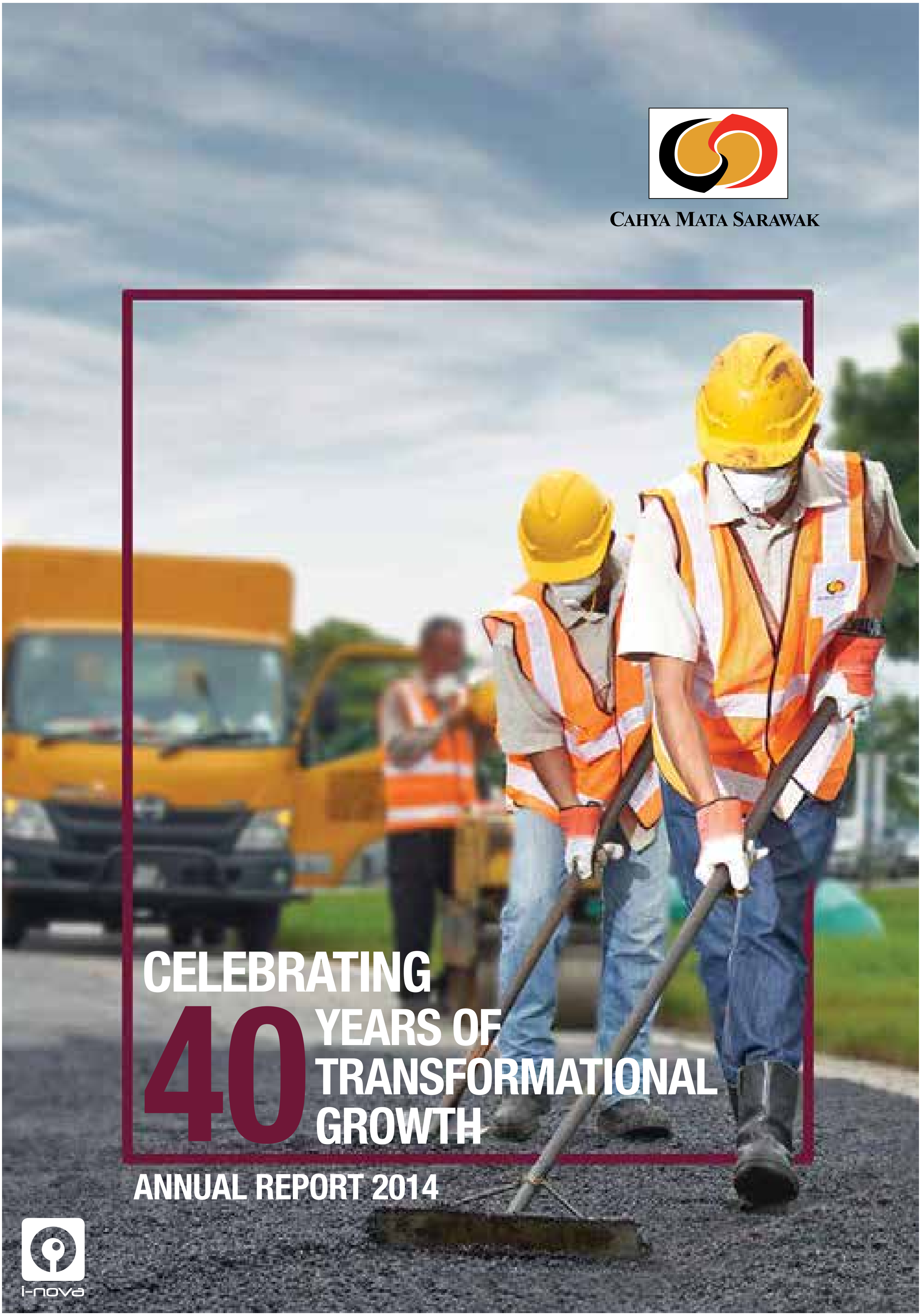


CAHYA MATA SARAWAK

# CELEBRATING 40 YEARS OF TRANSFORMATIONAL GROWTH

## ANNUAL REPORT 2014

i-nova

40

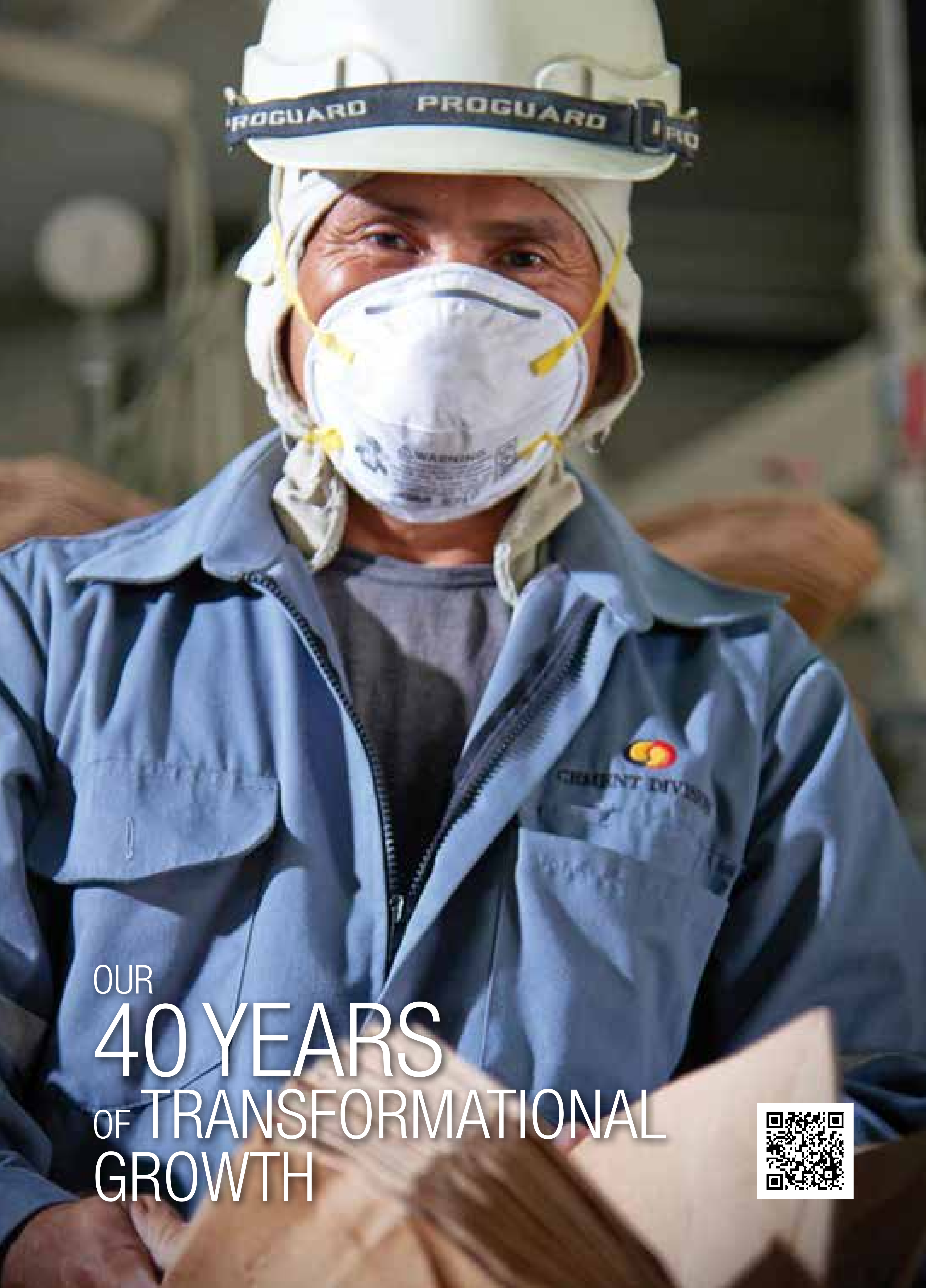
Years

*Our employees are at the core of our success. All that we have achieved today is owed to their aspirations, determination, resilience and hard work.*

ANNIVERSARY
1974 - 2014
CAHYA MATA SARAWAK

Over the past 40 years, Cahya Mata Sarawak Berhad (CMS) has steadily transformed from a single product manufacturer into one of Sarawak's and Malaysia's leading listed entities with a synergistic portfolio of more than 35 companies. In that time, we have also steadfastly built up a reputation for delivering superior performance and exceeding expectations. While CMS' transformational growth is a reflection of Sarawak's own dynamic progress, our success to date is very much owed to the commitment, hard work and loyalty of our Staff, one of our four stakeholders (the others being our Shareholders, Customers and Community).

Today, CMS is one of the best listed proxy investments for Sarawak's accelerating economic growth. As we forge ahead, we continue to leverage on our core competencies, the host of opportunities arising from the energy intensive industries under the Sarawak Corridor of Renewable Energy (SCORE) initiative, as well as the infrastructure and related services requirements across the State. All these will bring about sustainable growth for CMS and Sarawak as well as to ensure continued value creation for our four stakeholders.

