policies and Procedures Manual to regulate procurement of goods and services in the Group. This includes the centralisation of competitive sourcing and evaluation of major purchases to leverage on the Group's buying power and the establishment of a Central Tender Committee which has responsibility to review and endorse all high value purchases in the Group.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- 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.
- 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 17 March 2014.**

# 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 38<sup>th</sup> Annual General Meeting held on 22 May 2013, 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.

On 9 May 2013, the Company had re-sold 12,480,100 ordinary shares of RM1.00 each held in treasury at RM3.71 per share at total consideration of RM46,301,171.00\*. As at the end of financial year ended 31 December 2013, a total of 801,000 ordinary shares of RM1.00 each were re-purchased from the open market and retained as treasury shares pursuant to the share buy-back authority.

Below is the monthly breakdown of the shares bought back during the financial year ended 31 December 2013:

Month	No. of Shares Purchased	Price		Total Consideration* (RM)	Average Cost (RM)
		Highest (RM)	Lowest (RM)		
January	1,098,000	3.35	3.00	3,540,976.79	3.22
February	1,085,500	3.08	2.99	3,285,861.49	3.03
March	1,051,000	3.16	3.04	3,264,881.84	3.11
April	1,284,000	3.34	3.01	4,106,603.35	3.20
May	384,800	3.34	3.28	1,275,282.46	3.31
September	801,000	4.60	4.43	3,628,907.32	4.53

\* Inclusive of transaction cost

## 3. Options, Warrants or Convertible Securities

During the financial year ended 31 December 2013, a total of 7,267,800 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 RM518,000.00 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 2013 and the unaudited financial results for the year ended 31 December 2013 announced by the Company on 26 February 2014.



**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 38<sup>th</sup> Annual General Meeting held on 22 May 2013, 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 42 of the Audited Financial Statements 2013.

# 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 2013.

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 2013 set out on pages 94 to 196, 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 17 March 2014.**



# 2013

## Financial Statements

# 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 2013.

## 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 for the year attributable to:		
- Owners of the Company	175,072	32,676
- Non-controlling interests	40,476	-
	215,548	32,676

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 2012 were as follows:

In respect of the financial year ended 31 December 2012 as reported in the directors' report of that year:

	RM'000
Final dividend of 12% less 25% taxation, on 336,425,440 ordinary shares, declared on 29 April 2013 and paid on 21 June 2013	30,278

## DIRECTORS' REPORT

**Dividends (cont'd.)**

In respect of the financial year ended 31 December 2013:

RM'000

Interim dividend of 5% less 25% taxation, on 338,438,640 ordinary shares, declared on 30 August 2013 and paid on 18 October 2013	12,692
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At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2013, of 12% per share on 338,902,540 ordinary shares, amounting to a dividend payable of RM40,668,305 (12 sen 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 2014.

**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:

YAM 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	(Resigned on 28 February 2014)
Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	
Datu Hubert Thian Chong Hui	
Kevin How Kow	

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, Dato Sri Mahmud Abu Bekir Taib and General (R) Tan Sri Dato' Seri Mohd Zahidi bin Zainuddin retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**Directors' benefits**

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 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 42 to the financial statements.

## DIRECTORS' REPORT

### 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 1.1.2013	Disposed	At 31.12.2013
Direct interest:			
Dato Sri Mahmud Abu Bekir Taib	29,400,085	-	29,400,085
General (R) Tan Sri Dato' Seri Mohd Zahidi bin Zainuddin	50,000	(50,000)	-
Indirect interest*:			
Datuk Syed Ahmad Alwee Alsree	45,630,102	-	45,630,102
Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	19,000	-	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 1.1.2013 and 31.12.2013
Datuk Syed Ahmad Alwee Alsree	1,000,000
Dato' Richard Alexander John Curtis	950,000

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

### Issue of shares

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM332,435,740 to RM339,703,540 by way of the issuance of 7,267,800 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 and RM2.23 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

During the financial year, the Company repurchased 5,704,300 (2012: 7,576,800) of its issued ordinary shares from the open market at an average price of RM3.35 per share and 12,480,100 treasury shares were re-sold in the market at RM3.71 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 2013, the number of outstanding ordinary shares in issue after set-off of treasury shares is therefore 338,902,540 (2012: 324,858,940) ordinary shares of RM1 each.



## DIRECTORS' REPORT

**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.

No options were granted to any persons during the financial year. The salient features and other terms of the ESOS are disclosed in Note 39 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 1.1.2013	Exercised	At 31.12.2013
Syed Hizam bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff	850,000	(200,000)	650,000
Dato Isaac Lugun	850,000	(510,000)	340,000
Othman bin Abdul Rani	275,000	(165,000)	110,000
Azam bin Azman	275,000	(68,000)	207,000
Goh Chii Bing	250,000	-	250,000
Lim Jit Yaw	225,000	(15,000)	210,000
Ling Koah Wi	225,000	(20,000)	205,000
Woo Yoke Meng	200,000	(100,000)	100,000

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

**Other statutory information**

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

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

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

- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
- (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

**DIRECTORS' REPORT****Other statutory information (cont'd.)**

- (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.

**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 21 March 2014.



**YAM Tan Sri Dato' Seri Syed Anwar Jamalullail**



**Dato' Richard Alexander John Curtis**

# STATEMENT BY DIRECTORS

Pursuant 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 94 to 195 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 2013 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 21 March 2014.



**YAM 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 94 to 196 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 21 March 2014



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

Before me,




# INDEPENDENT AUDITORS' REPORT

to the Members of Cahya Mata Sarawak Berhad  
(Incorporated In Malaysia)

## Report on the financial statements

We have audited the financial statements of **Cahya Mata Sarawak Berhad**, which comprise statements of financial position as at 31 December 2013 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 94 to 195.

### *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 is 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 2013 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.

## INDEPENDENT AUDITORS' REPORT

### to the Members of Cahya Mata Sarawak Berhad (Incorporated 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.

#### Other reporting responsibilities

The supplementary information set out in Note 49 on page 196 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

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: 21 March 2014



**YONG VOON KAR**

1769/04/16 (J/PH)

Chartered Accountant

# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Revenue</b>	4	1,416,841	1,203,565	72,233	46,685
Cost of sales		(1,066,038)	(906,041)	(16,294)	(11,814)
<b>Gross profit</b>		350,803	297,524	55,939	34,871
<b>Other items of income</b>					
Interest income	5	617	524	-	-
Other income	6	19,326	16,129	11,737	11,339
<b>Other items of expense</b>					
Administrative expenses		(60,189)	(54,775)	(32,889)	(28,368)
Selling expenses		(10,525)	(8,985)	-	-
Finance costs	7	(4,533)	(11,473)	-	(6,494)
Other expenses		(7,461)	(16,128)	(879)	-
Share of results of associates		6,628	3,134	-	-
Share of results of joint ventures		228	956	-	-
<b>Profit before tax</b>	8	294,894	226,906	33,908	11,348
Income tax expense	11	(79,346)	(60,279)	(1,232)	(3,338)
<b>Profit net of tax</b>		215,548	166,627	32,676	8,010
<b>Other comprehensive income</b>					
Foreign currency translation, net of tax		17	8	-	-
Share of other comprehensive income of associates, net of tax		(4,770)	(30)	-	-
<b>Other comprehensive income for the year, net of tax</b>		(4,753)	(22)	-	-
<b>Total comprehensive income for the year</b>		210,795	166,605	32,676	8,010
<b>Profit attributable to:</b>					
Owners of the Company		175,072	135,735	32,676	8,010
Non-controlling interests		40,476	30,892	-	-
		215,548	166,627	32,676	8,010
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		170,512	135,726	32,676	8,010
Non-controlling interests		40,283	30,879	-	-
		210,795	166,605	32,676	8,010
<b>Earnings per share attributable to owners of the Company (sen per share):</b>					
Basic	12(a)	52.56	41.39		
Diluted	12(b)	52.12	41.18		

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



# STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	499,673	488,578	4,429	4,383
Prepaid land lease payments	14	17,501	17,782	10,564	10,990
Land held for property development	15(a)	65,954	63,511	-	-
Investment properties	16	5,743	5,860	21,380	21,791
Intangible assets	17	230	1,175	34	443
Goodwill	18	61,709	61,709	-	-
Investments in subsidiaries	19	-	-	783,609	743,920
Investments in associates	20	380,528	337,383	57,063	57,063
Investments in joint ventures	21	3,945	3,948	-	-
Deferred tax assets	22	23,007	18,124	724	424
Other receivables	24	9,379	-	11,135	2,582
Investment securities	27	7,169	428	-	-
		1,074,838	998,498	888,938	841,596
Current assets					
Property development costs	15(b)	147,546	131,133	-	-
Inventories	23	130,546	106,735	-	-
Trade and other receivables	24	267,398	253,766	120,609	88,792
Other current assets	25	25,362	12,304	-	-
Investment securities	27	127,068	107,444	126,012	106,948
Tax recoverable		3,196	6,345	2,647	5,446
Cash and bank balances	28	613,708	524,015	579,392	493,129
		1,314,824	1,141,742	828,660	694,315
Asset classified as held for sale	29	34,230	-	-	-
		1,349,054	1,141,742	828,660	694,315
TOTAL ASSETS		2,423,892	2,140,240	1,717,598	1,535,911

## STATEMENTS OF FINANCIAL POSITION

as at 31 December 2013

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
EQUITY AND LIABILITIES					
Current liabilities					
Income tax payable		23,395	20,522	-	-
Loans and borrowings	30	73,013	40,729	-	-
Trade and other payables	33	340,106	306,689	620,195	473,635
Other current liabilities	34	14,799	3,785	-	-
		451,313	371,725	620,195	473,635
Net current assets		897,741	770,017	208,465	220,680
Non-current liabilities					
Deferred tax liabilities	22	33,712	32,496	-	-
Loans and borrowings	30	27,089	49,096	-	-
Trade and other payables	33	24,072	-	-	-
		84,873	81,592	-	-
TOTAL LIABILITIES		536,186	453,317	620,195	473,635
Net assets		1,887,706	1,686,923	1,097,403	1,062,276
Equity attributable to owners of the Company					
Share capital	35	339,704	332,436	339,704	332,436
Treasury shares	35	(3,629)	(23,319)	(3,629)	(23,319)
Share premium	36	448,663	433,821	448,660	433,818
Other reserves	37	14,286	19,302	177,280	180,028
Retained earnings	38	855,093	718,683	135,388	139,313
		1,654,117	1,480,923	1,097,403	1,062,276
Non-controlling interests		233,589	206,000	-	-
TOTAL EQUITY		1,887,706	1,686,923	1,097,403	1,062,276
TOTAL EQUITY AND LIABILITIES		2,423,892	2,140,240	1,717,598	1,535,911

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 2013

Attributable to owners of the Company									
Equity			Non-distributable			Distributable			
	Equity, total	Attributable to owners of the Company	Share capital (Note 35)	Treasury shares (Note 35)	Share premium (Note 36)	Other reserves (Note 37)	Retained earnings	Non- controlling interests	
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Opening balance at 1 January 2013									
Total comprehensive income	1,686,923	1,480,923	332,436	(23,319)	433,821	19,302	718,683	206,000	
Transactions with owners									
Acquisition of treasury shares	(19,102)	(19,102)	-	(19,102)	-	-	-	-	
Disposal of treasury shares	45,161	45,161	-	38,792	-	-	6,369	-	
Grant of equity-settled share options to employees	3,322	3,322	-	-	-	3,322	-	-	
Exercise of employee share options	16,040	16,040	7,268	-	14,842	(6,070)	-	-	
Share of associate's reserves	-	-	-	-	-	2,061	(2,061)	-	
Acquisition of non-controlling interests	-	231	-	-	-	231	-	(231)	
Dividends on ordinary shares	(42,970)	(42,970)	-	-	-	-	(42,970)	-	
Dividends paid to non-controlling interests	(12,463)	-	-	-	-	-	-	(12,463)	
Total transactions with owners	(10,012)	2,682	7,268	19,690	14,842	(456)	(38,662)	(12,694)	
Closing balance at 31 December 2013									
	1,887,706	1,654,117	339,704	(3,629)	448,663	14,286	855,093	233,589	

## STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2013

Group (cont'd.)	Note	Attributable to owners of the Company					Distributable		
		Equity, total	Equity attributable to owners of the Company	Share capital (Note 35)	Treasury shares (Note 35)	Share premium (Note 36)	Other reserves (Note 37)	Retained earnings	Non-controlling interests
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Opening balance at 1 January 2012</b>									
Effect of transition to MFRS		1,600,748	1,414,815	329,481	-	427,590	36,655	621,089	185,933
		1,277	1,210	-	-	-	(10,371)	11,581	67
As restated		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
<b>Transactions with owners</b>									
Acquisition of treasury shares		(23,319)	(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)	-	-
Share of associate's reserves		(9,234)	(8,791)	-	-	-	(8,400)	(391)	(443)
Dividends on ordinary shares	47	(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)
<b>Closing balance at 31 December 2012</b>		1,686,923	1,480,923	332,436	(23,319)	433,821	19,302	718,683	206,000

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 2013

Company	Note	Equity, total RM'000	Non-distributable				Distributable
			Share capital (Note 35) RM'000	Treasury shares (Note 35) RM'000	Share premium (Note 36) RM'000	Other reserves (Note 37) RM'000	
<b>Opening balance at 1 January 2013</b>							
Total comprehensive income		1,062,276	332,436	(23,319)	433,818	180,028	139,313
<b>Transactions with owners</b>							
Grant of equity-settled share options to employees		3,322	-	-	-	3,322	-
Exercise of employee share options		16,040	7,268	-	14,842	(6,070)	-
Acquisition of treasury shares		(19,102)	-	(19,102)	-	-	-
Disposal of treasury shares		45,161	-	38,792	-	-	6,369
Dividends on ordinary shares	47	(42,970)	-	-	-	-	(42,970)
Total transactions with owners		2,451	7,268	19,690	14,842	(2,748)	(36,601)
<b>Closing balance at 31 December 2013</b>							
		1,097,403	339,704	(3,629)	448,660	177,280	135,388
<b>Opening balance at 1 January 2012</b>							
Effect of transition to MFRS		1,116,303	329,481	-	427,587	191,234	168,001
As restated		-	-	-	-	(12,633)	12,633
Total comprehensive income		1,116,303	329,481	-	427,587	178,601	180,634
Total comprehensive income		8,010	-	-	-	-	8,010
<b>Transactions with owners</b>							
Grant of equity-settled share options to employees		4,112	-	-	-	4,112	-
Exercise of employee share options		6,501	2,955	-	6,231	(2,685)	-
Acquisition of treasury shares		(23,319)	-	(23,319)	-	-	-
Dividends on ordinary shares	47	(49,331)	-	-	-	-	(49,331)
Total transactions with owners		(62,037)	2,955	(23,319)	6,231	1,427	(49,331)
<b>Closing balance at 31 December 2012</b>							
		1,062,276	332,436	(23,319)	433,818	180,028	139,313

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 2013

Group	Note	2013 RM'000	2012 RM'000
<b>Operating activities</b>			
Profit before tax		294,894	226,906
<u>Adjustments for:</u>			
Amortisation of intangible assets	8	965	1,113
Amortisation of prepaid land lease payments	8	747	725
Amortisation of transaction costs	7	-	265
Bad debts written off	8	690	717
Depreciation of property, plant and equipment	8	82,484	51,552
Depreciation of investment properties	8	117	118
Dilution loss arising from deemed disposal of an associate	8	-	5,000
Gain on redemption of redeemable preference shares	6	(996)	(83)
Grant of equity-settled share options to employees	9	3,322	4,112
Gross dividend income	4/6	(15,710)	(12,738)
Impairment loss on trade and other receivables	8	428	2,564
Impairment loss on investment in an associate	8	3,125	3,126
Interest expense	7	3,835	10,870
Interest income	4/5	(5,590)	(10,616)
Inventories written down	8	30	58
Inventories written off	8	764	1,697
Loss on liquidation of an associate	8	-	74
Net fair value changes in investment securities	6	(2,436)	(622)
Net gain on disposal of property, plant and equipment	6/8	(500)	(982)
Net realised gain on disposal of investment securities	6	(1,285)	(948)
Project under study written off	8	4	26
Property, plant and equipment written off	8	28	22
Reversal of impairment loss on trade receivables	6	(3,144)	(7,029)
Reversal of allowance for obsolete inventories	6	-	(216)
Share of results of associates		(6,628)	(3,134)
Share of results of joint ventures		(228)	(956)
Unrealised foreign exchange gain	8	(827)	(923)
Total adjustments		59,195	43,792
<b>Operating cash flows before changes in working capital</b>		<b>354,089</b>	<b>270,698</b>
<u>Changes in working capital</u>			
(Increase)/decrease in property development costs		(16,413)	3,697
Increase in land held for development		(2,443)	(202)
Increase in inventories		(24,605)	(17,941)
(Increase)/decrease in other current assets		(13,007)	523
Increase in receivables		(54,962)	(56,614)
Increase in payables		57,831	71,247
Increase/(decrease) in other current liabilities		11,014	(5,777)
Total changes in working capital		(42,585)	(5,067)
<b>Cash flows from operations</b>		<b>311,504</b>	<b>265,631</b>



## STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2013

Group (cont'd.)	Note	2013 RM'000	2012 RM'000
Interest received		5,590	10,616
Interest paid		(4,177)	(11,642)
Income taxes paid, net of refund		(76,949)	(45,511)
<b>Net cash flows from operating activities</b>		<b>235,968</b>	<b>219,094</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	13	(94,139)	(81,789)
Additions to prepaid land lease payments	14	(466)	-
Proceeds from disposal of property, plant and equipment		980	1,268
Proceeds from disposal of investment securities		99,461	32,934
Additional costs incurred on intangible assets	17	(20)	-
Additional investments in associates		(50,919)	(63,561)
Redemption of redeemable preference shares		4,534	1,754
Dividends received from associates	20(b)	2,969	3,411
Dividends received from investments		15,668	12,079
Acquisition of investment securities		(121,517)	(50,083)
Capital repayment by joint ventures		200	-
Additional investment in joint ventures		-	(300)
Distribution of profit from joint ventures		31	936
<b>Net cash flows used in investing activities</b>		<b>(143,218)</b>	<b>(143,351)</b>
<b>Financing activities</b>			
Drawdown of borrowings		106,780	84,013
Increase in deposits pledged to licensed banks	28	(1,763)	-
Increase in wholesale fund pledged to a licensed bank	28	(23,000)	-
Repayment of borrowings		(96,503)	(124,428)
Repayment of CMS Income Securities	31	-	(85,000)
Proceeds from exercise of employee share options	39(b)	16,040	6,501
Dividends paid to owners of the Company	47	(42,970)	(49,331)
Dividends paid to non-controlling interests		(12,463)	(10,436)
Acquisition of treasury shares	35(b)	(19,102)	(23,319)
Net proceeds from disposal of treasury shares	35(b)	45,161	-
<b>Net cash flows used in financing activities</b>		<b>(27,820)</b>	<b>(202,000)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>64,930</b>	<b>(126,257)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>524,015</b>	<b>650,272</b>
<b>Cash and cash equivalents at 31 December</b>	28	<b>588,945</b>	<b>524,015</b>

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 2013

Company	Note	2013 RM'000	2012 RM'000
<b>Operating activities</b>			
Profit before tax		33,908	11,348
Adjustments for:			
Amortisation of intangible assets	8	429	458
Amortisation of prepaid land lease payments	8	426	426
Amortisation of transaction costs	7	-	265
Depreciation of property, plant and equipment	8	953	1,001
Depreciation of investment properties	8	661	673
Gain on disposal of property, plant and equipment	6	-	(1)
Grant of equity-settled share options to employees	9	791	1,076
Gross dividend income	4	(61,588)	(33,092)
Reversal of impairment loss of a subsidiary	8	(30,807)	-
Reversal of impairment loss on trade and other receivables	6	-	(2,492)
Interest expense	7	16,195	17,947
Interest income	4	(10,045)	(12,993)
Net fair value changes in investment securities	6	(2,426)	(626)
Net realised gain on disposal of investment securities	6	(1,285)	(948)
Waiver of amount owing by subsidiaries	8	30,871	-
Total adjustments		(55,825)	(28,306)
<b>Operating cash flows before changes in working capital</b>		(21,917)	(16,958)
<b>Changes in working capital</b>			
Increase in receivables		(41,025)	(31,506)
Increase in payables		146,560	129,001
Total changes in working capital		105,535	97,495
<b>Cash flows from operations</b>		83,618	80,537
Interest received		10,045	12,993
Interest paid		(16,195)	(18,719)
Tax refunded		2,296	3,410
<b>Net cash flows from operating activities</b>		79,764	78,221

## STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2013

Company (cont'd.)	Note	2013 RM'000	2012 RM'000
<b>Investing activities</b>			
Acquisition of property, plant and equipment	13	(999)	(766)
Proceeds from disposal of property, plant and equipment		-	5
Acquisition of investment securities		(114,224)	(49,455)
Proceeds from disposal of investment securities		99,461	32,934
Additional costs incurred on investment properties	16	(250)	(38)
Additional costs incurred on intangible assets	17	(20)	-
Dividends received		60,559	27,560
Subscription of additional shares in existing subsidiaries	19	(38,162)	(48,000)
Acquisition of a subsidiary	19	(1,527)	-
Acquisition of additional interest in an existing associate		-	(24,761)
<b>Net cash flows from/(used in) investing activities</b>		<b>4,838</b>	<b>(62,521)</b>
<b>Financing activities</b>			
Repayment of CMS Income Securities	31	-	(85,000)
Increase in deposit pledged to a licensed bank	28	(210)	-
Increase in wholesale fund pledged to a licensed bank	28	(23,000)	-
Dividends paid on ordinary shares	47	(42,970)	(49,331)
Proceeds from subsidiaries for allocation of share options to their employees		2,532	3,036
Proceeds from exercise of employee share options	39(b)	16,040	6,501
Acquisition of treasury shares	35(b)	(19,102)	(23,319)
Net proceeds from disposal of treasury shares	35(b)	45,161	-
<b>Net cash flows used in financing activities</b>		<b>(21,549)</b>	<b>(148,113)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>63,053</b>	<b>(132,413)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>493,129</b>	<b>625,542</b>
<b>Cash and cash equivalents at 31 December</b>	<b>28</b>	<b>556,182</b>	<b>493,129</b>

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 2013

## 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.

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

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

On 1 January 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013:

- Amendments to MFRS 101, Presentation of Items of Other Comprehensive Income
- 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 (IAS 19 as amended by IASB in June 2011)
- MFRS 127, Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 127, Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
- MFRS 128, Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- 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

## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.2 Changes in accounting policies (cont'd.)

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

- **Amendments to MFRS 101: Presentation of Items of Other Comprehensive Income**

The amendments to MFRS 101 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ("recycled") to profit or loss at a future point in time (eg. net loss or gain on available-for-sale financial assets) have to be presented separately from items that will not be reclassified (eg. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's 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 investment 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 that owns less than 50 per cent of the voting shares in an investee has control over the investee. MFRS 10 requires the investor to take into account all relevant facts and circumstances, particularly the size of the investor's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

- **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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.2 Changes in accounting policies (cont'd.)

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

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are required. This standard affects disclosures only and has no impact on the Group's financial position or performance.

- **MFRS 13: Fair Value Measurement**

MFRS 13 established a single source of guidance under MFRS for all fair value measurements. MFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under MFRS. MFRS 13 defines fair value as an exit price. As a result of the guidance in MFRS 13, the Group and the Company re-assessed their policies for measuring fair values, in particular, their valuation inputs such as non-performance risk for fair value measurement of liabilities. MFRS 13 also requires additional disclosures.

Application of MFRS 13 has not materially impacted the fair value measurement of the Group and the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- **MFRS 127: Separate Financial Statements**

As a consequence of the new MFRS 10 and MFRS 12, MFRS 127 is limited to accounting for subsidiaries, joint ventures and associates in separate financial statements.

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

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is 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.

### 2.3 Amendments/standards issued but not yet effective

The amendments/standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed 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 January 2014**

- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities
- Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21, Levies



## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.3 Amendments/standards issued but not yet effective (cont'd.)

#### MFRS effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 2, MFRS 3, MFRS 8, MFRS 116, MFRS 124 and MFRS 138, Annual Improvements 2010-2012 Cycle
- Amendments to MFRS 3, MFRS 13 and MFRS 140, Annual Improvements 2011-2013 Cycle
- Amendments to MFRS 119, Defined Benefit Plans: Employee Contributions

#### MFRS effective date to be announced

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)
- MFRS 9, Financial Instruments: Hedge Accounting and amendments to MFRS 7 and MFRS 139

The directors expect that the adoption of the above amendments/standards and interpretations will have no material impact on the financial statements 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 2014

- **Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities**

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is expected that this amendment would not be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under MFRS 10.

- **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's and the Company's financial position or performance.

- **Amendments to MFRS 136, Recoverable Amount Disclosures for Non-Financial Assets**

The amendments to MFRS 136 clarify that recoverable amount (determined based on fair value less costs of disposal) is required to be disclosed only when an impairment loss is recognised or reversed. In addition, there are new disclosure requirements about fair value measurement when impairment or reversal of impairment is recognised.

The amendments to MFRS 136 are to be applied retrospectively for annual periods beginning on or after 1 January 2014.

The amendments affect disclosures only and have no impact on the Group's and the Company's financial position or performance.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.3 Amendments/standards issued but not yet effective (cont'd.)

#### Annual periods beginning on or after 1 January 2014 (cont'd.)

- **IC Interpretation 21, Levies**

The Interpretation clarifies that an entity should recognise a liability to pay a levy when it is within the scope of MFRS 137 Provisions, Contingent Liabilities and Contingent Assets. It also explains that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in the previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

The Interpretation also clarifies that the liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If an obligation to pay a levy is triggered when a minimum threshold is reached, the liability to pay a levy is recognised when that minimum activity threshold is reached.

The Interpretation is to be applied retrospectively for annual periods beginning on or after 1 January 2014.

The Group and the Company are currently assessing the impact that this standard will have on the financial position and performance of the Group and the Company.

#### **MFRS effective date to be announced**

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

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 and Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurements of the Group's and the Company's financial assets, but will not have an impact on classification and measurements of the Group's and the Company's financial liabilities. The Group and the Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.4 Basis of consolidation

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

The Company controls an investee if and only if the Company has all the following:

- (a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) Exposure, or rights, to variable returns from its investment with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting rights of an investee, the Company considers the following in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the investee:

- (a) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- (b) Potential voting rights held by the Company, other vote holders or other parties;
- (c) Rights arising from other contractual arrangements; and
- (d) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss. The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.4 Basis of consolidation (cont'd.)

#### Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. The accounting policy for goodwill is set out in Note 2.12(a).

### 2.5 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (a) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);
- (b) Exposure, or rights, to variable returns from its investment with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

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

## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.6 Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

On acquisition of an investment in associate or joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's or joint venture's profit or loss for the period in which the investment is acquired.

An associate or a joint venture is equity accounted for from the date on which the investee becomes an associate or a joint venture.

Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture after the date of acquisition. When the Group's share of losses in an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investors' interests in the associate or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of the associates and 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.

After application of the equity method, the Group applies MFRS 139 Financial Instruments: Recognition and Measurement to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate or joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 Impairment of Assets as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.6 Investments in associates and joint ventures (cont'd.)

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

### 2.7 Foreign currency

#### (a) Functional and presentation currency

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

#### (b) Foreign currency transactions

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

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

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

#### (c) Foreign operations

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.8 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 Company 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 and the Company recognise 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.

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 30 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.

### 2.9 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.

### 2.10 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 2. Summary of significant accounting policies (cont'd.)

#### 2.10 Land held for property development and property development costs (cont'd.)

##### (a) Land held for property development (cont'd.)

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.

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.

#### 2.11 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 2.8.

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.

## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.12 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 profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Goodwill and fair value adjustments arising on the acquisition of foreign 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 2.7.

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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 2. Summary of significant accounting policies (cont'd.)

#### 2.12 Intangible assets (cont'd.)

##### (b) Other intangible assets (cont'd.)

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.

#### 2.13 Impairment of non-financial assets

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.14 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.

### 2.15 Construction and service contracts

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

Where the outcome of a construction or service contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

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

### 2.16 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 2. Summary of significant accounting policies (cont'd.)

#### 2.16 Financial assets (cont'd.)

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

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

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

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

##### (b) Loans and receivables

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

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.16 Financial assets (cont'd.)

#### (c) Available-for-sale financial assets (cont'd.)

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.

### 2.17 Impairment of financial assets

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 2. Summary of significant accounting policies (cont'd.)

#### 2.17 Impairment of financial assets (cont'd.)

##### (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.

#### 2.18 Fair value measurement

The Group and the Company measure financial instruments at fair value at each reporting date.

On initial recognition, the fair value of a financial instrument is the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments measured at fair value are measured in accordance with the valuation methodologies as set out in Note 43.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price without any deduction for transaction costs that may be incurred on sale or other disposal and, for any asset to be acquired or liability held.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date. The carrying values of current financial instruments approximate their fair value due to the short-term maturity of these instruments and the disclosures of fair values are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair values. The fair values of non-current financial instruments are disclosed separately unless there are significant differences at the end of the reporting date.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

#### 2.19 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. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 2. Summary of significant accounting policies (cont'd.)

#### 2.21 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.

#### 2.22 Leases

##### (a) As lessee

Finance leases, which transfer to the Group and the Company 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 and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

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

##### (b) As lessor

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

#### 2.23 Provisions

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.24 Borrowing costs

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

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

### 2.25 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

### 2.26 Revenue

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

#### (a) Sale of goods

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

#### (b) Revenue from services

Revenue from services is recognised upon performance of services.

#### (c) Construction and service contracts

Revenue from construction and service contracts is accounted for by the stage of completion method as described in Note 2.15.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.26 Revenue (cont'd.)

#### (d) Development properties (cont'd.)

##### (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
- 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.
- 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 and the Company's right to receive payment is established, which is generally when shareholders approve the dividend.

#### (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.



## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.26 Revenue (cont'd.)

#### (i) Supervision and management fees

Supervision and management fees are recognised when services are rendered.

### 2.27 Income taxes

#### (a) Current tax

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

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

#### (b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 2. Summary of significant accounting policies (cont'd.)

#### 2.27 Income taxes (cont'd.)

##### (b) Deferred tax (cont'd.)

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

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

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

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

#### 2.28 Employee benefits

##### (a) Defined contribution plans

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

##### (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 employees' 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 employees' share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employees' share option reserve is transferred to share premium reserve if new shares are issued.

## NOTES TO THE FINANCIAL STATEMENTS

### for the financial year ended 31 December 2013

## 2. Summary of significant accounting policies (cont'd.)

### 2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 46, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.30 Share capital and share issuance expenses

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

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

### 2.31 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.

### 2.32 Contingencies

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

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

## 3. Significant accounting judgements and estimates

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

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 3. Significant accounting judgements and estimates (cont'd.)

#### 3.1 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group's and the Company'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 and the Company have developed certain criteria based on MFRS 140 in making their 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 and the Company 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 and the Company'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 3.83% (2012: 3.64%) and 0.76% (2012: 3.21%) 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 2013

### 3. Significant accounting judgements and estimates (cont'd.)

#### 3.2 Key sources of estimation uncertainty (cont'd.)

##### (c) Impairment of loans and receivables

The Group and the Company assess 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 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.

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 amounts of the Group's and the Company's loans and receivables 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 RM581,172 (2012: RM1,349,054).

##### (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 0.46% (2012: 0.52%) variance in the Group's revenue and 0.58% (2012: 0.61%) 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 3. Significant accounting judgements and estimates (cont'd.)

#### 3.2 Key sources of estimation uncertainty (cont'd.)

##### (f) Deferred tax assets (cont'd.)

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

The carrying value of deferred tax assets of the Group at 31 December 2013 was RM23,007,000 (2012: RM18,124,000) and the recognised unutilised tax losses, reinvestment and infrastructure allowances and unabsorbed capital allowances of the Group was RM43,932,000 (2012: RM44,643,000) and the unrecognised tax losses and capital allowances of the Group was RM98,219,000 (2012: RM115,752,000). 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 RM415,281 (2012: RM723,998) and RM1,661,124 (2012: RM2,895,994), respectively.

##### (g) Employees' share options

The Group and the Company measure 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 39.

##### (h) Impairment of investments in subsidiaries and interests in associates

The Group assesses whether there is any indication that investments in subsidiaries and interests 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 investments in subsidiaries and interests 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.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 3. Significant accounting judgements and estimates (cont'd.)