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40 Years

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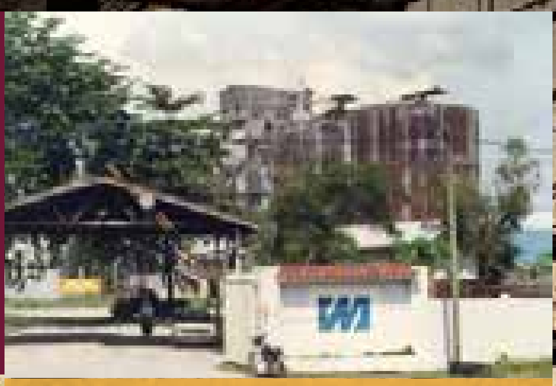

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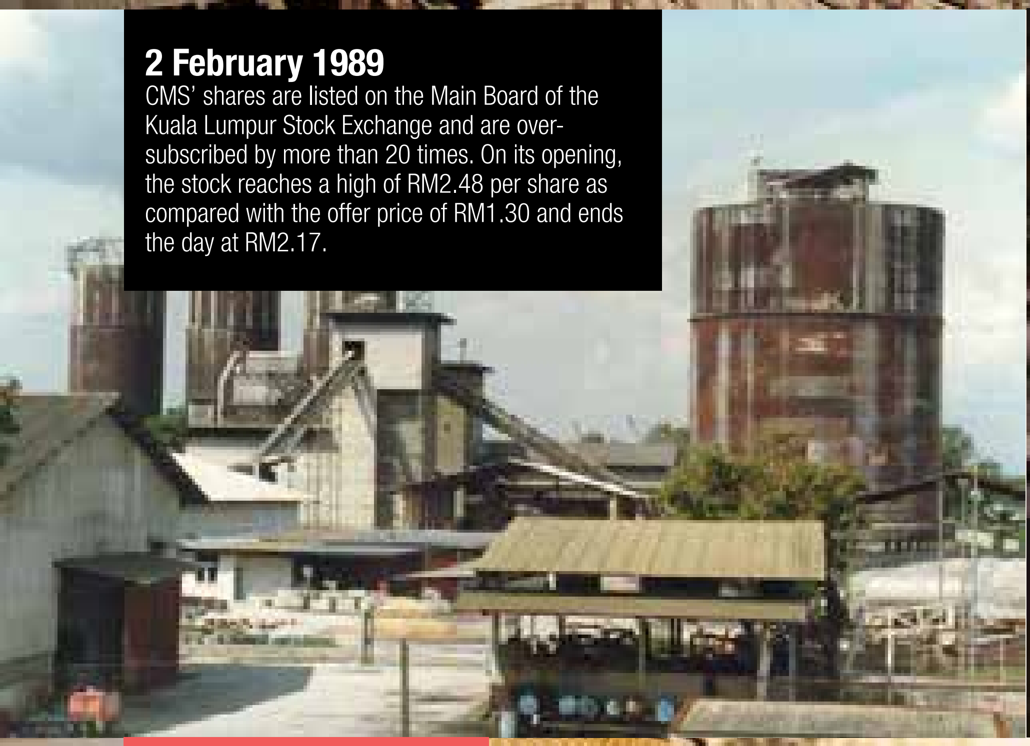
**12 January 1978**
At a ceremony witnessed by some 40 guests and 79 employees, Chief Minister Abdul Rahman Ya'kub turns the knob to start Borneo's first cement grinding plant. Located at the Pending Industrial Estate, CMS' plant aims to provide the State with local resources to strengthen its burgeoning housing industry.



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CMS' shares are listed on the Main Board of the Kuala Lumpur Stock Exchange and are over-subscribed by more than 20 times. On its opening, the stock reaches a high of RM2.48 per share as compared with the offer price of RM1.30 and ends the day at RM2.17.


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CMS undergoes rapid business expansion with the acquisition of several infrastructure related businesses. Two subsidiaries, namely CMS Cement Sdn Bhd and CMS Properties Sdn Bhd are incorporated while CMS acquires stakes in three SEDC subsidiaries – Sara Kuari Sdn Bhd, including PPES Works (Sarawak) Sdn Bhd and PPES Premix Sdn Bhd; Steel Industry Sarawak Bhd; and PCMS Sdn Bhd. The acquisition of Jabatan Kerja Raya's premix plants, and newly constructed plants provide CMS with a robust infrastructure development capability.

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The Board recognises the need to centralise all shipping matters through Archipelago Shipping (Sarawak) Sdn Bhd and the shipping company is acquired in 1996.

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Following a period of rapid diversification, the Board agrees to change CMS' name from Cement Manufacturers Sarawak Berhad to Cahya Mata Sarawak Berhad, subject to approval by the Sarawak State Secretary's Office. The approval is obtained on 5 March 1996.

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The Company's name is officially changed to Cahya Mata Sarawak Berhad, which in

## Six easy steps to view more information from Cahya Mata Sarawak Berhad (CMS) Annual Report 2014.

**What is i-nova?**
i-nova is a feature within The CMS Mobile App. It combines image recognition and Augmented Reality (AR) technology to deliver messages that go beyond print. i-nova this page to find out how you can get the most out of this amazing technology.

1. Search for i-Nova App from Apple App Store or Google Play with your smartphone.
2. Click the app and install. (Please check your device compatibility before installing)
3. Once installed, click open to launch the Augmented Reality (AR) App.
4. Click the start button from the i-Nova App to launch the AR camera.
5. Look for the "AR Icon" in the book and scan the Annual Report cover image with AR camera to enjoy interactive AR content.
6. You may click on the interactive button to explore additional contents.

## How to get the most out of our Annual Report 2014 with QR code.

**STEP ONE GET IT**
Download the "QR Code Reader" on App Store or Google Play.

**STEP TWO RUN IT**
Run the QR Code App and point your camera to the QR Code.

**STEP THREE ACCESS IT**
Get access to our Cahya Mata Sarawak 'The PRIDE of Sarawak for 40 Years and Beyond' Coffee-table Book.

40 Years

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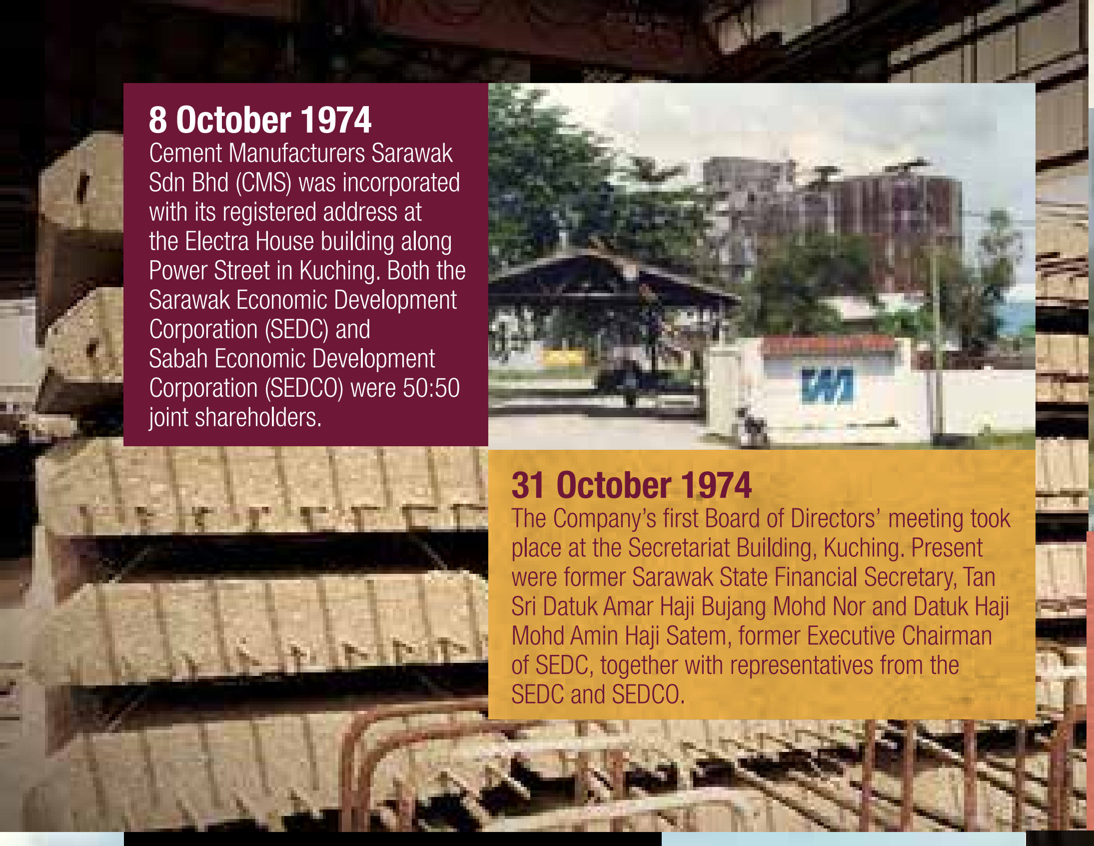