#### 3.2 Key sources of estimation uncertainty (cont'd.)

##### (h) Impairment of investments in subsidiaries and interests in associates (cont'd.)

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

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

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

### 4. Revenue

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sale of goods	891,248	796,562	-	-
Sale of properties	36,087	21,691	-	-
Sale of land	30,000	24,647	-	-
Contract revenue	310,321	232,966	-	-
Construction revenue	7,098	22,117	-	-
Rendering of services	120,657	82,022	-	-
Interest income	4,973	10,092	10,045	12,993
Dividend income from investment	15,692	12,730	15,692	12,730
Rental income:				
- Investment properties (Note 16)	528	500	600	600
- Land and buildings	237	238	-	-
Dividend income from subsidiaries	-	-	42,020	17,778
Dividend income from associates	-	-	3,876	2,584
	1,416,841	1,203,565	72,233	46,685

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 5. Interest income

	Group	
	2013 RM'000	2012 RM'000
Interest income from:		
- Loans and receivables	385	165
- Short term deposits	108	98
- Unwinding of discount (Note 24(a))	124	261
	617	524

## 6. Other income

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Consultancy fees	-	28	-	-
Dividend from investment securities	18	8	-	-
Fee income	-	-	6,409	5,528
Gain on disposal of property, plant and equipment	502	982	-	1
Gain on redemption of redeemable preference shares	996	83	-	-
Insurance settlement	15	582	15	34
Liquidated damages claim	6,735	-	-	-
Miscellaneous income	4,037	5,376	75	1,710
Net realised gain on disposal of investment securities	1,285	948	1,285	948
Net fair value changes in investment securities held as fair value through profit or loss	2,436	622	2,426	626
Reversal of impairment loss on trade and other receivables (Note 24(a))	3,144	7,029	-	2,492
Reversal of allowance for obsolete inventories	-	216	-	-
Recovery of waiver of amount owing by a subsidiary	-	-	1,527	-
Supervision fees	158	255	-	-
	19,326	16,129	11,737	11,339

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 7. Finance costs

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest expense on:				
- Bank borrowings and bank overdraft	3,638	4,476	-	7
- Corporate shareholder's loan	190	142	-	-
- Amount owing to subsidiaries under central cash management account	-	-	16,195	11,712
- Finance lease liabilities	2	9	-	-
- CMS Income Securities (Note 31)	-	6,228	-	6,228
- Unwinding of discount	5	15	-	-
	3,835	10,870	16,195	17,947
Other finance costs:				
- Trade facility charges	599	243	-	-
- Facility fee and commitment fee	99	95	99	96
- Amortisation of transaction costs	-	265	-	265
	698	603	99	361
	4,533	11,473	16,294	18,308
Recognised in profit or loss as:				
- Cost of sales	-	-	16,294	11,814
- Finance costs	4,533	11,473	-	6,494
	4,533	11,473	16,294	18,308

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 8. Profit before tax

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Advisory fees paid to a director	-	60	-	-
Amortisation of intangible assets (Note 17)	965	1,113	429	458
Amortisation of prepaid land lease payments (Note 14)	747	725	426	426
Auditors' remuneration:	877	625	273	110
Statutory audit				
- current year	630	493	120	82
- under provision in previous years	132	55	38	7
Other services	115	77	115	21
Bad debts written off	690	717	-	-
Depreciation of property, plant and equipment (Note 13)	82,484	51,552	953	1,001
Depreciation of investment properties (Note 16)	117	118	661	673
Dilution loss arising from deemed disposal of investment (Note 20)	-	5,000	-	-
Employee benefits expense (Note 9)	107,845	99,229	21,058	18,199
Impairment loss on financial assets:				
- Trade and other receivables (Note 24(a))	428	2,564	-	-
- Investment in an associate	3,125	3,126	-	-
Inventories written down	30	58	-	-
Inventories written off	764	1,697	-	-
Loss on disposal of property, plant and equipment	2	-	-	-
Loss on liquidation of an associate	-	74	-	-
Non-executive directors' remuneration (Note 10)	2,493	2,079	2,220	1,817
Minimum operating lease payments on:	12,374	11,090	1,220	1,220
- Land and buildings	4,899	4,269	1,220	1,220
- Plant and equipment	6,114	5,198	-	-
- Wharf	1,361	1,623	-	-
Project under study written off	4	26	-	-
Property, plant and equipment written off	28	22	-	-
Reversal of impairment loss of a subsidiary	-	-	(30,807)	-
Unrealised foreign exchange gain	(827)	(923)	-	-
Waiver of amount owing by subsidiaries	-	-	30,871	-

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 9. Employee benefits expense

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Salaries, allowances and bonuses	92,804	85,087	18,051	15,257
Contributions to defined contribution plan	10,805	9,304	2,129	1,799
Social security contributions	796	726	74	67
Share options granted under ESOS	3,322	4,112	791	1,076
Retirement benefits	118	-	13	-
	107,845	99,229	21,058	18,199

Included in employee benefits expense of the Group and of the Company (including amounts capitalised) are executive directors' remuneration amounting to RM4,554,000 (2012: RM3,983,000) 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	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Executive:</b>				
Salaries and other emoluments	3,863	3,218	3,863	3,218
Defined contribution plans	463	386	463	386
Share options granted under ESOS	228	379	228	379
Total executive directors' remuneration (excluding benefits-in-kind) (Note 9)	4,554	3,983	4,554	3,983
Estimated money value of benefits-in-kind	268	242	268	242
Total executive directors' remuneration (including benefits-in-kind)	4,822	4,225	4,822	4,225
<b>Non-executive:</b>				
Fees	841	575	680	447
Other emoluments	1,522	1,374	1,410	1,240
Defined contribution plans	130	130	130	130
Total non-executive directors' remuneration (excluding benefits-in-kind) (Note 8)	2,493	2,079	2,220	1,817
Estimated money value of benefits-in-kind	83	73	83	73
Total non-executive directors' remuneration (including benefits-in-kind)	2,576	2,152	2,303	1,890
Total directors' remuneration	7,398	6,377	7,125	6,115

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 10. Directors' remuneration (cont'd.)

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	
	2013	2012
<b>Executive Directors:</b>		
RM1,500,001 to RM1,550,000	-	1
RM1,800,001 to RM1,850,000	1	-
RM2,450,001 to RM2,500,000	-	1
RM2,700,001 to RM2,750,000	1	-
<b>Non-executive Directors:</b>		
RM50,001 to RM100,000	-	5
RM100,001 to RM150,000	2	-
RM150,001 to RM200,000	-	1
RM200,001 to RM250,000	3	-
RM650,001 to RM700,000	-	1
RM750,001 to RM800,000	1	1
RM800,001 to RM850,000	1	-

## 11. Income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Statements of comprehensive income:</b>				
Current income tax:				
- Malaysian income tax	87,027	66,553	1,500	1,981
- (Over)/under provision in respect of previous years	(4,014)	363	32	1,671
	83,013	66,916	1,532	3,652
Deferred income tax (Note 22):				
- Origination and reversal of temporary differences	(3,114)	(7,203)	(295)	(314)
- (Over)/under provision in respect of previous years	(553)	566	(5)	-
	(3,667)	(6,637)	(300)	(314)
Income tax expense recognised in profit or loss	79,346	60,279	1,232	3,338



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 11. Income tax expense (cont'd.)

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2013 and 2012 are as follows:

	Group	
	2013 RM'000	2012 RM'000
Accounting profit before tax	294,894	226,906
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	73,724	56,727
Adjustments:		
Share of results of associates	(1,657)	(784)
Share of results of joint ventures	(57)	(239)
Non-deductible expenses	18,052	9,051
Income not subject to tax	(5,723)	(4,322)
Benefits from previously unrecognised tax losses and unabsorbed capital allowances	(598)	(1,754)
Benefits from utilisation of reinvestment allowances	(7)	-
Deferred tax assets not recognised	179	671
(Over)/under provision of income tax in respect of previous years	(4,014)	363
(Over)/under provision of deferred tax in respect of previous years	(553)	566
Income tax expense recognised in profit or loss	79,346	60,279

	Company	
	2013 RM'000	2012 RM'000
Accounting profit before tax	33,908	11,348
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	8,477	2,837
Adjustments:		
Group tax relief transferred from a subsidiary	(700)	(450)
Non-deductible expenses	9,005	2,268
Income not subject to tax	(15,577)	(2,988)
Under provision of income tax in respect of previous years	32	1,671
Over provision of deferred tax in respect of previous years	(5)	-
Income tax expense recognised in profit or loss	1,232	3,338

Income tax is calculated at the Malaysian statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

Tax savings during the financial year arising from:

	Group	
	2013 RM'000	2012 RM'000
Utilisation of current tax losses	9	1
Utilisation of previously unrecognised tax losses	605	1,521

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 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	
	2013	2012
Profit net of tax attributable to owners of the Company (RM'000)	175,072	135,735
Weighted average number of ordinary shares in issue ('000)	333,092	327,928
Basic earnings per share (sen)	52.56	41.39

#### (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	
	2013	2012
Profit net of tax attributable to owners of the Company (RM'000)	175,072	135,735
Weighted average number of ordinary shares in issue ('000)	335,905	329,646
Diluted earnings per share (sen)	52.12	41.18

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 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
<b>Cost:</b>					
<b>At 1 January 2012</b>	35,994	203,628	657,060	86,106	982,788
Additions	950	38,299	33,412	9,128	81,789
Disposals	-	-	(738)	(2,102)	(2,840)
Written off	-	(1)	(135)	(409)	(545)
Reclassification	-	-	(350)	350	-
Transferred from prepaid land lease payments (Note 14)	10	-	-	-	10
Exchange differences	-	-	-	(9)	(9)
<b>At 31 December 2012 and 1 January 2013</b>	36,954	241,926	689,249	93,064	1,061,193
Additions	29,731	13,031	41,356	10,021	94,139
Disposals	-	-	(441)	(1,160)	(1,601)
Written off	-	(4)	(337)	(537)	(878)
Exchange differences	-	-	-	20	20
<b>At 31 December 2013</b>	66,685	254,953	729,827	101,408	1,152,873
<b>Accumulated depreciation:</b>					
<b>At 1 January 2012</b>	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
Reclassification	-	-	(20)	20	-
Exchange differences	-	-	-	(7)	(7)
<b>At 31 December 2012 and 1 January 2013</b>	8,029	71,930	423,418	69,238	572,615
Depreciation charge for the year:	671	40,879	34,584	6,401	82,535
- Recognised in profit or loss (Note 8)	671	40,879	34,573	6,361	82,484
- Capitalised in construction costs (Note 26)	-	-	11	40	51
Disposals	-	-	(26)	(1,095)	(1,121)
Written off	-	(2)	(333)	(515)	(850)
Exchange differences	-	-	-	21	21
<b>At 31 December 2013</b>	8,700	112,807	457,643	74,050	653,200
<b>Net carrying amount:</b>					
<b>At 31 December 2012</b>	28,925	169,996	265,831	23,826	488,578
<b>At 31 December 2013</b>	57,985	142,146	272,184	27,358	499,673

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 13. Property, plant and equipment (cont'd.)

Company	Motor vehicles RM'000	Office equipment RM'000	Total RM'000
<b>Cost:</b>			
<b>At 1 January 2012</b>	6,635	6,688	13,323
Additions	679	87	766
Disposals	-	(5)	(5)
<b>At 31 December 2012 and 1 January 2013</b>	7,314	6,770	14,084
Additions	614	385	999
<b>At 31 December 2013</b>	7,928	7,155	15,083

### Accumulated depreciation:

<b>At 1 January 2012</b>	3,015	5,686	8,701
Depreciation charge for the year (Note 8)	515	486	1,001
Disposals	-	(1)	(1)
<b>At 31 December 2012 and 1 January 2013</b>	3,530	6,171	9,701
Depreciation charge for the year (Note 8)	509	444	953
<b>At 31 December 2013</b>	4,039	6,615	10,654

### Net carrying amount:

<b>At 31 December 2012</b>	3,784	599	4,383
<b>At 31 December 2013</b>	3,889	540	4,429

#### (a) Assets under construction

The Group's plant and machinery included RM6,723,681 (2012: RM59,095,850) which relate to expenditure for plants in the course of construction.

#### (b) Assets held under finance leases

The carrying amount of plant and equipment held under finance leases at the reporting date was RM78,898 (2012: RM85,167).

Details of the finance leases are disclosed in Note 40(d).

#### (c) Fully depreciated property, plant and equipment

The gross carrying amounts of fully depreciated property, plant and equipment that are still in use at the reporting date were RM196,868,701 (2012: RM119,831,833) and RM10,064,445 (2012: RM6,217,205) for the Group and Company, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 13. Property, plant and equipment (cont'd.)

#### (d) Changes in estimates

During the previous financial year, a subsidiary undertook a review of the useful life of its buildings and plant and machinery in view of their temporary nature. The subsidiary accelerated the useful life of certain buildings and plant and machinery to 2 ½ years as these buildings are situated in the area designated for the Energy and Utility Corridor.

In the current financial year, the subsidiary further shortened the useful life of its buildings and plant and machinery to 1 year in view of the expiry of the lodges' contracts.

Both the revisions in estimates have been applied on a prospective basis. The effects of the above revision on depreciation charges are as follows:

	Group	
	2013	2012
Increase in depreciation charges	20,385	7,786

#### (e) Land

Included in the carrying amount of land are:

	Group	
	2013 RM'000	2012 RM'000
Freehold land	416	416
Leasehold land	57,569	28,509
	57,985	28,925

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 14. Prepaid land lease payments

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Cost:</b>				
<b>At 1 January</b>	23,548	23,558	11,925	11,925
Additions	466	-	-	-
Transferred to property, plant and equipment (Note 13)	-	(10)	-	-
<b>At 31 December</b>	<b>24,014</b>	<b>23,548</b>	<b>11,925</b>	<b>11,925</b>
<b>Accumulated amortisation:</b>				
<b>At 1 January</b>	5,766	5,051	935	509
Amortisation for the year (Note 8)	747	725	426	426
Transferred to property, plant and equipment (Note 13)	-	(10)	-	-
<b>At 31 December</b>	<b>6,513</b>	<b>5,766</b>	<b>1,361</b>	<b>935</b>
<b>Net carrying amount</b>	<b>17,501</b>	<b>17,782</b>	<b>10,564</b>	<b>10,990</b>
Amount to be amortised:				
- Not later than one year	763	725	426	426
- Later than one year but not later than five years	3,053	2,901	1,704	1,704
- Later than five years	13,685	14,156	8,434	8,860

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 11 to 43 years (2012: 12 to 44 years) and 25 to 43 years (2012: 26 to 44 years), respectively.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 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
<b>Cost:</b>			
<b>At 1 January 2012</b>	57,012	6,297	63,309
Additions	-	1,446	1,446
Disposals	(835)	(409)	(1,244)
<b>At 31 December 2012 and 1 January 2013</b>	56,177	7,334	63,511
Additions	3,378	568	3,946
Disposals	(943)	(560)	(1,503)
<b>At 31 December 2013</b>	58,612	7,342	65,954

The landed property of a subsidiary has been pledged to secure revolving credit facilities granted to the subject subsidiary (Note 30).

### (b) Property development costs

Group	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
<b>Cumulative property development costs:</b>			
<b>At 1 January 2012</b>	86,192	493,801	579,993
Costs incurred during the year	-	25,618	25,618
<b>At 31 December 2012 and 1 January 2013</b>	86,192	519,419	605,611
Costs incurred during the year	-	51,360	51,360
<b>At 31 December 2013</b>	86,192	570,779	656,971
<b>Cumulative costs recognised in profit or loss:</b>			
<b>At 1 January 2012</b>	(2,533)	(442,630)	(445,163)
Recognised during the year	(380)	(28,935)	(29,315)
<b>At 31 December 2012 and 1 January 2013</b>	(2,913)	(471,565)	(474,478)
Recognised during the year	(492)	(34,455)	(34,947)
<b>At 31 December 2013</b>	(3,405)	(506,020)	(509,425)
<b>Property development costs:</b>			
At 31 December 2012	83,279	47,854	131,133
At 31 December 2013	82,787	64,759	147,546

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 16. Investment properties

Group	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
<b>Cost:</b>			
<b>At 31 December 2012 and 31 December 2013</b>	3,177	2,918	6,095
<b>Accumulated depreciation:</b>			
<b>At 1 January 2012</b>	38	79	117
Depreciation charge for the year (Note 8)	39	79	118
<b>At 31 December 2012 and 1 January 2013</b>	77	158	235
Depreciation charge for the year (Note 8)	38	79	117
<b>At 31 December 2013</b>	115	237	352
<b>Net carrying amount:</b>			
<b>At 31 December 2012</b>	3,100	2,760	5,860
<b>At 31 December 2013</b>	3,062	2,681	5,743
<b>Company</b>			
<b>Cost:</b>			
<b>At 1 January 2012</b>	5,828	18,062	23,890
Additions	-	38	38
<b>At 31 December 2012 and 1 January 2013</b>	5,828	18,100	23,928
Additions	-	250	250
<b>At 31 December 2013</b>	5,828	18,350	24,178
<b>Accumulated depreciation:</b>			
<b>At 1 January 2012</b>	205	1,259	1,464
Depreciation charge for the year (Note 8)	103	570	673
<b>At 31 December 2012 and 1 January 2013</b>	308	1,829	2,137
Depreciation charge for the year (Note 8)	103	558	661
<b>At 31 December 2013</b>	411	2,387	2,798
<b>Net carrying amount:</b>			
<b>At 31 December 2012</b>	5,520	16,271	21,791
<b>At 31 December 2013</b>	5,417	15,963	21,380

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 16. Investment properties (cont'd.)

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

The following are recognised in profit or loss in respect of investment properties:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Rental income (Note 4)	(528)	(500)	(600)	(600)
Direct operating expenses:				
- income generating investment properties	82	84	1,128	965
- non-income generating investment properties	37	37	-	-

## 17. Intangible assets

Group	Computer software RM'000	Others RM'000	Total RM'000
<b>Cost:</b>			
<b>At 1 January 2012</b>	5,174	926	6,100
Additions	-	-	-
<b>At 31 December 2012 and 1 January 2013</b>	5,174	926	6,100
Additions	20	-	20
<b>At 31 December 2013</b>	5,194	926	6,120
<b>Accumulated amortisation:</b>			
<b>At 1 January 2012</b>	3,165	647	3,812
Amortisation charge for the year (Note 8)	1,036	77	1,113
<b>At 31 December 2012 and 1 January 2013</b>	4,201	724	4,925
Amortisation charge for the year (Note 8)	959	6	965
<b>At 31 December 2013</b>	5,160	730	5,890
<b>Net carrying amount:</b>			
At 31 December 2012	973	202	1,175
At 31 December 2013	34	196	230

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 17. Intangible assets (cont'd.)

Company	Computer software RM'000
<b>Cost:</b>	
At 1 January 2012	2,286
Additions	-
At 31 December 2012 and 1 January 2013	2,286
Additions	20
At 31 December 2013	2,306
<b>Accumulated amortisation:</b>	
At 1 January 2012	1,385
Amortisation charge for the year (Note 8)	458
At 31 December 2012 and 1 January 2013	1,843
Amortisation charge for the year (Note 8)	429
At 31 December 2013	2,272
<b>Net carrying amount:</b>	
At 31 December 2012	443
At 31 December 2013	34

## 18. Goodwill

	Group	
	2013 RM'000	2012 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	
	2013 RM'000	2012 RM'000
Manufacturing	61,709	61,709

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 18. Goodwill (cont'd.)

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 three-year period. The assumptions used for value-in-use calculations are:

	Gross Margin		Discount Rates	
	2013	2012	2013	2012
CMS Clinker Sdn. Bhd.	16.0%	21.0%	9.2%	10.9%

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

#### (a) 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.

#### (b) 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 unlikely to materially cause the recoverable amount to be lower than its carrying amount.

### 19. Investments in subsidiaries

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares, at cost	942,006	902,317
Impairment losses	(158,397)	(158,397)
	783,609	743,920

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 19. Investments in subsidiaries (cont'd.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest	
			2013 %	2012 %
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. (i)	British Virgin Islands	Dormant	-	100.0
CMS Infra Trading Sdn. Bhd.	Malaysia	General trading	51.0	51.0
CMS I-Systems Berhad	Malaysia	Dormant	100.0	68.8
CMS Modular Housing Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
CMS Premix Sdn. Bhd. (ii)	Malaysia	Production and sale of premix	40.0	40.0
CMS Premix (Miri) Sdn. Bhd. (ii)	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. (iii)	Malaysia	Dormant	-	-
CMS Steel Berhad	Malaysia	Dormant	100.0	100.0
CMS Wires Sdn. Bhd.	Malaysia	Manufacture and sale of wire mesh and related products	69.1	-
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. (iii)	Malaysia	Dormant	-	-
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 2013

## 19. Investments in subsidiaries (cont'd.)

			Proportion of ownership interest	
Name of subsidiaries	Country of incorporation	Principal activities	2013 %	2012 %
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.* (iv)	India	Provide solutions for motor claim segment for insurance companies in India	-	-
Interventure Capital Sdn. Bhd. (iii)	Malaysia	Dormant	-	-
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. (v)	Malaysia	Quarry operations	60.0	60.0
CMS Premix Sdn. Bhd.	Malaysia	Production and sale of premix	60.0	60.0
CMS Premix (Miri) Sdn. Bhd.	Malaysia	Production and sale of premix	60.0	60.0
CMS Quarries Sdn. Bhd.	Malaysia	Quarry operations	100.0	100.0
PPES Concrete Product Sdn. Bhd.	Malaysia	Manufacture and sale of concrete products	100.0	100.0
Subsidiary of CMS Steel Berhad				
CMS Wires Sdn. Bhd.	Malaysia	Manufacture and sale of wire mesh and related products	-	69.1

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 19. Investments in subsidiaries (cont'd.)

			Proportion of ownership interest	
Name of subsidiaries	Country of incorporation	Principal activities	2013 %	2012 %
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 Properties Sdn. Bhd. (formerly known as 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. (vi)	Malaysia	Dormant	-	100.0
Subsidiary of Samalaju Properties Sdn. Bhd.				
Samalaju Hotel Management Sdn. Bhd.	Malaysia	Dormant	100.0	100.0

\* audited by firms other than Ernst & Young.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 19. Investments in subsidiaries (cont'd.)

- (i) Placed under voluntary liquidation and dissolved on 22 November 2013.
- (ii) Another 60% is held by CMS Resources Sdn. Bhd.
- (iii) Placed under voluntary liquidation and dissolved on 11 March 2013.
- (iv) Struck off on 15 March 2013.
- (v) Another 40% is held by CMS Premix Sdn. Bhd.
- (vi) Strike off proceedings commenced on 20 December 2013.

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

During the current financial year, the Company subscribed for an additional 38,162,000 (2012: 47,999,998) ordinary shares of RM1 each in Samalaju Industries Sdn. Bhd. for a total cash consideration of RM38,162,000 (2012: RM47,999,998).

### (b) Acquisition of non-controlling interests

On 5 August 2013, the Company acquired 7,372,640 ordinary shares of RM1 each fully paid up capital of CMS I-Systems Berhad ("CMSI"), representing 31.2% of the equity interest in CMSI for a total purchase consideration of RM10. Following the acquisition, CMSI became a wholly-owned subsidiary of the Company.

### (c) Acquisition of a subsidiary

On 16 August 2013, the Company acquired from CMS Steel Berhad, a wholly-owned subsidiary of the Company, its entire 69.1% equity interest in CMS Wires Sdn. Bhd., represented by 1,527,202 ordinary shares of RM1 each, for a total cash consideration of RM1,527,202.

## 20. Investments in associates

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Quoted shares in Malaysia, at cost	339,233	339,233	57,063	57,063
Less: Accumulated impairment losses	(67,000)	(67,000)	-	-
Less: Dilution loss arising from deemed disposal of an investment (Note 8)	(5,000)	(5,000)	-	-
	267,233	267,233	57,063	57,063
Redeemable preference shares, at cost	24,319	15,190	-	-
Less: Accumulated impairment losses	(6,973)	(3,848)	-	-
	17,346	11,342	-	-
Unquoted shares, at cost	86,362	48,110	-	-
	370,941	326,685	57,063	57,063
Share of post-acquisition reserves	9,587	10,698	-	-
	380,528	337,383	57,063	57,063
Fair value of investments in associates for which there is published price quotation	248,039	186,307	156,028	92,762

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 20. Investments in associates (cont'd.)

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

		Proportion of ownership interest	
		2013	2012
Name of associates	Principal activities	%	%
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	Investment holding, stockbroking and financial services business	4.1	4.1
Held through subsidiaries:			
COPE-KPF Opportunities 1 Sdn. Bhd.	Investment holding	49.9	49.9
K&N Kenanga Holdings Berhad	Investment holding, stockbroking and financial services business	21.0	21.0
OM Materials (Sarawak) Sdn. Bhd.*	Processing, smelting and trading of ferro alloy products	20.0	20.0
OM Materials (Samalaju) Sdn. Bhd.*	Processing, smelting and trading of ferro alloy products	20.0	

\* 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:

### (a) Summarised Statement of Financial Position

	Group	
	2013 RM'000	2012 RM'000
Non-current assets	1,392,366	725,250
Current assets	5,580,590	5,362,326
<b>Total assets</b>	<b>6,972,956</b>	<b>6,087,576</b>
Non-current liabilities	67,096	57,296
Current liabilities	5,402,917	4,654,488
<b>Total liabilities</b>	<b>5,470,013</b>	<b>4,711,784</b>
<b>Net assets</b>	<b>1,502,943</b>	<b>1,375,792</b>

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 20. Investments in associates (cont'd.)

#### (b) Summarised Statement of Comprehensive Income

	Group	
	2013	2012
	RM'000	RM'000
Revenue	443,918	776,510
Profit before tax from continuing operations	40,196	48,471
Profit for the year from continuing operations	26,435	33,548
Profit for the year from discontinued operations	(110)	(32)
Other comprehensive	(93,002)	(121)
Total comprehensive income	(66,677)	33,394
Dividend received from the associates during the year	2,969	3,411

These associates have the same reporting period as the Group.

### 21. Investments in joint ventures

	Group	
	2013	2012
	RM'000	RM'000
Unquoted shares, at cost	2,300	2,500
Share of post-acquisition reserves	1,645	1,448
	3,945	3,948

The joint arrangements are structured via separate unincorporated entities and provide the group with the rights to the net assets of the entities under the arrangements. Therefore these entities are classified as joint ventures of the Group. Under the contractual arrangements, unanimous consent is required from all parties to the agreements for all relevant activities. The Group applied equity method as its accounting model.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 21. Investments in joint ventures (cont'd.)

- (a) Details of the joint ventures, which are incorporated in Malaysia, are as follows:

Name of joint ventures	Principal activities	Proportion of ownership interest	
		2013 %	2012 %
PPES Works (Sarawak) Sdn. Bhd./ Naim Cendera Sdn. Bhd. JV	Construction of buildings	55	55
PPES Works - Naim Land JV	Construction of bridges	55	-
Arus Widuri Sdn. Bhd./ PPES Works (Sarawak) Sdn. Bhd. JV (i)	Provision of site clearing and earthworks, road works and pavement, drainage, bridge works, electrical and telephone works and environmental protection	-	84
PPES Works Wibawa JV (ii)	Connection of water supply and all submarine related works	50	50
PPES Works (Sarawak) Sdn. Bhd. – PN Construction Sdn. Bhd.	Construction of Aquatic Centre	49	-

- (i) This joint venture was dissolved in 2012.
- (ii) During the current financial year, the Group's initial capital contribution in PPES Works Wibawa JV was reduced by RM200,000.
- (b) The summarised information represents the amounts in the MFRS financial statements of the joint ventures and not the Group's share of those amounts.
- (i) Summarised Statement of Financial Position

	Group	
	2013 RM'000	2012 RM'000
Non-current assets	1	2
Cash and cash equivalents	5,680	6,306
Other current assets	8,064	1,453
Total current assets	13,744	7,759
Total assets	13,745	7,761
Trade and other payables and provisions	6,517	527
Total current liabilities	6,517	527
Total liabilities	6,517	527
Net assets	7,228	7,234



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 21. Investments in joint ventures (cont'd.)

- (b) The summarised information represents the amounts in the MFRS financial statements of the joint ventures and not the Group's share of those amounts. (cont'd.)

(ii) Summarised Statement of Comprehensive Income

	Group	
	2013 RM'000	2012 RM'000
Revenue	4,764	11,696
Profit before tax from continuing operations	458	1,908
Profit after tax from continuing operations	458	1,908
Total comprehensive income	458	1,908

- (iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in joint ventures.

	Group	
	2013 RM'000	2012 RM'000
<b>Net assets at 1 January</b>	7,233	6,595
Distribution of profit	(63)	(1,870)
Investment in joint ventures	-	600
Return on capital from joint ventures	(400)	-
Profit for the year	458	1,908
<b>Net assets at 31 December</b>	7,228	7,233
Carrying value of Group's interest in joint ventures	3,945	3,948

## 22. Deferred tax

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>At 1 January</b>	(14,372)	(21,009)	424	110
Recognised in statement of comprehensive income (net)	3,667	6,637	300	314
<b>At 31 December</b>	(10,705)	(14,372)	724	424

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets, net	23,007	18,124	724	424
Deferred tax liabilities, net	(33,712)	(32,496)	-	-
	(10,705)	(14,372)	724	424

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 22. Deferred tax (cont'd.)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets	53,460	44,497	724	424
Deferred tax liabilities	(64,165)	(58,869)	-	-
	(10,705)	(14,372)	724	424

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Group	Property, plant and equipment RM'000	Unutilised tax losses, reinvestment and infrastructure allowances and unabsorbed capital allowances RM'000	Other temporary differences RM'000	Total RM'000
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### Deferred tax assets

<b>At 1 January 2012</b>	-	39,263	224	39,487
Recognised in statement of comprehensive income	-	4,669	341	5,010
<b>At 31 December 2012</b>	-	43,932	565	44,497
Recognised in statement of comprehensive income	4,334	711	3,918	8,963
<b>At 31 December 2013</b>	4,334	44,643	4,483	53,460

	Property, plant and equipment RM'000	Property development costs RM'000	Other temporary differences RM'000	Total RM'000
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### Deferred tax liabilities

<b>At 1 January 2012</b>	(51,307)	(7,805)	(1,384)	(60,496)
Recognised in statement of comprehensive income	1,510	83	34	1,627
<b>At 31 December 2012</b>	(49,797)	(7,722)	(1,350)	(58,869)
Recognised in statement of comprehensive income	(5,609)	109	204	(5,296)
<b>At 31 December 2013</b>	(55,406)	(7,613)	(1,146)	(64,165)

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 22. Deferred tax (cont'd.)

Company	Unabsorbed capital allowances RM'000
<b>Deferred tax assets</b>	
<b>At 1 January 2012</b>	110
Recognised in statement of comprehensive income	314
<b>At 31 December 2012</b>	424
Recognised in statement of comprehensive income	300
<b>At 31 December 2013</b>	724

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

	Group	
	2013 RM'000	2012 RM'000
Unutilised tax losses	92,889	109,532
Unabsorbed capital allowances	5,330	6,220
	98,219	115,752

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 assets are 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 (2012: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 47).

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 23. Inventories

	Group	
	2013 RM'000	2012 RM'000
<b>Cost</b>		
Raw materials	38,018	33,687
General stores	64,293	57,870
Work-in-progress	436	254
Goods in transit	97	-
Finished goods	27,617	13,286
Completed development units	-	1,318
	130,461	106,415
<b>Net realisable value</b>		
Finished goods	85	320
	130,546	106,735

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM503,370,447 (2012: RM541,016,721).

### 24. Trade and other receivables

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	247,347	239,905	-	-
Retention sums on construction contracts (Note 26)	3,246	1,998	-	-
Advance on construction contracts (Note 26)	1,511	6,204	-	-
	252,104	248,107	-	-
Less: Allowance for impairment Third parties	(3,140)	(5,980)	-	-
Trade receivables, net	248,964	242,127	-	-

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 24. Trade and other receivables (cont'd.)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Current (cont'd.)</b>				
<b>Other receivables</b>				
Other receivables	8,836	8,005	826	1,503
Amount due from joint ventures	5,388	3	-	-
Amount due from subsidiaries:				
- Central cash management accounts	-	-	112,142	81,992
- Current accounts	-	-	9,668	7,038
- Loans	-	-	574	574
Other deposits	4,084	3,131	576	348
Interest receivable	3	517	-	514
Retention monies	671	531	-	-
	18,982	12,187	123,786	91,969
Less: Allowance for impairment				
Other receivables	(548)	(548)	(3,177)	(3,177)
Other receivables, net	18,434	11,639	120,609	88,792
	267,398	253,766	120,609	88,792
<b>Non-current</b>				
<b>Other receivables</b>				
Amount due from subsidiaries under loans	-	-	11,135	2,582
Amount due from an associate under loan	9,379	-	-	-
	9,379	-	11,135	2,582
<b>Total trade and other receivables (current and non-current)</b>	276,777	253,766	131,744	91,374
Add: Cash and bank balances (Note 28)	613,708	524,015	579,392	493,129
<b>Total loans and receivables</b>	890,485	777,781	711,136	584,503

#### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 day (2012: 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 24. Trade and other receivables (cont'd.)

### (a) Trade receivables (cont'd.)

#### Ageing analysis of trade receivables

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

	Group	
	2013 RM'000	2012 RM'000
Neither past due nor impaired	179,178	175,874
1 to 30 days past due not impaired	21,578	17,457
31 to 60 days past due not impaired	12,746	4,823
61 to 90 days past due not impaired	4,773	3,102
91 to 120 days past due not impaired	4,834	1,667
More than 121 days past due not impaired	19,567	23,338
	63,498	50,387
Impaired	9,428	21,846
	252,104	248,107

#### 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 RM63,497,951 (2012: RM50,387,110) that are past due at the reporting date but not impaired. These receivables are unsecured. None of the past due account holders have history of default records. The management is confident in making collection from these receivables in the near future.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 24. Trade and other receivables (cont'd.)

### (a) Trade receivables (cont'd.)

#### Receivables that are impaired

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

	2013 RM'000	2012 RM'000
Trade receivables	9,428	21,846
Less: Allowance for impairment	(3,140)	(5,980)
	6,288	15,866
Movement in allowance accounts:		
<b>At 1 January</b>	5,980	10,706
Charges for the year (Note 8)	428	2,564
Reversal of impairment loss (Note 6)	(3,144)	(7,029)
Unwinding of discount (Note 5)	(124)	(261)
<b>At 31 December</b>	3,140	5,980

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant difficulties and have defaulted on payments or debtors that have usually settled their debts beyond the prescribed credit terms. These receivables are not secured by any collateral or credit enhancements.