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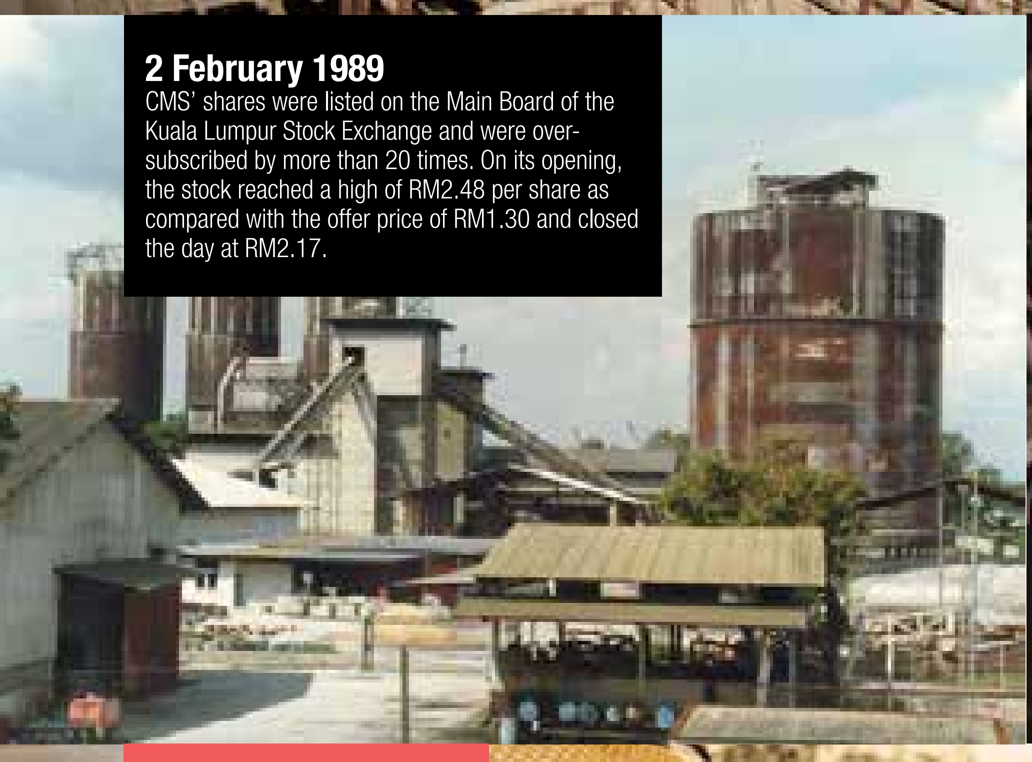

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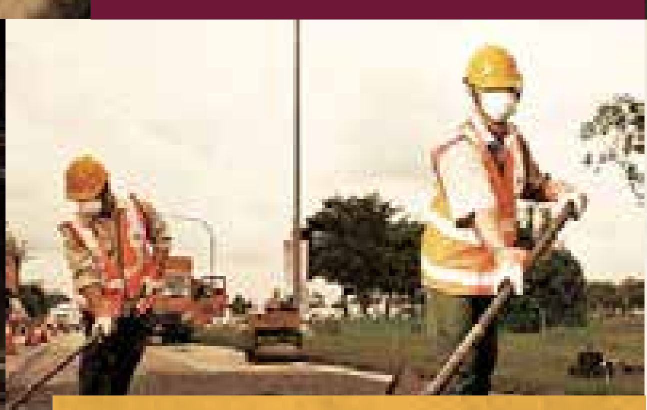
## 13 June 1996
The Company's name was officially changed to Cahya Mata Sarawak Berhad, which in the Malay language refers to a special child or literally 'apple of the eye'. In essence, Cahya Mata Sarawak literally becomes 'Sarawak's favourite son', a concept that is further extended through CMS' current vision statement to be the 'PRIDE of Sarawak and Beyond'.

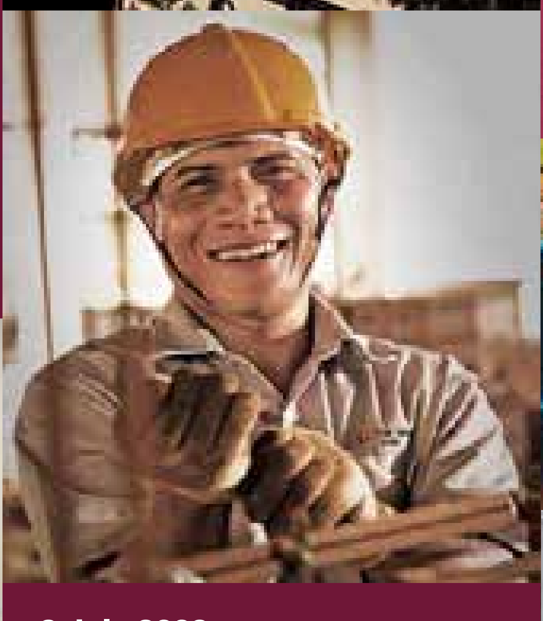


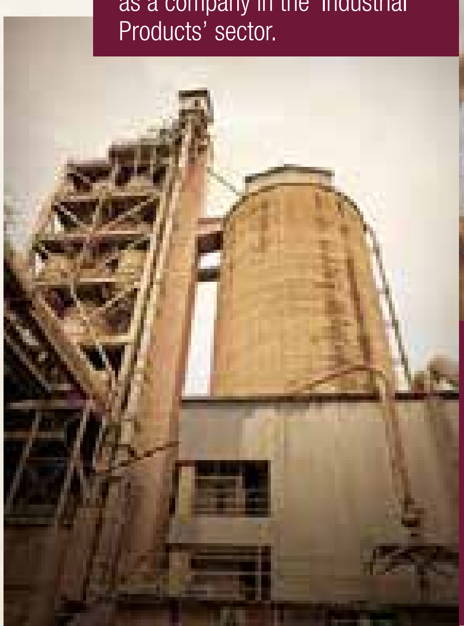
## 2000 - 2001
CMS Capital Sdn Bhd entered into an agreement with stockbroker K & N Kenanga Holdings Berhad to transfer CMS' securities and futures businesses to K & N Kenanga in return for shares in the company. Following the merger, CMS gained more than 25% equity in the enlarged K & N Kenanga, which made CMS the single largest shareholder in the stockbroking company.

## 1 May 2003
Following merger talks with several banks from 1999 onwards, CMS subsidiary Utama Banking Group (UBG) finally merged with Malaysia's third largest banking group, Rashid Hussain Berhad (RHB), to form the RHB Banking Group.


# FROM 1974 TO 2014 - OUR JOURNEY OF TRANSFORMATIONAL GROWTH

## 8 March 2007
Following negotiations with potential bidders for its 32.8% stake in RHB, UBG announced the acceptance of a revised offer of RM2.25 billion from the Employees Provident Fund (EPF). The EPF's offer was reportedly more than double its original offer in June 2006 and resulted in a net gain to UBG of RM1.25 billion. CMS was reclassified as a company in the 'Industrial Products' sector.





## 6 November 2007
CMS finalised the sale of the site of CMS Steel Sdn Bhd's rolling mill to KKB Engineering Bhd (KKB) for a disposal price of RM32 million. The purchase price was satisfied by KKB through the issuance of KKB shares giving CMS a strategic 20% stake in KKB.

## 2 July 2008
UBG acquired CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd via the allotment of 44,652,000 new UBG shares to PPES Works (Sarawak) Sdn Bhd and the payment of a cash consideration of RM23.37 million to SEDC. CMS Roads and CMS Pavement Tech thus became wholly-owned subsidiaries of UBG.

## 2007 - 2008
In August 2007, CMS Cement Sdn Bhd signed a Share Purchase Agreement to buy 100% equity in Sarawak Clinker Sdn Bhd, which effectively made CMS Cement Sdn Bhd a more efficient, low-cost integrated cement producer and enabled it to expand its product mix. Sarawak Clinker was acquired in November 2007 for RM110 million and in 2008 was renamed CMS Clinker Sdn Bhd. It remains East Malaysia's sole clinker producer.