### (b) Amount due from subsidiaries

#### (i) Central cash management accounts

All balances due to the Company are repayable on demand and earn interest at rates ranging from 4.75% to 5.00% (2012: 4.18% to 5.00%) per annum.

#### (ii) Current accounts

These amounts are unsecured, non-interest bearing 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 30.

Further details on related party transactions are disclosed in Note 42.

### (c) Amount due from joint ventures

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

Further details on related party transactions are disclosed in Note 42.

### (d) Amount due from an associate

The amount due from an associate under loan is unsecured, earns interest at LIBOR + 4% per annum.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 25. Other current assets

	Group	
	2013 RM'000	2012 RM'000
Prepaid operating expenses	2,498	2,373
Amount due from customers for contract work (Note 26)	18,659	7,327
Accrued billings in respect of property development costs	4,205	2,604
	25,362	12,304

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

	Group	
	2013 RM'000	2012 RM'000
Construction contract costs incurred to-date	189,569	541,914
Attributable profits less recognised losses	15,104	60,338
	204,673	602,252
Less: Progress billings	(199,397)	(596,846)
	5,276	5,406
Presented as:		
Amount due from customers for contracts work (Note 25)	18,659	7,327
Amount due to customers for contracts work (Note 34)	(13,383)	(1,921)
	5,276	5,406
Retention sums on construction contracts included in:		
Trade receivables (Note 24)	3,246	1,998
Trade payables (Note 33)	4,224	4,028
Advance on construction contracts included in:		
Trade receivables (Note 24)	1,511	6,204
Trade payables (Note 33)	1,736	6,936

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

	Group	
	2013 RM'000	2012 RM'000
Depreciation of property, plant and equipment (Note 13)	51	41
Operating leases:		
- minimum lease payments on land and buildings	59	51
- minimum lease payments on equipment	-	254

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 27. Investment securities

	Group			
	2013		2012	
	Carrying amount RM'000	Market value of quoted investments RM'000	Carrying amount RM'000	Market value of quoted investments RM'000
<b>Current</b>				
<b>Fair value through profit or loss</b>				
Income debt securities fund (unquoted in Malaysia)	58,904	-	-	-
Fixed income debt securities (unquoted in Malaysia)	-	-	55,537	-
Equity instruments (quoted in Malaysia)	38,413	38,413	23,017	23,017
Unit trust funds (quoted in Malaysia)	28,695	28,695	28,394	28,394
Wholesale fund (unquoted in Malaysia)	1,056	-	496	-
<b>Total current investment securities</b>	<b>127,068</b>	<b>67,108</b>	<b>107,444</b>	<b>51,411</b>
<b>Non-current</b>				
<b>Available-for-sale financial assets</b>				
Equity instruments (unquoted in Malaysia), at cost	300	-	300	-
Redeemable participatory shares (unquoted in Malaysia), at cost	6,869	-	128	-
<b>Total non-current investment securities</b>	<b>7,169</b>	<b>-</b>	<b>428</b>	<b>-</b>

	Company			
	2013		2012	
	Carrying amount RM'000	Market value of quoted investments RM'000	Carrying amount RM'000	Market value of quoted investments RM'000
<b>Current</b>				
<b>Fair value through profit or loss</b>				
Income debt securities fund (unquoted in Malaysia)	58,904	-	-	-
Fixed income debt securities (unquoted in Malaysia)	-	-	55,537	-
Equity instruments (quoted in Malaysia)	38,413	38,413	23,017	23,017
Unit trust funds (quoted in Malaysia)	28,695	28,695	28,394	28,394
<b>Total current investment securities</b>	<b>126,012</b>	<b>67,108</b>	<b>106,948</b>	<b>51,411</b>

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 2013

## 28. Cash and bank balances

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash in hand and at banks	37,459	44,539	6,026	16,478
Short-term deposits with licensed banks	76,767	184,884	73,884	182,059
Wholesale fund	499,482	294,592	499,482	294,592
Total cash and bank balances	613,708	524,015	579,392	493,129

- (a) Cash at bank earns interest at floating rates based on daily bank deposit rates.

Included in cash at bank of the Group and Company is an amount of RM5,610,922 (2012: RM16,343,647) being monies held in trust by nominee companies under investment agreements with licensed fund managers.

- (b) 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 2013 for the Group and the Company were 3.25% (2012: 3.47%) and 3.34% (2012: 3.49%), respectively.

Included in short-term deposits with licensed banks of the Group and Company is an amount of RM5,000,000 (2012: RM5,000,000) being deposits placed with a banking subsidiary of an associate.

Short-term deposits of the Group and Company amounting to RM1,762,908 (2012: Nil) and RM210,000 (2012: Nil), respectively, have been pledged as security for banking facilities granted to subsidiaries.

- (c) The wholesale fund invests only in short-term money market instruments and fixed deposits with a licensed bank.

The Company pledged its units amounting to RM23,000,000 (2012: Nil) held under wholesale fund to a licensed financial institution as security for banking facilities granted to a subsidiary.

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Cash and short-term deposits	613,708	524,015	579,392	493,129
Less: Deposit pledged to licensed banks	(1,763)	-	(210)	-
Less: Wholesale fund pledged to a licensed bank	(23,000)	-	(23,000)	-
Cash and cash equivalents	588,945	524,015	556,182	493,129

## 29. Asset classified as held for sale

An asset within the Samalaju Development operating segment is presented as an asset held for sale following the announcement of the decision of the subsidiary's Board of Directors to enter into a Sale and Purchase Agreement for its disposal. The completion date for the transaction is expected to be December 2014.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 30. Loans and borrowings

	Group	
	2013 RM'000	2012 RM'000
<b>Current</b>		
<b>Secured:</b>		
Revolving credits	15,000	15,000
Hire purchase and finance lease liabilities (Note 40(d))	16	16
	15,016	15,016
<b>Unsecured:</b>		
Shareholders' loan	551	551
Bankers' acceptances	36,006	3,722
Term loan	21,440	21,440
	57,997	25,713
	73,013	40,729
<b>Non-current</b>		
<b>Secured:</b>		
Hire purchase and finance lease liabilities (Note 40(d))	-	16
<b>Unsecured:</b>		
Shareholders' loan	5,729	6,280
Term loan	21,360	42,800
	27,089	49,080
	27,089	49,096
<b>Total loans and borrowings</b>	<b>100,102</b>	<b>89,825</b>

The remaining maturities of the loans and borrowings as at 31 December 2013 were as follows:

	Group	
	2013 RM'000	2012 RM'000
On demand or within 1 year	73,013	40,729
More than 1 year and less than 5 years	21,911	48,820
5 years or more	5,178	276
	100,102	89,825

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 30. Loans and borrowings (cont'd.)

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

- (b) The interest rates of the Group were as follows:

	2013 %	2012 %
Bankers' acceptances	3.37 to 5.10	3.44 to 4.27
Revolving credits	4.76	4.73
Term loan	3.37 to 5.10	5.10

- (c) The shareholders' loan is charged interest at 5% (2012: 5%) per annum and is repayable from June 2010 to June 2018.

### 31. 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:

- (a) 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
- (b) 400 Non-Convertible Redeemable Preference Shares ("NCRPS") of RM1 each at an issue price of RM1,000 each (Note 32).

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.

The CMSIS were classified as debt instruments and were reported as liabilities. CMSIS were fully settled in 2012.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 31. CMS Income Securities (cont'd.)

	Group/Company	
	2013 RM'000	2012 RM'000
The CMSIS were accounted for in the statements of financial position as follows:		
Proceeds from issue of CMSIS	-	442,403
Less: Unamortised transaction costs	-	-
	-	442,403
<b>Interest expense recognised in statements of comprehensive income:</b>		
<b>At 1 January</b>	-	122,925
Recognised during the year (Note 7)	-	6,228
<b>At 31 December</b>	-	129,153
<b>Interest expense on the NCRPS paid:</b>		
<b>At 1 January</b>	-	(164,556)
Paid during the year	-	(7,000)
<b>At 31 December</b>	-	(171,556)
<b>Bonds principal repayment and NCRPS redemption:</b>		
<b>At 1 January</b>	-	(315,000)
Paid during the year	-	(85,000)
<b>At 31 December</b>	-	(400,000)
Amount included in loans and borrowings (Note 30)	-	-

The effective interest rate on the CMSIS was Nil (2012: 7.27%) per annum.

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

	Group/Company			
	Number of NCRPS of RM1 each		Amount	
	2013	2012	2013 RM	2012 RM
<b>Nominal value-issued and fully paid</b>				
<b>At 1 January</b>	-	85	-	85
Redeemed during the year	-	(85)	-	(85)
<b>At 31 December</b>	-	-	-	-
<b>Authorised</b>				
At 1 January and 31 December	400	400	400	400

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 32. Non-convertible redeemable preference shares ("NCRPS") (cont'd.)

	Group/Company	
	2013	2012
	RM'000	RM'000
<b>Share premium</b>		
<b>At 1 January</b>	-	85
Redeemed during the year	-	(85)
<b>At 31 December</b>	-	-
Amount included in CMSIS	-	-

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

## 33. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Current</b>				
<b>Trade payables</b>				
Third parties	213,290	208,256	-	-
Deposits payable	5,377	17,200	-	-
Retention sums on construction contracts (Note 26)	4,224	4,028	-	-
Advance received from customers	13,215	-	-	-
Advance on construction contracts (Note 26)	1,736	6,936	-	-
	237,842	236,420	-	-
<b>Other payables</b>				
Other payables	72,851	36,643	2,953	2,128
Accrued operating expenses	20,346	25,943	913	553
Amount due to subsidiaries under central cash management accounts	-	-	616,329	470,954
Amount due to corporate shareholder	1,607	1,587	-	-
Deposits payable	5,212	2,531	-	-
Interest payable	670	1,012	-	-
Retention monies	1,578	2,553	-	-
	102,264	70,269	620,195	473,635
	340,106	306,689	620,195	473,635
<b>Non-current</b>				
Other payables	24,072	-	-	-
<b>Total trade and other payables (current and non-current)</b>	364,178	306,689	620,195	473,635
Add: Loans and borrowings (Note 30)	100,102	89,825	-	-
<b>Total financial liabilities carried at amortised cost</b>	464,280	396,514	620,195	473,635



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 33. Trade and other payables (cont'd.)

#### (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 (2012: one month to four months).

#### (b) Other payables

Included in non-current other payables is an amount of RM24,072,207 (2012: Nil) relating to the acquisition of parcel of leasehold land (Note 13) by a subsidiary. This amount is unsecured, bears interest at 8% per annum and is repayable within five years.

#### (c) Amount due to subsidiaries

Amount due to subsidiaries under central cash management accounts is unsecured, repayable on demand and bears interest at rates ranging from 3.01% to 3.09% (2012: 3.03% to 3.09%) per annum.

Further details on related party transactions are disclosed in Note 42.

#### (d) Amount due to a corporate shareholder

The amount due to a corporate shareholder is unsecured, non-interest bearing and is repayable on demand.

Further details on related party transactions are disclosed in Note 42.

### 34. Other current liabilities

	Group	
	2013 RM'000	2012 RM'000
Progress billings in respect of property development costs	1,416	1,864
Amount due to customers for contract work (Note 26)	13,383	1,921
	14,799	3,785

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 35. Share capital and treasury shares

	Group/Company			
	Number of ordinary shares of RM1 each Share capital (Issued and fully paid) '000	Treasury shares '000	Amount Share capital (Issued and fully paid) RM'000	Treasury shares RM'000
<b>At 1 January 2012</b>	329,481	-	329,481	-
Exercise of employee share options (Note 39)	2,955	-	2,955	-
Acquisition of treasury shares	-	(7,577)	-	(23,319)
<b>At 31 December 2012 and 1 January 2013</b>	332,436	(7,577)	332,436	(23,319)
Exercise of employee share options (Note 39)	7,268	-	7,268	-
Acquisition of treasury shares	-	(5,704)	-	(19,102)
Disposal of treasury shares	-	12,480	-	38,792
<b>At 31 December 2013</b>	339,704	(801)	339,704	(3,629)
<b>Authorised</b>				
At 1 January and 31 December	1,000,000	1,000,000	1,000,000	1,000,000

### (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.

The Company acquired 5,704,300 (2012: 7,576,800) shares in the Company through purchases from the open market during the financial year. The total amount paid to acquire the shares was RM19,102,513 (2012: 23,318,732) and this was presented as a component within shareholders' equity. The average cost paid for the shares repurchased during the financial year was RM3.35 (2012: RM3.08) per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares.

On 9 May 2013, the Company resold 12,480,100 treasury shares in the open market for a total consideration of RM45,161,067, net of commission.

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

Treasury shares have no rights to voting, dividends and participation in other distribution. As at 31 December 2013, the number of outstanding ordinary shares in issue after the set-off is therefore 338,902,540 (2012: 324,858,940) ordinary shares of RM1 each.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 36. Share premium

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
At 1 January	433,821	427,590	433,818	427,587
Arising from ordinary shares issued under ESOS	14,842	6,231	14,842	6,231
At 31 December	448,663	433,821	448,660	433,818

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 37. 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 option reserve RM'000	Total RM'000
<b>At 1 January 2012</b>	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
<b>Other comprehensive income:</b>								
Foreign currency translation	-	4	-	-	-	-	-	4
Share of other comprehensive income of associates	-	(523)	-	-	510	-	-	(13)
	-	(519)	-	-	510	-	-	(9)
<b>Transactions with owners:</b>								
Grant of equity-settled share options to employees	-	-	-	-	-	-	4,112	4,112
Exercise of employee share options	-	-	-	-	-	-	(2,685)	(2,685)
Share of an associate's reserves	(8,791)	-	-	391	-	-	-	(8,400)
	(8,791)	-	-	391	-	-	1,427	(6,973)
<b>At 31 December 2012</b>	25,067	(66)	(12,000)	16,071	1,188	(22,986)	12,028	19,302

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 37. Other reserves (cont'd.)

Group (cont'd.)	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 option reserve RM'000	Total RM'000
<b>At 1 January 2013</b>	25,067	(66)	(12,000)	16,071	1,188	(22,986)	12,028	19,302
<b>Other comprehensive income:</b>								
Foreign currency translation	-	17	-	-	-	-	-	17
Share of other comprehensive income of associates	-	1,182	-	-	(5,759)	-	-	(4,577)
	-	1,199	-	-	(5,759)	-	-	(4,560)
<b>Transactions with owners:</b>								
Grant of equity-settled share options to employees	-	-	-	-	-	-	3,322	3,322
Exercise of employee share options	-	-	-	-	-	-	(6,070)	(6,070)
Acquisition of non-controlling interests	-	62	-	-	-	169	-	231
Share of an associate's reserves	-	-	-	2,061	-	-	-	2,061
	-	62	-	2,061	-	169	(2,748)	(456)
<b>At 31 December 2013</b>	25,067	1,195	(12,000)	18,132	(4,571)	(22,817)	9,280	14,286

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 37. Other reserves (cont'd.)

Company	Merger reserve RM'000	Employees' share option reserve RM'000	Total RM'000
<b>At 1 January 2012</b>	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)
<b>At 31 December 2012 and 1 January 2013</b>	168,000	12,028	180,028
Grant of equity-settled share options to employees	-	3,322	3,322
Exercise of employee share options	-	(6,070)	(6,070)
<b>At 31 December 2013</b>	168,000	9,280	177,280

### (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 the requirements of the BNM Guidelines on Capital Fund, pursuant to Section 47(2)(f) of the Financial Services Act 2013 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 39). 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 2013

#### 38. 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 (2012: RM104 million) as at 31 December 2013, subject to agreement of the Inland Revenue Board.

As the said transitional period ended on 31 December 2013, the Company may distribute dividends out of its entire retained earnings under the single-tier system.

#### 39. Employee benefits

##### Employees' share option scheme

The Company implemented an ESOS which came into effect on 23 June 2010. The ESOS is governed by the bylaws which were approved by the shareholders on 27 May 2010.

The salient features of the ESOS are as follows:

- (a) the total number of new shares which may be made available under the scheme shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;
- (b) eligible persons are confirmed employees including full-time executive directors of the Group;
- (c) the aggregate number of new shares to be offered to selected employees in accordance with the ESOS shall be determined at the discretion of the ESOS Committee. No option shall be granted for less than 100 shares;
- (d) the option price may be at a discount of not more than ten percent (10%) from the five (5) days weighted average market price of the underlying shares preceding the date of offer or at par value of the ordinary shares of the Company, whichever is higher;
- (e) the ESOS shall be in force for a period of five (5) years and extendable to ten (10) years from the date of the first offer;
- (f) the ESOS Committee may, at its discretion, at any time before and after an option is granted, limit the maximum number or percentage of exercisable options within the option period; and
- (g) the exercise of the options is subjected to vesting conditions being met by respective grantees. These vesting conditions may be affected by, inter-alia, performance targets being achieved before the options can be exercised. The vesting conditions, if any, shall be determined by the ESOS Committee whose decision shall be final and binding.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 39. Employee benefits (cont'd.)

Details of share options under ESOS are as follows:

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

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

	2013		2012	
	No. of options '000	WAEP RM	No. of options '000	WAEP RM
Outstanding at 1 January	23,184	2.21	19,125	2.20
Granted	-	-	7,760	2.23
Exercised	(7,268)	2.20	(2,955)	2.20
Cancelled	(635)	2.21	(746)	2.20
Outstanding at 31 December	15,281	2.21	23,184	2.21
Exercisable at 31 December	2,626	2.20	4,461	2.20

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

	Exercise Price RM/Share	Exercise period
<b>31.12.2013/31.12.2012</b>		
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 2013 was 16.0% (2012: 16.1%).

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 year

	2013	2012
Weighted average share price at the date of exercise of the options exercised (RM)	5.52	3.16
Proceeds received on exercise of options over ordinary shares (RM'000)	16,040	6,501

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 39. Employee benefits (cont'd.)

#### (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.

### 40. Commitments

#### (a) Capital commitments

Capital expenditures as at the reporting date were as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Approved and contracted for:				
- Property, plant and equipment	49,517	17,634	-	-
- Others	8,942	26,551	-	-
	58,459	44,185	-	-
Approved but not contracted for:				
- Property, plant and equipment	330,412	99,751	662	993
- Intangible assets	2,000	-	-	-
- Investment properties	37,500	-	6,916	500
- Investment in associates	143,968	34,000	-	-
- Others	6,667	6,667	-	-
	520,547	140,418	7,578	1,493
	579,006	184,603	7,578	1,493

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 40. Commitments (cont'd.)

### (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 were as follows:

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Not later than 1 year	4,957	4,252	1,587	1,334
Later than 1 year and not later than 5 years	10,768	7,453	1,604	366
Later than 5 years	22,587	20,184	-	-
	38,312	31,889	3,191	1,700

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	
	2013 RM'000	2012 RM'000
Not later than 1 year	616	616
Later than 1 year and not later than 5 years	2,138	2,138
	2,754	2,754

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

### (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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 40. Commitments (cont'd.)

#### (d) Finance lease commitments (cont'd.)

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group	
	2013 RM'000	2012 RM'000
<b>Minimum lease payments:</b>		
Not later than 1 year	17	18
Later than 1 year and not later than 2 years	-	16
Total minimum lease payments	17	34
Less: Amounts representing finance charges	(1)	(2)
Present value of minimum lease payments	16	32
<b>Present value of payments:</b>		
Not later than 1 year	16	16
Later than 1 year and not later than 2 years	-	16
Present value of minimum lease payments	16	32
Less: Amount due within 12 months (Note 30)	(16)	(16)
Amount due after 12 months (Note 30)	-	16

### 41. Contingencies

(a)	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Share of contingent liabilities of an associate	2,689	3,313	441	543

- (b) (i) In the previous 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. ("SISB").

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.

- (ii) At an 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 Sarawak.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 41. Contingencies (cont'd.)

- (b) (ii) 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.

As at the reporting date, no values were 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.

### 42. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements the following transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

#### (a) Sales of goods and services

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Sale of goods to Titanium Construction Sdn. Bhd. (i)	205	-	-	-
Dividend income from funds managed by an associate	13,297	11,922	13,297	11,922
Interest income received from:				
- Associates	185	588	185	588
- Subsidiaries	-	-	4,854	2,901
Fee received from subsidiaries	-	-	5,493	6,953
Management fees received from:				
- Subsidiaries	-	-	207	248
- An associate	1,982	2,393	-	-
- COPE Opportunities 2 Sdn. Bhd. (ii)	1,129	537	-	-
- COPE Opportunities 3 Sdn. Bhd. (ii)	1,156	-	-	-
Rental received from:				
- A subsidiary	-	-	600	600
- Joint ventures	-	45	-	-

- (i) Dato Sri Mahmud Abu Bekir Taib is a director of Titanium Construction Sdn. Bhd. of which the Group supplied construction materials.

He is a director and a major shareholder of the Company as well as director in several subsidiaries of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 42. Related party transactions (cont'd.)

#### (a) Sales of goods and services (cont'd.)

- (ii) Azam bin Azman has 50% equity interest in both COPE Opportunities 2 Sdn. Bhd. and COPE Opportunities 3 Sdn. Bhd. and the Group has interest in the contract for the provision of investment management services.

He is a director in a subsidiary and an associate of the Group.

#### (b) Purchases of goods and services

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Purchase of goods from associates	39,245	15,461	-	-
Interest expense paid to subsidiaries	-	-	16,195	11,713
Payment for services to:				
- Associates	1,171	136	1,145	36
- Achi Jaya Communications Sdn. Bhd. (iii)	43	37	2	3
- Borneo Isthmus Development Sdn. Bhd. (iv)	136	31	10	31
- Centigrade Resources Sdn. Bhd. (v)	-	438	-	373
- Impetus Alliance Advisors Sdn. Bhd. (vi)	312	-	-	-
- KTA (Sarawak) Sdn. Bhd. (vii)	-	49	-	-
- Opus Asset Management Sdn. Bhd. (viii)	170	153	170	153
- Opus Capital Sdn. Bhd. (ix)	127	127	-	-
- Satria Realty Sdn. Bhd. (x)	1,853	1,108	1,565	957

- (iii) Dato Sri Mahmud Abu Bekir Taib has 15.65% (2012: 15.65%) equity interest in Achi Jaya Communications Sdn. Bhd. which the Group purchased telecommunication equipment and received services from.
- (iv) Dato Sri Mahmud Abu Bekir Taib is a director of Borneo Isthmus Development Sdn. Bhd.. The Group incurred food and refreshments expenditure with Borneo Isthmus Development Sdn. Bhd..
- (v) Centigrade Resources Sdn. Bhd. is a subsidiary of Satria Realty Sdn. Bhd., which the Group transacted with for the provision of office upkeep services.
- (vi) Datuk Seri Micheal Yam Kong Choy is a director in Impetus Alliance Advisors Sdn. Bhd. who is also a director in a subsidiary of the Company. Impetus Alliance Advisors Sdn. Bhd. provided advisory services to the Group.
- (vii) The brother of one of the directors of the Company, Datu Michael Ting Kuok Ngie @ Ting Kok Ngie, has 20% direct interest in KTA (Sarawak) Sdn. Bhd.. The Group entered into a contract for the provision of engineering consultancy services with KTA (Sarawak) Sdn. Bhd..
- (viii) Azam bin Azman is a director in Opus Asset Management Sdn. Bhd., which provided investment management services to the Group.
- (ix) Azam bin Azman is a director in Opus Capital Sdn. Bhd., which provided advisory services to the Group.
- (x) Satria Realty Sdn. Bhd., a company controlled by Majaharta Sdn. Bhd. (a major shareholder of the Company) which in turn is controlled by Datuk Hanifah Hajar Taib and Jamilah Hamidah Taib who are 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.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 42. Related party transactions (cont'd.)

#### (c) Year-end balances arising from sales/purchases of goods/services

	Group	
	2013 RM'000	2012 RM'000
Receivable from related party:		
- Titanium Construction Sdn. Bhd.	-	-
Payable to related parties:		
- Achi Jaya Communications Sdn. Bhd.	7	2
- Borneo Isthmus Development Sdn. Bhd.	136	31
- Centigrade Resources Sdn. Bhd.	-	-
- COPE Opportunities 2 Sdn. Bhd.	-	-
- COPE Opportunities 3 Sdn. Bhd.	-	-
- Impetus Alliance Advisors Sdn. Bhd.	-	-
- KTA (Sarawak) Sdn. Bhd.	-	-
- Opus Asset Management Sdn. Bhd.	12	28
- Opus Capital Sdn. Bhd.	-	-
- Satria Realty Sdn. Bhd.	2	9

#### (d) Compensation of key management personnel

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short-term employee benefits	8,711	6,831	5,140	4,271
Defined contribution plan	1,012	784	617	513
Share-based payments	539	841	327	544
	10,262	8,456	6,084	5,328

In 2012, 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 2013

#### 43. Fair value measurements

##### (a) Determination of fair value and the fair value hierarchy

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities and broker quote on Bloomberg and Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived.

The Group and the Company generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.

MFRS 13 Fair Value Measurement requires each class of assets and liabilities measured at fair value in the statements of financial position after initial recognition to be categorised according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of those financial instruments and non-financial assets:

- Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 - Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and
- Level 3 - Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 43. Fair value measurements (cont'd)

### (b) Financial instruments and non-financial assets carried at fair value

The following tables provide an analysis of financial instruments and non-financial assets carried at fair values at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Group</b>				
<b>31 December 2013</b>				
<b>Financial assets</b>				
Income debt securities fund	-	58,904	-	58,904
Equity instruments	38,413	-	-	38,413
Unit trust funds	28,695	-	-	28,695
Wholesale fund	-	1,056	-	1,056
	67,108	59,960	-	127,068
<b>31 December 2012</b>				
<b>Financial assets</b>				
Fixed income debt securities	-	55,537	-	55,537
Equity instruments	23,017	-	-	23,017
Unit trust funds	28,394	-	-	28,394
Wholesale fund	-	496	-	496
	51,411	56,033	-	107,444
<b>Company</b>				
<b>31 December 2013</b>				
<b>Financial assets</b>				
Income debt securities fund	-	58,904	-	58,904
Equity instruments	38,413	-	-	38,413
Unit trust funds	28,695	-	-	28,695
	67,108	58,904	-	126,012
<b>31 December 2012</b>				
<b>Financial assets</b>				
Fixed income debt securities	-	55,537	-	55,537
Equity instruments	23,017	-	-	23,017
Unit trust funds	28,394	-	-	28,394
	51,411	55,537	-	106,948

The Group and the Company recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2012: Nil).

As there was no financial assets or financial liabilities measured at level 3, no reconciliation is presented.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 43. Fair value measurements (cont'd.)

#### (c) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and the Company which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

	31 December 2013		31 December 2012	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Group</b>				
<b>Financial assets:</b>				
Available-for-sale financial assets				
- Equity instruments	300	300	300	300
- Redeemable participating shares	6,869	6,869	128	128
	7,169	7,169	428	428
<b>Financial liabilities:</b>				
Interest-bearing loans and borrowings				
- Bankers' acceptances	36,006	36,006	3,722	3,723
- Term loan	42,800	43,340	64,240	65,634
- Finance lease liabilities	16	16	32	34
- Revolving credits	15,000	15,000	15,000	15,000
- Loans from corporate shareholders	6,280	7,532	6,831	7,918
	100,102	101,894	89,825	92,309

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

#### (i) Loans, advances and financing

The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity. The fair values of impaired loans/financing are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

#### (ii) Equity instruments and redeemable participatory shares

The carrying amounts of these financial instruments are deemed to approximate the fair values as their fair values cannot be reliably measured.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 43. Fair value measurements (cont'd.)

#### (c) Fair values of financial instruments not carried at fair value (cont'd)

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Investments in associates	20
Investments in joint ventures	21
Trade receivables (current)	24
Other receivables (current)	24
Trade payables (current)	33
Other payables (current)	33

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

### 44. 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.

#### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. At the reporting date, the Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. It is the Group's policy that contractual deposits are collected and scheduled progress payments are received from the buyers when due. Titles to properties are only transferred upon full settlement. Management does not expect any counterparties to fail to meet their obligations.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 44. Financial risk management objectives and policies (cont'd.)

### (a) Credit risk (cont'd.)

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

### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company adopt a prudent approach to managing their liquidity risk. The Group and the Company always maintains sufficient cash and cash equivalents, and have available funding through a diverse source of committed and uncommitted credit facilities from various banks.

#### Analysis of financial instruments by remaining contractual maturities

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

	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	
<b>Group</b>					
<b>At 31 December 2013</b>					
Financial liabilities:					
Trade and other payables, excluding financial guarantees*	364,178	340,106	24,072	-	364,178
Loans and borrowings	100,102	75,647	30,538	-	106,185
Total undiscounted financial liabilities		415,753	54,610	-	470,363
<b>At 31 December 2012</b>					
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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 44. Financial risk management objectives and policies (cont'd.)

### (b) Liquidity risk (cont'd.)

#### Analysis of financial instruments by remaining contractual maturities (cont'd.)

	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	
<b>Company</b>					
<b>At 31 December 2013</b>					
Financial liabilities:					
Trade and other payables, excluding financial guarantees*	620,195	620,195	-	-	620,195
Total undiscounted financial liabilities		620,195	-	-	620,195
<b>At 31 December 2012</b>					
Financial liabilities:					
Trade and other payables, excluding financial guarantees*	473,635	473,635	-	-	473,635
Total undiscounted financial liabilities		473,635	-	-	473,635

\* 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's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to market risk for changes in interest rates arise primarily from its fixed/treasury deposits and loans and bank borrowings. The Group's fixed/treasury deposits and borrowings at floating rates are contractually re-priced at intervals of less than 6 months (2012: 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 RM391,928 (2012: RM552,315), 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 2013

#### 44. Financial risk management objectives and policies (cont'd.)

##### (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 2013, 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	
	2013	2012
	RM'000	RM'000
United States Dollars	1,867	1,720
Euro	20	5

A 10% weakening of the above foreign currencies against the underlying functional currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

##### (e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk and the risk of impairment in the value of investments held. The Group and the Company manage 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, 46% (2012: 52%) of the Group's and the Company's investment securities consist of fixed income securities, 30% (2012: 21%) in equity portfolio quoted on Bursa Malaysia Securities Berhad, 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 and the Company's profit net of tax will be RM3,341,337 (2012: RM1,888,727) 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.



## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 45. Capital management

The primary objective of the Group's and the Company's capital management is to ensure that they maintain healthy capital ratios to support their businesses and maximise shareholder value. No changes were made in the objectives, policies and processes during the years ended 31 December 2013 and 2012.

The Group and the Company review their capital structure and make adjustments to reflect economic conditions, business strategies and future commitments on a continuous basis.

The Group and the Company monitor 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 2013 and 2012.

	Group	
	2013 RM'000	2012 RM'000
Loans and borrowings (Note 30)	100,102	89,825
Equity attributable to the owners of the Company	1,654,117	1,480,923
Gearing ratio (times)	0.06	0.06

As the Company has no loans and borrowings, accordingly no gearing ratio is presented.

### 46. 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 2013

## 46. Segment information (cont'd.)

	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
<b>31 December 2013</b>										
<b>Revenue:</b>										
External customers	514,642	393,401	289,260	74,976	112,977	10,532	21,053	-		1,416,841
Inter-segment	25,101	57,338	12,264	254	-	-	5,774	(100,731)	A	-
Total revenue	539,743	450,739	301,524	75,230	112,977	10,532	26,827	(100,731)		1,416,841
<b>Results:</b>										
Interest income	4,719	3,500	7,847	232	1,191	627	80	(17,579)		617
Depreciation and amortisation	31,763	3,880	3,711	287	41,988	276	2,469	(61)		84,313
Share of results of associates	-	-	-	-	(1,615)	8,243	-	-		6,628
Share of results of joint ventures	-	-	228	-	-	-	-	-		228
Other non-cash expenses	900	1,036	1,277	70	323	3,242	791	-	B	7,639
Segment profit/(loss) before tax	96,663	55,083	95,013	31,272	26,719	(4,297)	975	(6,534)	C	294,894
<b>Assets:</b>										
Investments in associates	-	-	-	-	84,161	296,367	-	-		380,528
Investments in joint ventures	-	-	-	-	-	-	3,945	-		3,945
Additions to non-current assets	36,670	7,038	16,559	4,457	32,169	407	1,022	249	D	98,571
<b>Segment assets</b>	758,889	337,022	407,775	291,734	132,219	21,728	874,734	(400,209)	E	2,423,892
<b>Segment liabilities</b>	130,316	161,231	86,543	70,735	98,435	25,913	606,626	(643,613)	F	536,186

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 46. Segment information (cont'd.)