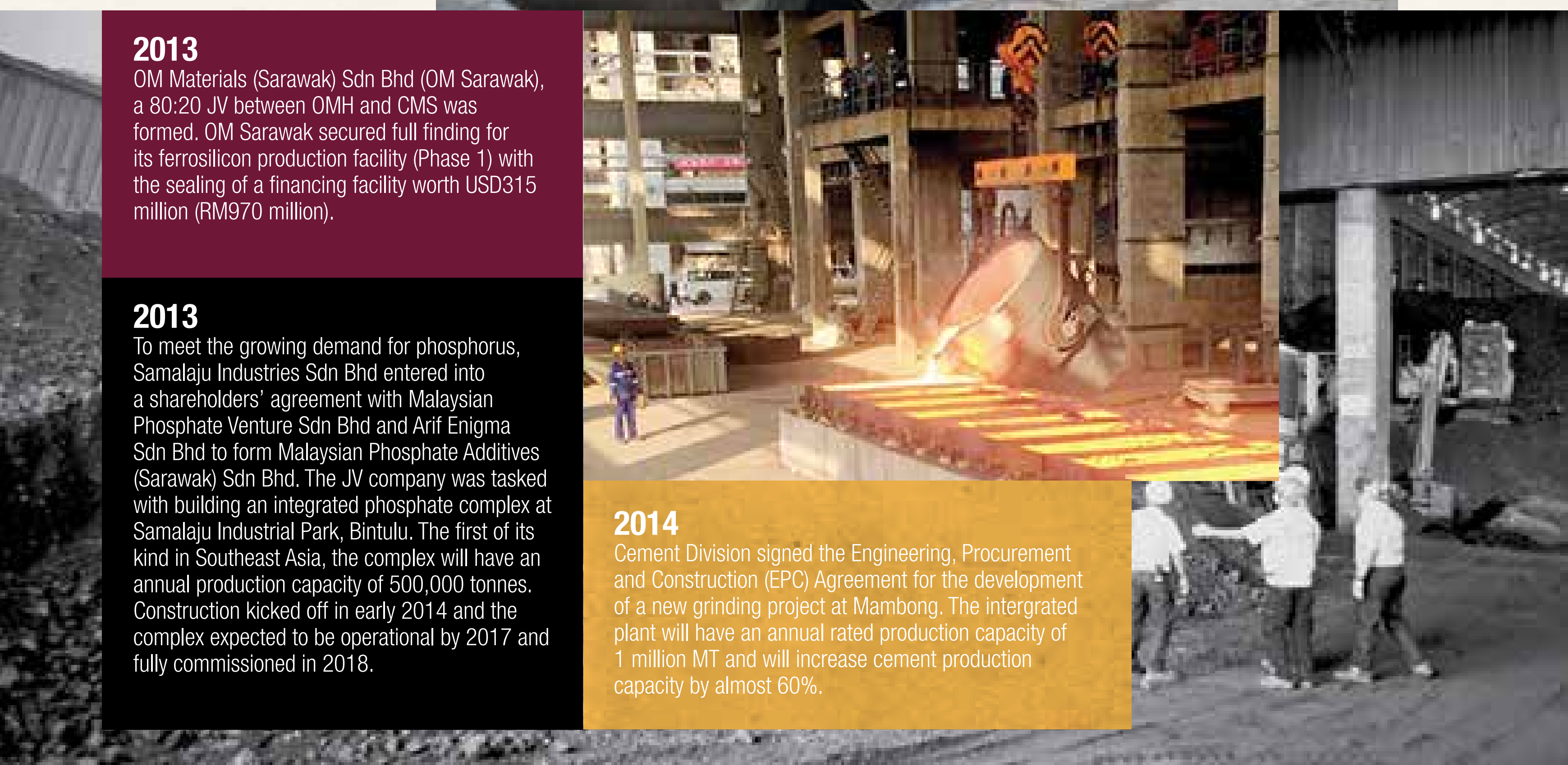
## 2009 - 2010
To focus on its core businesses, CMS disposed off its stakes in its ICT and banking-related businesses. CMS divested its interests in the ICT sector by bringing the operations of loss-making CMS I-Systems Berhad to a halt. Its disposal of its 37.21% stake in UBG to PetroSaudi International Ltd., realised an immediate cash return for CMS and its subsidiaries of more than RM465 million.

## 4 May 2011
CMS re-acquired both previously divested CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd from Putrajaya Perdana Berhad for RM82 million. Aside from having a positive impact on CMS' earnings, the acquisition of these two companies returned additional expertise in road construction and road maintenance to CMS, enabling it to maximise earnings from infrastructure-related projects.

## 2011 - 2012
Following CMS' announcement that it will explore investments in ferrosilicon and manganese smelting, subsidiary Samalaju Industries Sdn Bhd signed a Memorandum of Understanding (MOU) with OM Materials Singapore Pte Ltd (OMS), a wholly-owned subsidiary OM Holdings Ltd (OMH), one of world's largest manganese ore producers. The joint venture involved the development of a USD450 million smelting plant capable of producing 500,000 - 600,000 tonnes of manganese and ferrosilicon per annum.

## 2013
OM Materials (Sarawak) Sdn Bhd (OM Sarawak), a 80:20 JV between OMH and CMS was formed. OM Sarawak secured full finding for its ferrosilicon production facility (Phase 1) with the sealing of a financing facility worth USD315 million (RM970 million).

## 2013
To meet the growing demand for phosphorus, Samalaju Industries Sdn Bhd entered into a shareholders' agreement with Malaysian Phosphate Venture Sdn Bhd and Arif Enigma Sdn Bhd to form Malaysian Phosphate Additives (Sarawak) Sdn Bhd. The JV company was tasked with building an integrated phosphate complex at Samalaju Industrial Park, Bintulu. The first of its kind in Southeast Asia, the complex will have an annual production capacity of 500,000 tonnes. Construction kicked off in early 2014 and the complex expected to be operational by 2017 and fully commissioned in 2018.



## 2014
Cement Division signed the Engineering, Procurement and Construction (EPC) Agreement for the development of a new grinding project at Mambong. The intergrated plant will have an annual rated production capacity of 1 million MT and will increase cement production capacity by almost 60%.

# CONTENTS

## OUR VISION

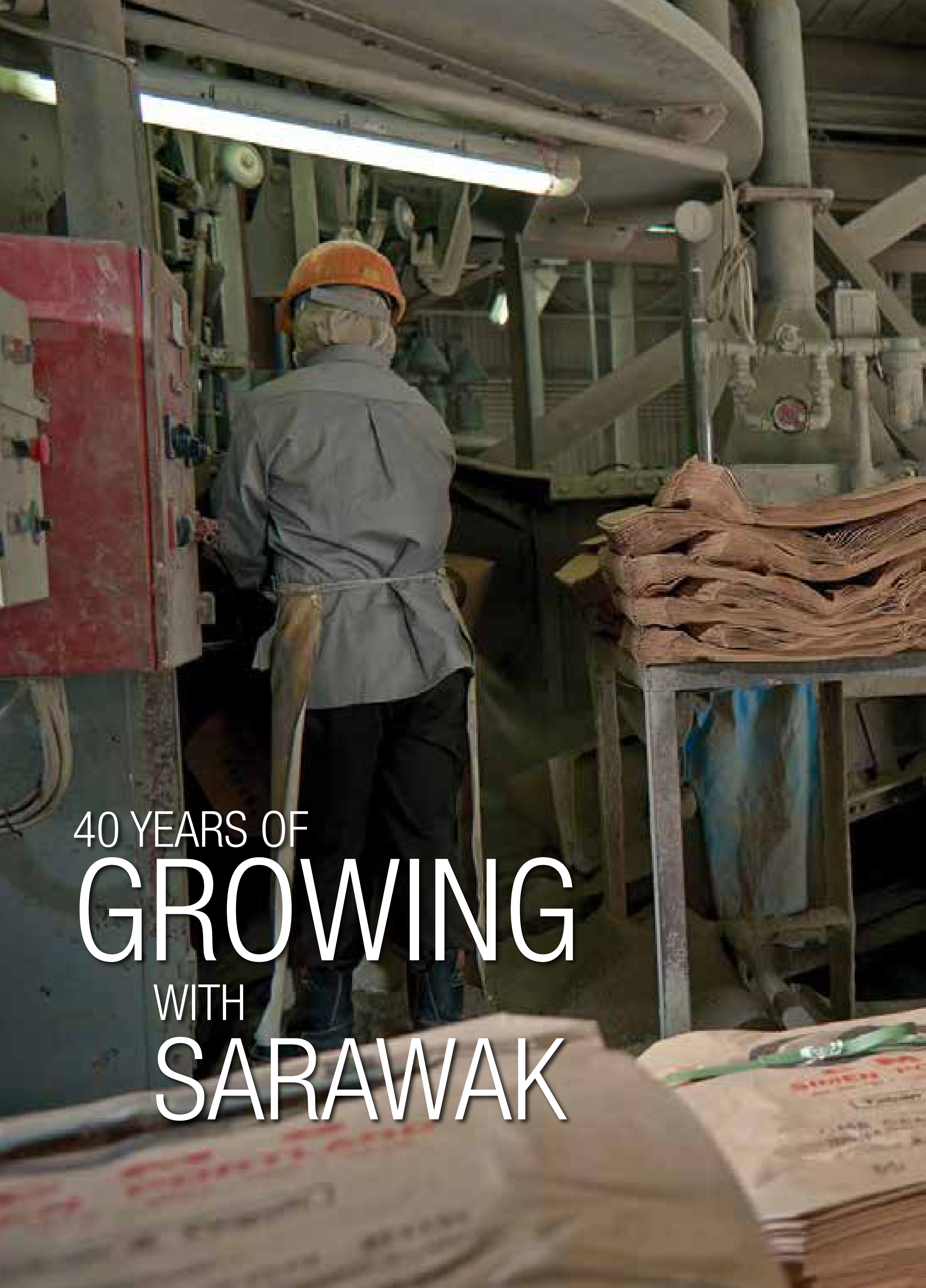
To be the **PRIDE** of Sarawak & Beyond

## OUR STAKEHOLDERS

Our Shareholders, Staff, Customers & Community

## OUR MISSION

- **P** Producing Quality, On Spec & On Time
- **R** Respect & Integrity
- **I** Improving, Innovating & Investing In People
- **D** Delivering Sustainable Growth
- **E** Environmentally Conscious, Safe & Conducive Workplace

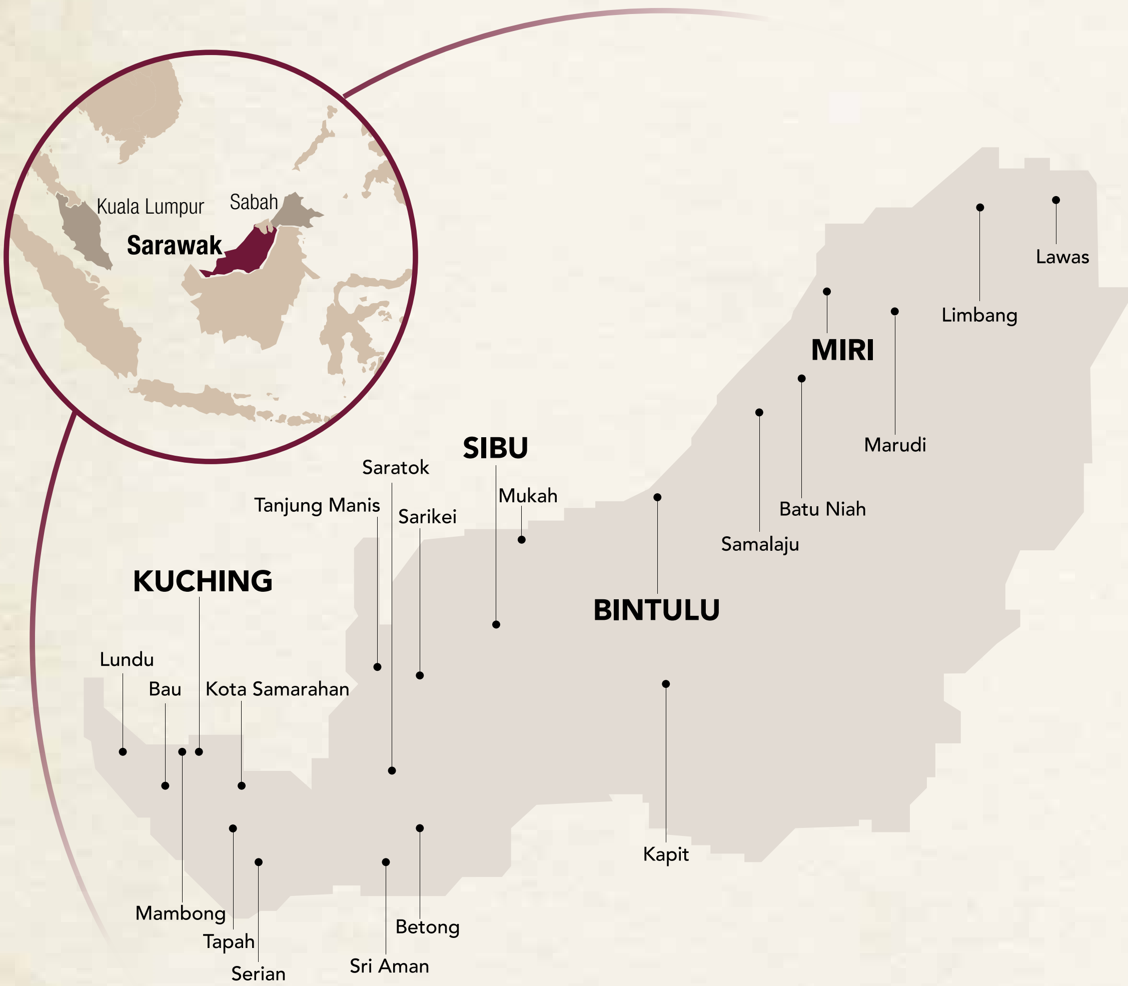


# 40 YEARS OF GROWING WITH SARAWAK

**As Sarawak's leading infrastructure facilitator, CMS continues to solidify its position as a prime mover in Sarawak's growth story. Our transformational growth underscores Sarawak's own dynamic economic progress and we are proud to be playing a proactive role in supporting the development of the State.**

# OUR BUSINESS

For four decades, Cahya Mata Sarawak Berhad (CMS), as one of the largest private sector corporations in Sarawak, has played a significant role in developing the State and now has over 40 offices across Sarawak.




Tracing its humble origins back to cement manufacturing, CMS has successfully diversified into Cement, Construction Materials & Trading, Construction & Road Maintenance, Property Development, Education and Financial Services. As Sarawak moves into a new era of growth with the Sarawak Corridor of Renewable Energy (SCORE) initiative, CMS' expansion path is being aligned with this new trajectory and the business investment opportunities in energy-intensive industries and Sarawak's infrastructure and related needs.

CMS is listed on the Main Market of Bursa Malaysia, the Stock Exchange of Malaysia.

- Cement & Clinker
- Construction
- Construction Materials Trading & Agencies
- Education
- Ferrosilicon Alloys Smelting
- Financial Services
- Industrialised Building System (IBS) components
- Precast Concrete Products
- Premix
- Project Management
- Road Maintenance
- Steel Fabrication & Engineering
- Steel Pipe Manufacturing & Laying
- Stone Aggregates
- Township & Property Development
- Wire Mesh
- Workers' Accommodation

# CORPORATE INFORMATION

## COMPANY NAME
Cahya 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) Dato' Seri DiRaja
Tan Sri Mohd Zahidi bin Hj Zainuddin
Y Bhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie
Y Bhg Datuk Kevin How Kow
Y Bhg Datu Hubert Thian Chong Hui

## GROUP COMPANY SECRETARY
Denise Koo Swee Pheng

## REGISTERED OFFICE
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Sarawak
T +60 82 238 888
F +60 82 333 828

## WEBSITE
www.cmsb.com.my

## REGISTRAR
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
T +60 3 7849 0777
F +60 3 7841 8151

## AUDITORS
Ernst & Young

## PRINCIPAL BANKERS
CIMB Islamic 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 13 March 2015**

CAHYA MATA SARAWAK

### CEMENT DIVISION

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

### CONSTRUCTION MATERIALS & TRADING DIVISION

- 51% CMS Infra Trading Sdn Bhd
  - 100% CMS Agrotech Sdn Bhd
- 69% CMS Wires Sdn Bhd
- 51% CMS Resources Sdn Bhd
  - 100% PPES Concrete Product Sdn Bhd
  - 100% CMS Quarries Sdn Bhd
  - 60% CMS Premix (Miri) Sdn Bhd (20%)
  - 60% CMS Premix Sdn Bhd (40%)
  - 60% CMS Penkuari Sdn Bhd (40%)

### CONSTRUCTION & ROAD MAINTENANCE DIVISION

- 100% CMS Works Sdn Bhd
  - 100% CMS Roads Sdn Bhd
  - 100% CMS Pavement Tech Sdn Bhd
  - 51% PPES Works (Sarawak) Sdn Bhd

### PROPERTY DEVELOPMENT DIVISION

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

### SAMALAJU DEVELOPMENT DIVISION

- 100% Samalaju Industries Sdn Bhd
  - 51% Samalaju Properties Sdn Bhd
    - 100% Samalaju Hotel Management Sdn Bhd
  - 20% OM Materials (Sarawak) Sdn Bhd
  - 20% OM Materials (Samalaju) Sdn Bhd
  - 40% Malaysian Phosphate Additives (Sarawak) Sdn Bhd
  - 100% Samalaju Aluminium Industries Sdn Bhd (*in liquidation*)

### STRATEGIC INVESTMENTS

- 95% CMS Capital Sdn Bhd
  - 20.96% K & N Kenanga Holdings Bhd * (4.11%)
  - 51% CMS Opus Private Equity Sdn Bhd
- 20% KKB Engineering Bhd *
- 100% CMS Education Sdn Bhd