	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
<b>31 December 2012</b>										
<b>Revenue:</b>										
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
<b>Results:</b>										
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	2,106	3,076	185	222	8,363	1,075	-	B	16,499
Segment profit/(loss) before tax	66,374	40,660	79,730	24,493	25,311	(9,120)	6,813	(7,355)	C	226,906
<b>Assets:</b>										
Investments in associates	-	-	-	-	47,590	289,793	-	-		337,383
Investments in joint ventures	-	-	-	-	-	-	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
<b>Segment assets</b>	686,301	307,057	321,512	257,583	77,015	28,768	728,997	(266,993)	E	2,140,240
<b>Segment liabilities</b>	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 2013

### 46. Segment information (cont'd.)

**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	2013 RM'000	2012 RM'000
Impairment loss on trade and other receivables	8	428	2,564
Impairment loss on investment in an associate	8	3,125	3,126
Inventories written off	8	764	1,697
Dilution loss arising from deemed disposal of an associate	8	-	5,000
Share options granted under ESOS	9	3,322	4,112
		7,639	16,499

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:

	2013 RM'000	2012 RM'000
Share of results of associates	6,628	3,134
Share of results of joint ventures	228	956
Unallocated corporate expense	(13,390)	(11,445)
	(6,534)	(7,355)

D Additions to non-current assets consist of:

	2013 RM'000	2012 RM'000
Property, plant and equipment	94,139	81,789
Prepaid land lease payments	466	-
Land held for property development	3,946	1,446
Intangible assets	20	-
	98,571	83,235

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

## 46. Segment information (cont'd.)

**Notes** Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements (cont'd.)

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:

	2013 RM'000	2012 RM'000
Investments in associates	380,528	337,383
Investments in joint ventures	3,945	3,948
Deferred tax assets	23,007	18,124
Inter-segment assets	(807,689)	(626,448)
	(400,209)	(266,993)

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:

	2013 RM'000	2012 RM'000
Deferred tax liabilities	33,712	32,496
Income tax payable	23,395	20,522
Loans and borrowings	100,102	89,825
Inter-segment liabilities	(800,822)	(661,138)
	(643,613)	(518,295)

## 47. Dividends

	Company	
	2013 RM'000	2012 RM'000
<b>Recognised during the financial year:</b>		
Dividends on ordinary shares:		
- First and final dividend for 2012: Nil (2011: 15 sen) less 25% taxation per share	-	37,080
- Final dividend for 2012: 12 sen (2011: Nil) less 25% taxation per share	30,278	-
- Interim dividend for 2013: 5 sen (2012: 5 sen) less 25% taxation per share	12,692	12,251
	42,970	49,331
<b>Proposed but not recognised as a liability as at 31 December:</b>		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final dividend for 2013: Nil (2012: 12 sen less 25% taxation) per share	-	29,237
- Final dividend for 2013: 12 sen tax exempt (single-tier) (2012: Nil) per share	40,668	-
	40,668	29,237

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 47. Dividends (cont'd.)

At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2013, of 12% per share on 338,902,540 ordinary shares, amounting to a dividend payable of RM40,668,305 (12 sen 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 2014.

### 48. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 21 March 2014.

## NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2013

### 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 2013 and 2012 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:				
- Realised	826,620	657,079	131,680	138,333
- Unrealised	(7,724)	(13,816)	3,708	980
Total share of retained profits from associates:				
- Realised	10,184	7,245	-	-
- Unrealised	(597)	3,453	-	-
Total share of retained profits from joint ventures				
- Realised	3,945	3,948	-	-
	832,428	657,909	135,388	139,313
Consolidation adjustments	22,665	60,774	-	-
Retained profits as per financial statements	855,093	718,683	135,388	139,313



# ANALYSIS OF SHAREHOLDINGS

as at 24 March 2014

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	:	340,280,740 ordinary shares of RM1.00 per share
Voting Right	:	One voting right for one ordinary share

## Directors' Shareholdings

Name of Shareholder	Direct Shareholdings	% of Issued Capital	Indirect Shareholdings	% of Issued Capital
1. Dato Sri Mahmud Abu Bekir Taib	29,400,085	8.64	-	-
2. Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	-	-	19,000 <sup>1</sup>	0.01
3. Datuk Syed Ahmad Alwee Alsree	-	-	45,630,102 <sup>1</sup>	13.41

## Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
1 to 99	49	1.47	1,148	0.00
100 to 1,000	1,029	30.88	916,826	0.27
1,001 to 10,000	1,618	48.56	6,497,220	1.91
10,001 to 100,000	465	13.96	15,765,400	4.63
100,001 to less than 5% of issued shares	166	4.98	149,344,514	43.89
5% and above of issued shares	5	0.15	167,755,632	49.30
<b>Total</b>	<b>3,332</b>	<b>100.00</b>	<b>340,280,740</b>	<b>100.00</b>

## Category of Shareholders

Category	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
Individuals	2,424	72.75	108,042,659	31.75
Banks/Finance companies	30	0.90	2,570,200	0.76
Investment Trusts/Foundation/Charities	0	0.00	0	0.00
Industrial and Commercial Companies	54	1.62	46,817,002	13.76
Government Agencies/Institutions	2	0.06	26,988,860	7.93
Nominee Companies	822	24.67	155,862,019	45.80
<b>Total</b>	<b>3,332</b>	<b>100.00</b>	<b>340,280,740</b>	<b>100.00</b>

## Thirty Largest Shareholders as per Record of Depositors

Name of Shareholder	No. of Ordinary Shares Held	% of Issued Capital
1. Majaharta Sdn Bhd	44,925,102	13.20
2. Lejla Taib	37,000,000	10.87
3. Dato Sri Sulaiman Abdul Rahman Taib	29,465,085	8.66
4. RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Dato Sri Mahmud Abu Bekir Taib</i>	29,400,085	8.64
5. Sarawak Economic Development Corporation	26,965,360	7.92

## ANALYSIS OF SHAREHOLDINGS

as at 24 March 2014

## Thirty Largest Shareholders as per Record of Depositors

Name of Shareholder	No. of Ordinary Shares Held	% of Issued Capital
6. Citigroup Nominees (Asing) Sdn Bhd <i>Exempt AN for Citibank NA, Singapore (Julius Baer)</i>	16,773,000	4.93
7. Pui Cheng Wui	16,484,505	4.84
8. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Exempt AN for Deutsche Bank AG Singapore (PWM Asing)</i>	11,819,100	3.47
9. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	10,083,400	2.96
10. Chua Sim Neo @ Diana Chua	7,983,000	2.35
11. HSBC Nominees (Asing) Sdn Bhd <i>Exempt AN for JPMorgan Chase Bank, National Association (Norges BK)</i>	5,336,100	1.57
12. Maybank Nominees (Tempatan) Sdn Bhd <i>Etika Takaful Berhad (Family PRF EQ)</i>	3,848,600	1.13
13. Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad for MAAKL-CM Shariah Flexi Fund</i>	3,308,000	0.97
14. AMSEC Nominees (Tempatan) Sdn Bhd <i>AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)</i>	2,979,500	0.88
15. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for Dimensional Emerging Markets Value Fund</i>	2,904,100	0.85
16. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for AMB Value Trust Fund</i>	2,680,000	0.79
17. Citigroup Nominees (Tempatan) Sdn Bhd <i>Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund</i>	2,368,300	0.70
18. Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt AN for AIA Bhd</i>	2,265,200	0.67
19. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (Nomura)</i>	2,073,800	0.61
20. CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB-Principal Asset Management Berhad for Manulife Insurance (Malaysia) Berhad - (Equity Fund)</i>	1,681,900	0.49
21. CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB-Principal Asset Management Berhad for Manulife Insurance (Malaysia) Berhad - (Managed Fund)</i>	1,660,900	0.49
22. Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad for CIMB-Principal Small Cap Fund (240218)</i>	1,589,700	0.47
23. HSBC Nominees (Asing) Sdn Bhd <i>Exempt AN for the Bank of New York Mellon (Mellon Acct)</i>	1,495,300	0.44

## ANALYSIS OF SHAREHOLDINGS

as at 24 March 2014

## Thirty Largest Shareholders as per Record of Depositors

Name of Shareholder	No. of Ordinary Shares Held	% of Issued Capital
24. Citigroup Nominees (Asing) Sdn Bhd <i>CBLDN for Global Emerging Markets Equity Income Fund (SLIC)</i>	1,435,300	0.42
25. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc</i>	1,414,800	0.42
26. Maybank Nominees (Tempatan) Sdn Bhd <i>Etika Insurance Berhad (Sharehldr's FD)</i>	1,269,900	0.37
27. Maybank Nominees (Tempatan) Sdn Bhd <i>Etika Insurance Berhad (Life Par Fund)</i>	1,159,000	0.34
28. CIMB Group Nominees (Tempatan) Sdn Bhd <i>AmTrustee Berhad for CIMB Islamic Dali Equity Theme Fund</i>	1,149,600	0.34
29. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (Mayban INV)</i>	1,100,000	0.32
30. Maybank Nominees (Tempatan) Sdn Bhd <i>Etika Insurance Berhad (Life Non-Par FD)</i>	1,070,000	0.31
<b>Total</b>	<b>273,688,637</b>	<b>80.42</b>

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

Name of Substantial Shareholders	Direct Shareholdings	Indirect Shareholdings	% of Issued Capital
1. Datuk Hanifah Hajar Taib	705,000	44,925,102 <sup>2</sup>	13.41
2. Datuk Syed Ahmad Alwee Alsree		45,630,102 <sup>1</sup>	13.41
3. Majaharta Sdn Bhd	44,925,102	-	13.20
4. Jamilah Hamidah Taib	-	44,925,102 <sup>2</sup>	13.20
5. Lejla Taib	37,000,000	-	10.87
6. Dato Sri Sulaiman Abdul Rahman Taib	29,465,085	-	8.66
7. Dato Sri Mahmud Abu Bekir Taib	29,400,085	-	8.64
8. Sarawak Economic Development Corporation	26,965,360	-	7.92

<sup>1</sup> Deem interest pursuant to Section 134(12)(c) of the Companies Act, 1965<sup>2</sup> Deem interest pursuant to Section 6A of the Companies Act, 1965

# LIST OF PROPERTIES

as at 31 December 2013

Location	Date of acquisition	Description	Usage	Tenure	Remaining lease period (expiry date)	Land area/ Built up area (hectare/ m <sup>2</sup> )	Age of buildings	Net book value (RM'000)
Lot 4747, Block 18, Salak Land District, Kuching.	2009	Mixed zone land	Vacant land	Leasehold	43 years (2056)	0.23/ N/A	-	385
Lot 449, Block 15, Salak Land District, Kuching.	2007	Mixed zone land	Land & school	Leasehold	54 years (2068)	7.49/ 5,322	7 years	21,379
Lot 678, Section 66, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	25 years (2038)	3.20/ N/A	-	10,180
Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate, Kuching.	1996	Land & cement mill	Office & factory	Leasehold	23 years (2036)	6.25/ 15,223	36 years	22,241
Lot 766, Block 20, Kemena Land District, Bintulu.	1997	Land & cement mill	Office & factory	Leasehold	49 years (2062)	6.88/ 68,797	17 years	15,013
Lot 767, Block 20, Kemena Land District, Bintulu.	1997	Land	Vacant land	Leasehold	49 years (2062)	10.13/ N/A	-	6,401
Lot 571, Block 4, Sentah Segu Land District, Kuching.	1992/2002	Land & clinker mill	Office & factory	Leasehold	29 years (2042)	18.2/ 58,595	16 years	63,175
Lot 528, Block 4, Sentah Segu Land District, Kuching.	1996	Land	Vacant	Leasehold	59 years (2072)	0.11/ N/A	-	0
Lot 872, Block 4, Sentah Segu Land District, Kuching.	1996	Land	Vacant	Leasehold	58 years (2071)	0.22/ N/A	-	116
Lot 70, Block 9, Sentah Segu Land District, Kuching.	2013	Land	Vacant land	Leasehold	11 years (2024)	1.3/ N/A	-	281
Lot 73, Block 9, Sentah Segu Land District, Kuching.	2013	Land	Vacant land	Leasehold	13 years (2026)	0.75/ N/A	-	163

**LIST OF PROPERTIES**

as at 31 December 2013

Location	Date of acquisition	Description	Usage	Tenure	Remaining lease period (expiry date)	Land area/ Built up area (hectare/ m <sup>2</sup> )	Age of buildings	Net book value (RM'000)
Lot 415, Block 32, Kemena Land District, Bintulu.	1996	Industrial land	Held for rental income	Leasehold	31 years (2044)	2.23/712	15 years	1,739
Lot 34 & 35, Section 15, Kuching Town Land District, Kuching.	1994	4-storey shophouse	Held for rental income	Leasehold	802 years (2815)	0.41/1,400	17 years	3,952
Lot 9882, Section 64, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	85 years (2098)	3.186/N/A	-	22,374
Lot 4717-4718, Block 18, Salak Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	44 years (2057)	0.796/N/A	-	1,974
Lot 4719-4720, Block 18, Salak Land District, Kuching.	2013	Mixed zone land	Vacant land	Freehold	In perpetuity	0.564/N/A	-	1,405
Lot 90, Block 11, KM17, Miri-Bintulu Road, Lambir Land District, Miri.	1994	Mixed zone land	Premix operation	Leasehold	41 years (2054)	2.73/650	20 years	116
Lot 444, Block 11, 8th Mile, Sibul Ulu Oya Road, Seduan Land District, Sibul.	1994	Mixed zone land	Premix operation	Leasehold	42 years (2055)	2.76/1,265	21 years	115
Lot 71, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	43 years (2056)	18.94/N/A	-	1,791
Lot 294, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	43 years (2056)	2.75/N/A	-	433
Lot 212, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Office & factory	Leasehold	43 years (2056)	5.04/1,700	16 years	3,880

## LIST OF PROPERTIES

as at 31 December 2013

Location	Date of acquisition	Description	Usage	Tenure	Remaining lease period (expiry date)	Land area/ Built up area (hectare/ m <sup>2</sup> )	Age of buildings	Net book value (RM'000)
Lot 353, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Premix operation	Leasehold	43 years (2056)	2.24/ 1,877	5 years	363
Lot 338, 340-345, Block 10, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	25 years (2038)	3.07/ N/A	-	525
Lot 302-304, 354-357, 362 and 363, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	811 years (2824)	4.27/ N/A	-	3,435
Lot 342-343, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	11 years (2024)	0.74/ N/A	-	138
Lot 134, Section 64, Kuching Town Land District, Kuching.	1998	Mixed zone land	Jetty and land	Leasehold	45 years (2058)	0.43/ N/A	-	982
Lot 358, Block 17, Kuching Central Land District, Kuching.	2012	Mixed zone land	Quarry operation	Leasehold	811 years (2824)	0.44/ N/A	-	798
Lot 355, Block 17, Kuching Central Land District, Kuching.	2012	Mixed zone land	Quarry operation	Leasehold	811 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	47 years (2060)	0.01/ 334	16 years	356
Lot 2116, Sublot 2, Kuching Town Land District, Kuching.	2003	3-Storey shophouse	Office	Leasehold	47 years (2060)	0.01/ 328	16 years	444
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 2013

Location	Date of acquisition	Description	Usage	Tenure	Remaining lease period (expiry date)	Land area/ Built up area (hectare/ m <sup>2</sup> )	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	24 years (2037)	0.53/ N/A	-	69
Lot 488, Block 5, Muara Tebas Land District, Sejingkat, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	13 years (2026)	2.70/ N/A	-	238
Lot 220-222, Section 63, Kuching Land District, Kuching.	2007	Intermediate 4-storey shophouses	Office	860 years	783 years (2797)	0.04/ 4,452	5 years	3,251
Lot 1319, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	83 years (2096)	26.42/ N/A	-	22,138
Lot 2342, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	83 years (2096)	38.20/ N/A	-	32,005
Lot 2839, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	96 years (2109)	1.67/ N/A	-	1,398
Lot 2850, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	96 years (2109)	3.49/ N/A	-	2,928
Lot 2852, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	96 years (2109)	2.59/ N/A	-	2,173
Lot 2855, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	96 years (2109)	16.67/ N/A	-	13,966
Lot 622, Section 66, Kuching Town Land District, Kuching.	1998	Mixed zone land	Land held for development	Leasehold	45 years (2058)	3.14/ N/A	-	3,671
Lot 2520, Section 66, Kuching Town Land District, Kuching.	1998	Mixed zone land	Land held for development	Leasehold	60 years (2073)	1.7089/ N/A	-	2,148



# LIST OF PROPERTIES

as at 31 December 2013

Location	Date of acquisition	Description	Usage	Tenure	Remaining lease period (expiry date)	Land area/ Built up area (hectare/ m <sup>2</sup> )	Age of buildings	Net book value (RM'000)
Lot 2521, Section 66, Kuching Town Land District, Kuching.	1998	Mixed zone land	Land held for development	Leasehold	45 years (2058)	11.659/ N/A	-	15,090
Lot 9244, Block 11, Muara Tebas Land District, Stutong, Kuching.	2011	Mixed zone land	Land held for development	Leasehold	58 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	85 years (2098)	1,366.50/ N/A	-	9,673
Lot 3284, 3765, 3986-3990, 3992-3994 & 3541, Block 9, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	85 years (2098)	55.55/ N/A	-	425
Lot 1, Block 13, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	85 years (2098)	349.70/ N/A	-	2,711
Lot 2082, Section 66, Kuching Town Land District, Kuching.	1996	Land & factory	Office & factory	Leasehold	32 years (2045)	0.85/ 3,936	30 years	2,314
Lot 117, Block 1, Kemena Land District, Bintulu.	2013	Industrial land	Vacant land	Leasehold	60 years (2073)	123.02/ N/A	-	29,690
Parcel 42, Block 71, Kuching Central Land District, Kuching.	-	**	Quarry operation	-	-	N/A/ 1,262	21 years	86
G.N. No.100 Sebuyau, Kota Samarahan Division, Kuching.	-	**	Jetty	-	-	N/A	-	619
Lot 360 & Lot 361, Block 17, Kuching Central Land District, Kuching.	-	**	Temporary sheet pile storage	-	-	N/A	-	226
Lot 246, Block 5, Sentah Segu Land District, Kuching.	-	**	Quarry operation	-	-	N/A/ 994.37	3 years	7,364