### DORMANT/ INACTIVE COMPANIES

- 100% CMS Modular Housing Sdn Bhd
- 100% CMS Steel Bhd (*in liquidation*)
- 100% CMS Energy Sdn Bhd (*in liquidation*)
- 100% CMS I-Systems Bhd
  - 100% CMS I-Systems (India) Pte Ltd
  - 100% I-Systems (Guangzhou) Co Ltd (*in liquidation*)

**CORE BUSINESS DIVISIONS**

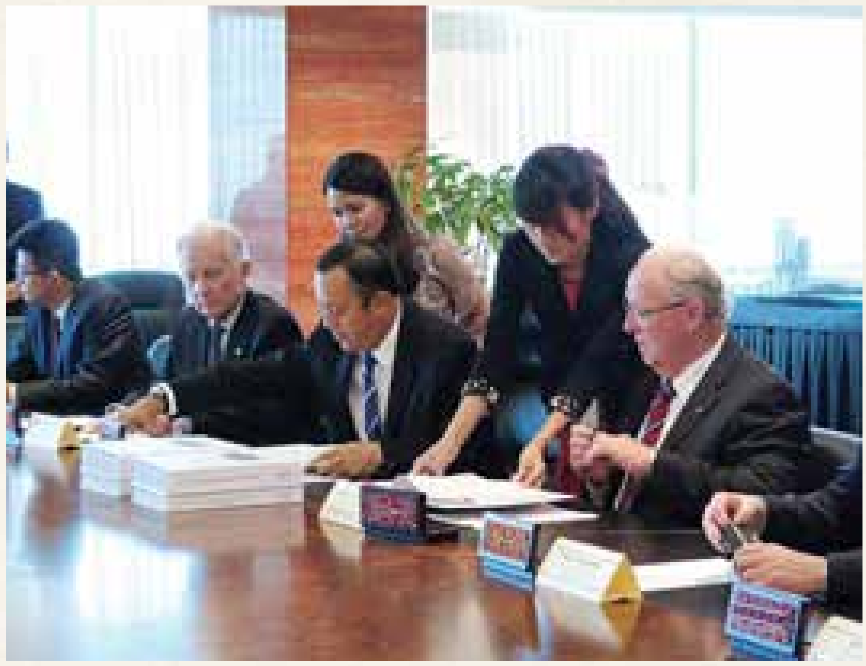
**STRATEGIC INVESTMENTS**

**DORMANT/INACTIVE COMPANIES**

* Listed on Main Market of Bursa Malaysia

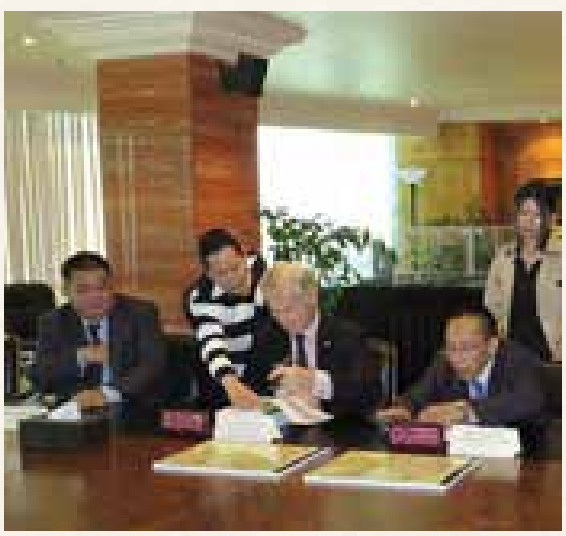
# CORPORATE MILESTONES

## STRENGTHENING OUR GROUP FOR SUSTAINABLE GROWTH



### 23 APR

CMS Clinker Sdn Bhd and Christian Pfeiffer Maschinenfabrik GmbH signed a Letter of Acceptance for the development of a new Cement Grinding Plant at Mambong, Kuching. An Engineering, Procurement and Construction (EPC) Agreement was signed thereafter on 23 June 2014.



### 7 NOV

CMS Land Sdn Bhd signed a contract with Sarawak Economic Development Corporation (SEDC) for the design, construction and completion of SEDC's 11-storey headquarter building at The Isthmus, Kuching.

### 25 JUL

CMS Land Sdn Bhd signed a Design and Build Negotiated Contract with Pelita Holdings Sdn Bhd (PHSB) for the construction and completion of PHSB's 11-storey headquarter building at The Isthmus, Kuching.

# CORPORATE MILESTONES

## OUR BUSINESS HIGHLIGHTS

### 26 FEB

CMS recorded a revenue of RM1.42 billion with a pre-tax profit of RM295.27 million for the year ended 31 December 2013.

### 14 MAR

CMS Opus Private Equity Sdn Bhd (COPE) received two awards for 'Exits for 2013' and 'Funds Raised in 2013' from Malaysian Venture Capital and Private Equity Association, Kuala Lumpur.

### 14 MAY

CMS recorded a revenue of RM373.24 million for Q1 2014, a growth of 20% compared to the same quarter in 2013. Its pre-tax profit of RM66.19 million was 21% higher than the PBT reported in Q1 2013.

### 15 MAY

CMS at its Extraordinary General Meeting approved (a) a subdivision of CMSB Shares involving the subdivision of every one (1) Share into two (2) Subdivided Shares and every one (1) Preference Share into two (2) Subdivided Preference Shares held on the Entitlement Date; and (b) a bonus issue of up to 362,390,340 Bonus Shares to be credited as fully paid-up on the basis of one (1) Bonus Share for every two (2) Subdivided Shares.

### 20 JUN

CMS paid its final tax exempt (single-tier) dividend of 12 sen per ordinary share of RM1.00 each for the financial year ended 31 December 2013 amounting to RM41.43 million.

### 27 AUG

CMS recorded a revenue of RM383.36 million for Q2 2014, a growth of 13% compared to the same quarter in 2013. Its pre-tax profit of RM98.65 million was 49% higher than the PBT reported in Q1 2014.

### 22 SEP

The first phase of OM Materials (Sarawak) Sdn Bhd's commercial production was achieved when the alloys were successfully tapped. By the end of FY 2014, four furnaces were in operation.

### 24 OCT

CMS paid an interim tax exempt (single-tier) dividend of 1.5 sen per ordinary share of RM0.50 each for the financial year ended 31 December 2014, amounting to RM15.59 million.

### 26 NOV

- CMS posted a revenue of RM413.07 million for Q3 2014, a growth of 23% compared to the same quarter in 2013. Its pre-tax profit for the 9 months ended 30 September 2014 rose to RM269.02 million a 44% increase from the corresponding period in 2013.
- CMS announced the adjustment of its dividend policy by increasing its net payout ratio from 30% to 40% of its annual consolidated profit after tax and non-controlling interests to shareholders or subject to a minimum of 2 sen per share.

### 11 AUG

CMS received The EDGE Billion Ringgit Club (EDGE BRC) award from the Deputy Prime Minister, Tan Sri Muhyiddin Yassin for the 'Best Performing Stock – Industrial Products Sector' and a Silver Award for 'Highest Profit Growth Company 2014 – Industrial Products Sector.'

## CORPORATE MILESTONES

# ENGAGING WITH OUR STAKEHOLDERS

## 17 JAN

CMS Cement Sdn Bhd briefed the local media on its continued commitment and long-term vision for the people and economy of Sarawak. The briefing included an overview of the State's economic landscape and recent industry developments. It also offered a platform for CMS Cement to showcase its proven track record over the decades in the development of the State's infrastructure, through its many relationships that include the construction industry and Sarawak government.

## 22 APR

Samalaju Properties Sdn Bhd briefed the new Chief Minister of Sarawak, YAB Tan Sri Adenan Hj Satem on the developments at Samalaju Industrial Park, Bintulu.


## 15 MAY

CMS held its 39th Annual General Meeting for shareholders followed by an Extraordinary General Meeting at the Borneo Convention Centre Kuching.

## 26 NOV- 3 DEC

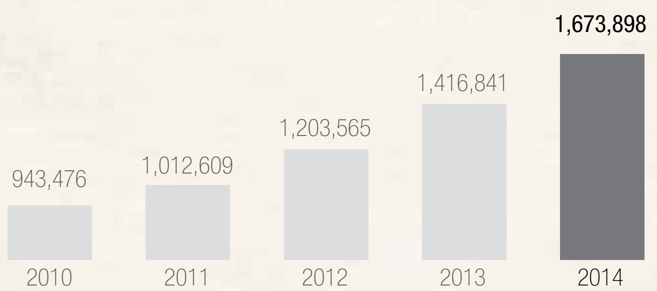
CMS celebrated its 40th Anniversary attended by the Board of Directors, staff, invited guests, suppliers and dealers. The event was graced by His Excellency the Governor of Sarawak, Tun Pehin Sri Abdul Taib bin Mahmud and State Ministers. The celebration was held in Kuching, followed by Miri, Bintulu and Sibu.


## 28 NOV- 3 DEC

CMS annual Townhall meetings were held in Kuching, followed by Miri, Bintulu and Sibu. CMS employees were briefed on CMS' performance for the year and and its strategic plans going forward.

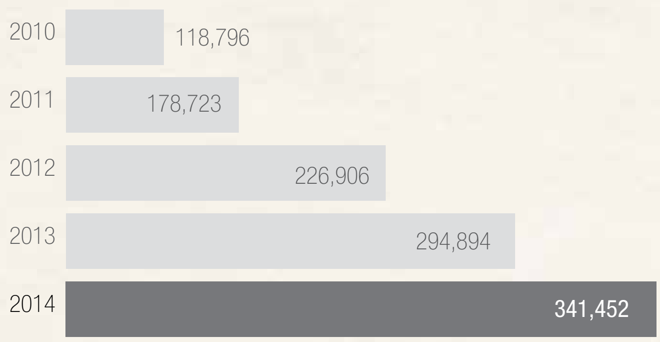
# PERFORMANCE AT A GLANCE

## REVENUE
(RM'000)



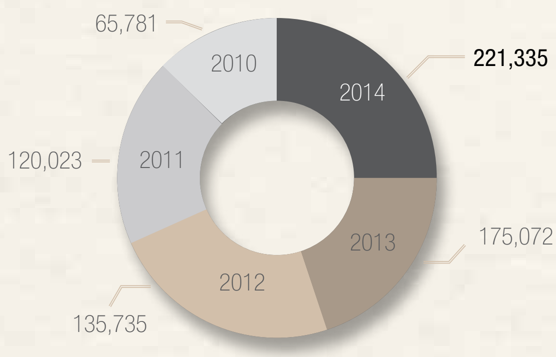


## PROFIT BEFORE TAXATION
(RM'000)



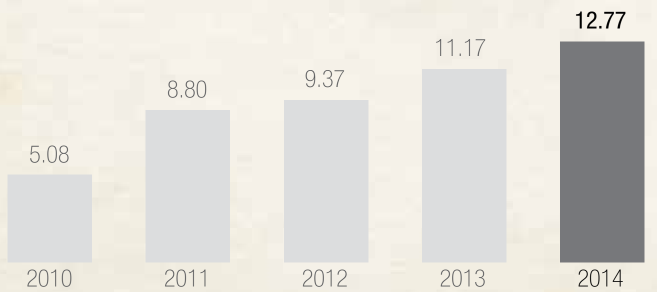


## PROFIT AFTER TAX AND NON-CONTROLLING INTERESTS
(RM'000)





## RETURN ON EQUITY
(%)



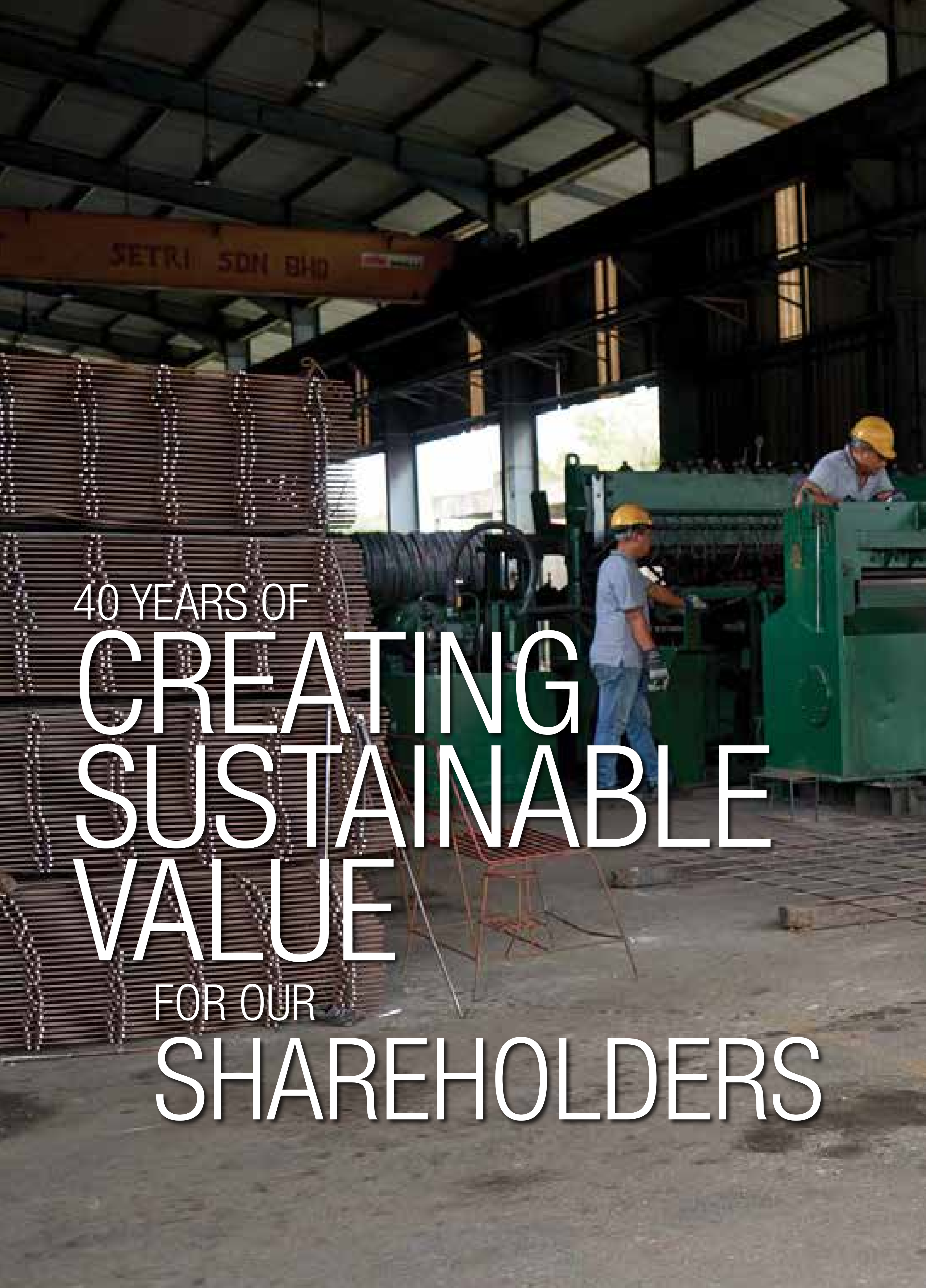

# FINANCIAL HIGHLIGHTS

| | 2010 | 2011 | 2012 | 2013 | **2014** |
|---|---|---|---|---|---|
| Revenue (RM'000) | 943,476 | 1,012,609 | 1,203,565 | 1,416,841 | **1,673,898** |
| Profit before taxation (RM'000) | 118,796 | 178,723 | 226,906 | 294,894 | **341,452** |
| Profit attributable to owners of the Company (RM'000) | 65,781 | 120,023 | 135,735 | 175,072 | **221,335** |
| Weighted average number of shares ('000) | 329,446 | 329,469 | 327,928 | 999,276 * | **1,033,352** |
| Basic earnings per share (sen) | 19.97 | 36.43 | 41.39 | 17.52 * | **21.42** |
| Gross dividends per share (sen) | 10 | 15 | 17 | 17 | **8.5** |
| Total shareholders' funds (RM'000) | 1,312,667 | 1,416,025 | 1,480,923 | 1,654,117 | **1,811,731** |
| Total assets (RM'000) | 2,114,823 | 2,100,572 | 2,140,240 | 2,423,892 | **2,800,131** |
| Net tangible assets per share (RM) | 3.79 | 4.10 | 4.37 | 4.70 | **1.68** |
| Net assets per share (RM) | 3.98 | 4.30 | 4.56 | 4.88 | **1.74** |
| Return on average shareholders' equity (%) | 5.08 | 8.80 | 9.37 | 11.17 | **12.77** |
| Return on total assets (after tax) (%) | 3.11 | 5.71 | 6.34 | 7.22 | **7.90** |
| Total borrowings (RM'000) | 394,586 | 215,747 | 89,825 | 100,102 | **104,796** |
| Gearings (times) | 0.30 | 0.15 | 0.06 | 0.06 | **0.06** |
| Current assets (RM'000) | 1,338,175 | 1,182,117 | 1,141,742 | 1,349,054 | **1,602,401** |
| Current liabilities (RM'000) | 449,919 | 390,025 | 371,725 | 451,313 | **639,462** |
| Current ratio (times) | 2.97 | 3.03 | 3.07 | 2.99 | **2.51** |

* The comparative basic earnings per share and weighted average number of shares for 2013 have been adjusted to take into account the effect of the share split and bonus issue in June 2014.