## LIST OF PROPERTIES

as at 31 December 2013

Location	Date of acquisition	Description	Usage	Tenure	Remaining lease period (expiry date)	Land area/ Built up area (hectare/ m <sup>2</sup> )	Age of buildings	Net book value (RM'000)
Jalan Bintulu-Miri (Coastal Road), Samalaju Industrial Park, Bintulu.	-	**	Quarters, office, lodge	-	-	N/A/ 47,655	3 years	1,683
Lot 552-553, Upper Lanang Road, Sibu.	-	**	Bulk terminal	-	-	N/A/ 2,841	3 years	9,244
Lot 239, Lorong 5, Block 4, Jalan Krokop Riverside, Miri.	-	**	Bulk terminal	-	-	N/A/ 4,074	3 years	9,521

\*\* Land owned by third party

# GROUP DIRECTORY

**CAHYA MATA SARAWAK BERHAD** (21076-T)

Level 6 Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching  
**T** +60 82 238 888  
**F** +60 82 333 828  
**E** [www@hq.cmsb.com.my](mailto:www@hq.cmsb.com.my)  
**W** [www.cmsb.com.my](http://www.cmsb.com.my)

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

**CEMENT DIVISION****CMS Cement Sdn Bhd** (321916-K)

Lot 5895, Jalan Simen Raya  
Pending Industrial Estate  
93450 Kuching  
**T** +60 82 332 111  
**F** +60 82 334 537  
**E** [www.cement.cmsb.com.my](http://www.cement.cmsb.com.my)  
**W** [www.cmsb.com.my/cement](http://www.cmsb.com.my/cement)

**CMS Clinker Sdn Bhd** (49256-V)

Lot 571, Block 4, Sentah Segu Land District  
Jalan Mambong  
93250 Kuching  
**T** +60 82 610 229  
**F** +60 82 610 227  
**E** [clinker@cmsb.com.my](mailto:clinker@cmsb.com.my)  
**W** [www.cmsb.com.my/clinker](http://www.cmsb.com.my/clinker)

**CMS Concrete Products Sdn Bhd** (366884-X)**PPES Concrete Product Sdn Bhd** (152276-P)

Lot 212, Block 17, KCLD  
Jalan Old Airport  
93250 Kuching  
**T** +60 82 614 436  
**F** +60 82 614 406  
**E** [concrete@cmsb.com.my](mailto:concrete@cmsb.com.my)  
**W** [www.cmsb.com.my/concrete](http://www.cmsb.com.my/concrete)

**CONSTRUCTION MATERIALS &  
TRADING DIVISION****CMS Resources Sdn Bhd** (98773-T)

7th Mile, Kuching-Serian Road  
93350 Kuching  
**T** +60 82 610 226  
**F** +60 82 612 434

**CMS Quarries Sdn Bhd** (121767-D)

7th Mile, Kuching-Serian Road  
93250 Kuching  
**T** +60 82 615 605 / 610 226  
**F** +60 82 615 598  
**W** [www.cmsb.com.my/quarries](http://www.cmsb.com.my/quarries)

**CMS Penkuari Sdn Bhd** (27895-T)

9½ Mile, Kuching-Serian Road  
93250 Kuching  
**T** +60 82 614 913  
**F** +60 82 614 923  
**W** [www.cmsb.com.my/penkuari](http://www.cmsb.com.my/penkuari)

**CMS Premix Sdn Bhd** (117700-W)

LoT 353, Block 17  
7th Mile Penrissen Road  
93250 Kuching  
**T** +60 82 614 208  
**F** +60 82 614 626  
**W** [www.cmsb.com.my/premix](http://www.cmsb.com.my/premix)

**CMS Premix (Miri) Sdn Bhd** (218541-T)

Mile 11, Miri-Bintulu Road  
98000 Miri  
**T** +60 85 407 136  
**F** +60 85 406 136

**CMS Wires Sdn Bhd** (23092-U)

Lot 87, Lorong Tenaga 2  
Off Jalan Tenaga  
Bintawa Industrial Estate  
93450 Kuching  
**T** +60 82 484 924  
**F** +60 82 486 085  
**W** [www.cmsb.com.my/wires](http://www.cmsb.com.my/wires)

**CMS Infra Trading Sdn Bhd** (196635-M)**CMS Agrotech Sdn Bhd** (859264-P)

No 2128, Sublot 2  
Jalan Utama, Pending  
93450 Kuching  
**T** +60 82 348 950  
**F** +60 82 348 952  
**E** [trading@cmsb.com.my](mailto:trading@cmsb.com.my)  
**E** [agrotech@cmsb.com.my](mailto:agrotech@cmsb.com.my)  
**W** [www.cmsb.com.my/trading](http://www.cmsb.com.my/trading)

**SAMALAJU DEVELOPMENT DIVISION****Samalaju Industries Sdn Bhd** (783430-V)**Samalaju Aluminium Industries Sdn Bhd** (782329-P)

Level 6, Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching  
**T** +60 82 238 888  
**F** +60 82 338 611

**Samalaju Properties Sdn Bhd** (752695-D)**Samalaju Hotel Management Sdn Bhd** (965442-M)

2nd Floor, No. 96 & 97, Lot 7317 & 7318  
Medan Central Commercial Centre  
Jalan Tanjung Kidurong  
97800 Bintulu  
**T** +60 86 335 995  
**F** +60 86 337 995  
**E** [samalaju@cmsb.com.my](mailto:samalaju@cmsb.com.my)  
**W** [www.spdsamalaju.com.my](http://www.spdsamalaju.com.my)

## GROUP DIRECTORY

**CONSTRUCTION &  
ROAD MAINTENANCE DIVISION****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 82 233 311 / 233 030  
F +60 82 230 311

**PPES Works (Sarawak) Sdn Bhd** (209892-K)

1st – 4th Floor  
Lot 621 - 623, Section 62, KTLD  
Jalan Padungan  
93100 Kuching  
T +60 82 340 588  
F +60 82 340 695  
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 82 233 311 / 233 030  
F +60 82 230 311  
E hotlinejlnraya@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 82 240 233  
F +60 82 239 842  
W www.cmspavement.com

**PROPERTY DEVELOPMENT DIVISION****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 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

**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

**ASSOCIATE COMPANIES****K&N Kenanga Holdings Berhad** (302859-X)

8th Floor Kenanga International  
Jalan Sultan Ismail, 50250 Kuala Lumpur  
T +60 3 2162 1490  
F +60 3 2161 4990  
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

**OM Materials (Sarawak) Sdn Bhd** (915304-H)**OM Materials (Samalaju) Sdn Bhd** (1035184-W)

2nd Floor, Lot 4204  
Bintulu Parkcity Commerce Square (Phase 6)  
Jalan Tun Ahmad Zaidi  
97000 Bintulu  
T +60 86 334 690  
F +60 86 311 325

**Malaysian Phosphate Additives (Sarawak) Sdn Bhd** (1012291-T)

609 Block F Phileo Damansara 1  
No 9, Jalan 16/11, 46350 Petaling Jaya  
Selangor Darul Enshan  
T +60 3 7958 7329  
F +60 3 7958 6329

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 39<sup>th</sup> Annual General Meeting (“AGM”) of Cahya Mata Sarawak Berhad (“CMS” or “the Company”) will be held at Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak on Thursday, 15 May 2014 at 11:00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2013 and the Reports of the Directors and Auditors thereon.

**Ordinary Resolution 1**

2. To declare a final tax exempt (single-tier) dividend of 12 sen per ordinary share in respect of the financial year ended 31 December 2013.

**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 Dato Sri Mahmud Abu Bekir Taib

(b) YBhg General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin

*Please refer to Explanatory Note A*

**Ordinary Resolution 3**

**Ordinary Resolution 4**

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

“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.”

*Please refer to Explanatory Note B*

**Ordinary Resolution 5**

5. To approve the following Directors' fees:

(a) Increase in Directors' fees amounting to RM 55,500 per annum for the Non-Executive Chairman, RM 67,500 per annum for Deputy Chairman and RM 25,000 per annum for the Non-Executive Director effective from 1 January 2013.

(b) Payment of Directors' fees amounting to RM 807,500 for the financial year ended 31 December 2013.

*Please refer to Explanatory Note C*

**Ordinary Resolution 6**

**Ordinary Resolution 7**

6. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December 2014 and to authorise the Directors to fix their remuneration.

*Please refer to Explanatory Note D*

**Ordinary Resolution 8**

## AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Ordinary Resolutions:

7. **Proposed Retention of Independent Director**

“THAT 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.”

*Please refer to Explanatory Note E*

**Ordinary Resolution 9**

## NOTICE OF ANNUAL GENERAL MEETING

### 8. 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.”

*Please refer to Explanatory Note F*

**Ordinary Resolution 10**

### 9. 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 Malaysia Securities 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 22 April 2014 (“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 AGM of the Company, at which time it will lapse, unless by a resolution passed at a general meeting the authority is renewed; or
    - (ii) the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
    - (iii) revoked or varied by resolution passed by the shareholders in a general meeting,
- whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate for the RRPT.

## NOTICE OF ANNUAL GENERAL MEETING

AND THAT the estimated value given on the recurrent related party transactions and new RRPT specified in Sections 2.1.4 and 2.1.5 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.”

*Please refer to Explanatory Note G*

### Ordinary Resolution 11

#### 10. 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 Thirty-Eighth AGM of the Company held on 22 May 2013, 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.



## NOTICE OF ANNUAL GENERAL MEETING

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.”

*Please refer to Explanatory Note H*

### Ordinary Resolution 12

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a Member who shall be entitled to attend, speak and vote at the 39<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 77A(2) of the Company’s Articles of Association to issue a General Meeting Record of Depositors (“ROD”) as at 8 May 2014. Only a Depositor whose name appears in the Register of Members/ROD as at 8 May 2014 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote on his/her behalf.

### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS ALSO HEREBY GIVEN THAT**, subject to the approval of the shareholders at the 39<sup>th</sup> AGM to be held on 15 May 2014, a final tax exempt (single-tier) dividend of 12 sen per ordinary share in respect of the financial year ended 31 December 2013 will be paid on 20 June 2014 to Depositors whose names appear in the ROD on 6 June 2014.

**FURTHER NOTICE IS HEREBY GIVEN THAT** a Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) securities transferred into the Depositor’s Securities Account before 4.00 p.m. on 6 June 2014 for ordinary transfers; and
- (b) securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

### BY ORDER OF THE BOARD

**DENISE KOO SWEE PHENG**

Group Company Secretary

Kuching, Sarawak

22 April 2014

## NOTICE OF ANNUAL GENERAL MEETING

### Notes:

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. Explanatory Note A  
YBhg Dato Sri Mahmud Abu Bekir Taib and YBhg General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin are standing for re-election as Directors of the Company and being eligible have offered themselves for re-election. Details of the assessment of the directors standing for re-election are on pages 61 to 62 of the Statement on Corporate Governance in the 2013 Annual Report.
7. Explanatory Note B  
The re-appointment of YBhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie, a person over the age of 70 years, as a Director of the Company to hold office until the conclusion of the next AGM shall take effect if the proposed Ordinary Resolution 5 is passed by a majority of not less than three-fourths (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy at the 39<sup>th</sup> AGM.
8. Explanatory Note C  
The proposed increase in Directors' fees, which has not been revised since 2003, is to reflect the increased responsibilities of the Non-Executive Directors including the Chairman and Deputy Chairman. The quantum proposed is based on the outcome of benchmarking analysis carried out by an external consultant engaged by the Company. The proposed Ordinary Resolution 7 is in accordance with Article 115(3) of the Company's Articles of Association and if passed, shall be effective 1 January 2013. All the Non-Executive Directors who are shareholders of the Company will abstain from voting on Ordinary Resolutions 6 and 7 concerning Directors' fees at the 39<sup>th</sup> AGM.
9. Explanatory Note D  
The Board at its meeting held on 17 March 2014 approved the recommendation by the Group Audit Committee on the re-appointment of Messrs Ernst & Young ("EY") as Auditors of the Company. The Board and Group Audit Committee collectively agreed that EY has met the relevant criteria prescribed by Paragraph 15.21 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").

## NOTICE OF ANNUAL GENERAL MEETING

### EXPLANATORY NOTES ON SPECIAL BUSINESS

#### 10. Explanatory Note E

In line with Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012, the NRC has assessed the independence of YBhg Mr Kevin How Kow, who has served for a cumulative term of more than 9 years. The Board has recommended that the approval of the shareholders be sought to retain Mr Kevin How Kow as an Independent Non-Executive Director to fulfil the requirements of Paragraph 15.10 of the MMLR. The full details of the justification and recommendations for retention are set out in the Statement on Corporate Governance on page 62 in the Annual Report 2013.

#### 11. Explanatory Note F

The proposed Ordinary Resolution 10, if passed, will give a renewed mandate to the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965 ("Renewed Mandate") for such purposes as the Directors may deem fit and in the interest of the Company. The Renewed Mandate, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next AGM 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 38<sup>th</sup> AGM held on 22 May 2013 and the said mandate will lapse at the conclusion of the forthcoming 39<sup>th</sup> AGM.

The Company is seeking the approval from the shareholders on the Renewed Mandate for the purpose of a possible fund raising exercise including but not limited to placement of shares for the purpose of funding future investment project(s), working capital and/or acquisitions and to avoid any delay and cost in convening general meetings to specifically approve such an issue of shares.

#### 12. Explanatory Note G

The proposed Ordinary Resolution 11, if passed, will allow the CMS Group to enter into recurrent related party transactions of a revenue or trading nature and new recurrent related party transactions of a revenue or trading nature pursuant to the provisions of the MMLR ("Proposed Shareholders' Mandate for RRPT"). The authority under this resolution will expire at the conclusion of the next AGM or the expiry of the period within which the next AGM is required by law to be held, or the same is revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting, whichever occurs first. Further information on the Proposed Shareholders' Mandate for RRPT is set out in the Circular to Shareholders dated 22 April 2014 which is dispatched together with the Company's 2013 Annual Report.

#### 13. Explanatory Note H

The proposed Ordinary Resolution 12, if passed, will empower the Directors of the Company to purchase the Company's shares of an aggregate amount of up to 10% of the issued and paid-up share capital of the Company for the time being. The authority under this resolution will expire at the conclusion of the next AGM or the expiry of the period within which the next AGM is required by law to be held, or the same is revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting, whichever occurs first. Further information on the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 22 April 2014 which is dispatched together with the Company's 2013 Annual Report.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

## STATEMENT ACCOMPANYING NOTICE OF 39<sup>TH</sup> ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

- A. The profiles of the Directors who are standing for re-election as per Agenda 3 of the Notice of 39<sup>th</sup> AGM are stated on pages 41 and 45 of this Annual Report.
- B. The profile of the Director who is standing for re-appointment as per Agenda 4 of the Notice of 39<sup>th</sup> AGM is stated on page 44 of this Annual Report.
- C. The profile of the Director who is seeking approval to continue to act as an Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 as per Agenda 7 of the Notice of 39<sup>th</sup> AGM is stated on page 47 of this Annual Report.
- D. The profiles of the Directors are stated on pages 40 to 47 of this Annual Report. Their shareholdings in the Company are set out on page 197.

# FORM OF PROXY



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

<b>Number of shares held:</b>
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 39<sup>th</sup> Annual General Meeting of the Company to be held at Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak on Thursday, 15 May 2014 at 11:00 a.m. and at any adjournment thereof and to vote as indicated below:

No.	Resolutions	For	Against
1.	Receive Audited Financial Statements and Reports for the financial year ended 31 December 2013		
2.	Declaration of final tax exempt (single-tier) dividend		
3.	Re-election of Y Bhg Dato Sri Mahmud Abu Bekir Taib as Director		
4.	Re-election of Y Bhg General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin as Director		
5.	Re-appointment of Y Bhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie as Director		
6.	Approval of Increase in Directors' fees		
7.	Approval of Payment of Directors' fees 2013		
8.	Re-appointment of Auditors		
9.	Proposed Retention of Y Bhg Mr Kevin How Kow as Independent Director		
10.	Authority to Directors to allot and issue shares		
11.	Proposed Shareholders' Mandate for RRPT		
12.	Proposed Share Buy-Back		

Date: .....2014

Signature: .....

## Notes:

### Proxy and/or Authorised Representatives

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.

### Members entitled to Attend

For the purpose of determining a member who shall be entitled to attend the 39<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 77A(2) of the Company's Articles of Association to issue a General Meeting Record of Depositors ("ROD") as at 8 May 2014. Only a depositor whose name appears in the Register of Members/ ROD as at 8 May 2014 shall be entitled to attend the said meeting or appoint proxy/proxies to attend, speak and vote on his/her behalf.

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STAMP

**The Company Secretary**  
Cahya Mata Sarawak Berhad (21076-T)  
Level 6 Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching  
Sarawak  
Malaysia

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