# 2014 SHARE PRICE PERFORMANCE (RM)

| | 2010 | 2011 | 2012 | 2013 | **2014** | |
|---|---|---|---|---|---|---|
| | | | | | **Before Split and Bonus Issue** | **After Split and Bonus Issue** |
| Low | 1.45 | 1.70 | 2.06 | 2.99 | **6.55** | **3.30** |
| High | 3.14 | 2.90 | 3.50 | 6.99 | **11.46** | **4.72** |
| Closing | 2.66 | 2.09 | 3.33 | 6.89 | **10.50** | **3.96** |




# 40 YEARS OF CREATING SUSTAINABLE VALUE FOR OUR SHAREHOLDERS


Good shareholder value creation is something that is always top-of-mind at CMS as we go about our business. Be it through dividend pay-outs, our healthy balance sheet and low gearing, we strive to deliver to all our four stakeholders.

# CHAIRMAN'S STATEMENT

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

# CHAIRMAN'S STATEMENT

"**Dear Shareholders,**
Your company, Cahya Mata Sarawak Berhad (CMS or Group), marked 40 years of transformational growth in 2014 by turning in an admirable performance on all fronts."

**Incorporated in October 1974 as Cement Manufacturers Sarawak Sdn Bhd, a fledgling cement manufacturer, we have grown exponentially along with the state of Sarawak (the State) and today stand tall as one of Malaysia's Top 100 market cap companies and amongst the best proxy listed investments for the State's accelerating economic growth. Over the four decades of our existence, we have weathered countless challenges as well as achieved sweet victories. In that time, we have constantly sought to be a company that delivers value in every way to our multiple stakeholders comprising our shareholders, staff, customers and the communities that call Sarawak home.**

Today, as Sarawak's leading infrastructure facilitator, CMS continues to deliver value to its stakeholders and fortify its position as a prime mover in Sarawak's growth story. Our transformational growth underscores Sarawak's own dynamic economic progress and we are proud to be playing a proactive role in supporting the development of the State.

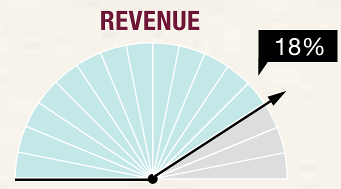
The Group is today being propelled forward by a combination of strengths. These include our core businesses, future growth projects and key strategic investments, as well as the unwavering dedication of our Board of Directors (Board) and staff, a solid balance sheet and sustainable profits. All of these are ensuring our sustainable growth, as are the many opportunities afforded by Sarawak's accelerating economic progress, particularly the energy-intensive opportunities under the Sarawak Corridor of Renewable Energy (SCORE) initiative, as well as the host of infrastructure projects and related services required across the State.

On behalf of the Board, I am pleased to present the Annual Report of Cahya Mata Sarawak Berhad for the financial year ended 31 December 2014.

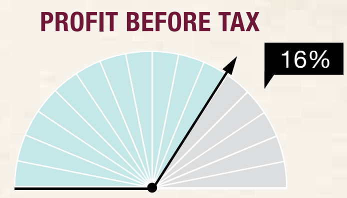
## COMMENDABLE FINANCIAL PERFORMANCE

I am delighted to announce that CMS performed admirably for the financial year ended 31 December 2014 (FY 2014). We bettered our year-on-year performance to post record revenue and profits growth for the fifth consecutive year. Group revenue rose 18% to RM1.67 billion in FY 2014 from RM1.42 billion previously, while profit before tax (PBT) grew by 16% to RM341.45 million from RM294.89 million previously. Year-on-year, the Group registered profit after tax and non-controlling interests (PATNCI) of RM221.34 million for FY 2014, which was 26% higher than the PATNCI of RM175.07 million reported previously.

The main contributors to Group revenue were the Construction Materials & Trading, Cement as well as Construction & Road Maintenance Divisions, which altogether made a combined contribution of 90% (FY 2013: 84%) to Group revenue. The main contributors to the Group's PBT were the Cement, Construction & Road Maintenance as well as Construction Materials & Trading Divisions. Together, these three Divisions contributed 82% (FY 2013: 84%) of the Group's PBT.




**FY 2014 REVENUE**
increase from RM1.42 billion to RM1.67 billion




**FY 2014 PBT**
increase from RM294.89 million to RM341.45 million

# CHAIRMAN'S STATEMENT

The Board remains well pleased with the solid progress made by all our core business divisions. Their success comes on the back of a strong focus on turning in robust financial performances. By paying close attention to their cost structures, these businesses are ensuring that their costs do not grow at a faster rate than their revenues. As we continue to invest back into our core businesses, we are confident that they will continue to create a sustainable growth pathway for us for the long-term.

## GOOD SHAREHOLDER VALUE CREATION

The Group's basic earnings per share (EPS) for FY 2014 stood at 21.42 sen in comparison to EPS of 17.52 sen (adjusted for a share split and bonus issue in June 2014) in FY 2013. As you know, we rewarded shareholders with a bonus issue upon completion of a share split exercise in June last year. The exercise involved the sub-division of every one ordinary share of RM1.00 each into two ordinary shares of RM0.50 each and a bonus issue on the basis of one bonus share for every two subdivided shares. Upon completion of the exercise, CMS' number of shares tripled.

As a result of the increase in the number of shares, the liquidity and affordability of CMS' shares have improved and our shares are now appealing to a larger group of investors. Our existing shareholders have also been rewarded through having a larger number of ordinary shares while maintaining their percentage of equity interest.

In FY 2014, the Group's Return on Equity (ROE) rose to 12.77% as compared to a ROE of 11.17% in FY 2013. This is the second consecutive year that CMS has turned in a double digit ROE and the Board and Management are excited about our prospects going forward.

Our shareholders have been very patient over the years and even as CMS has strengthened, we are in a solid position to better reward them. In view of the Group's solid and sustainable performance, the Board has adjusted its indicative dividend policy by increasing the net pay-out ratio from 30% to 40% of our annual consolidated PATNCI to shareholders subject to a minimum of 2 sen per share. The new dividend policy, is subject to the level of available cash and cash equivalents, ROE, retained earnings and projected levels of capital expenditure and other investment plans.

In line with our new policy, your Board is pleased to propose a final dividend of 7 sen per share tax exempt (single-tier) for FY 2014, subject to shareholders' approval at the forthcoming 40th AGM. Together with the interim (single-tier) dividend of 1.5 sen per share paid on 24 October 2014, this brings the total dividend pay-out for FY 2014 to 8.5 sen or an amount of RM88.35 million payable to shareholders (FY 2013: RM54.13 million).

Today, CMS continues to maintain a healthy balance sheet and a comfortable level of gearing. Our low gearing policy of 0.06 times these last three years is a deliberate one which enables us to free up our substantial cash (or cash equivalent) reserves – some RM830 million as at 31 December 2014 – for future investments. Having substantial cash reserves in this challenging economic climate bodes well for us as it gives us the flexibility to more easily capitalise on attractive investment opportunities which may from time to time arise.

I am pleased to report that CMS continues to create good value for our shareholders and make Sarawak proud. In 2014, we once again picked up The EDGE Billion Ringgit Club (EDGE BRC) award, this time for the 'Best Performing Stock - Industrial Products Sector' and a Silver Award for 'Highest Profit Growth Company 2014 - Industrial Products Sector'. Every year the EDGE BRC honours the top businesses for their excellence in delivering quality results and returns and we are humbled that we rank among these many excellent companies.

## RESPONSIBLE CORPORATE PRACTICES

Good governance translates into good business and the Board remains committed to upholding and implementing strong standards of corporate governance as well as robust risk management and internal control measures throughout our organisation. These measures are going a long way in helping ensure the sustainable growth of our businesses, strengthening investor confidence, safeguarding our corporate reputation and ensuring continued shareholder value creation.

We subscribe to the principles and recommendations set out in the Second Edition of the Malaysian Code of Corporate Governance (MCCG) 2012 and have moved closer towards adopting the criteria relating to gender diversity. We have appointed a consultant to review our existing governance measures and are looking forward to seeing how we can better our efforts in this area. On the risk management front, we have completed a study and are taking the necessary measures to inculcate a stronger risk management culture within CMS as well as to bolster our risk profile and practices. We continue to carry out the necessary due diligence on any new investments that are brought our way, and are adopting a very conservative and prudent evaluation criteria.

As a conscientious corporate citizen and the State's leading infrastructure facilitator, we are genuinely committed to balancing out our strong financial performance with responsible social and environmental considerations. As we move forward to realise our vision of becoming the 'PRIDE of Sarawak and Beyond', we continue to integrate responsible and sustainable practices into our business operations and value chain so that we can stand as a model for responsible corporate behaviour. More details are spelt out in the Corporate Responsibility section of this Annual Report.

# CHAIRMAN'S STATEMENT

## OUTLOOK AND PROSPECTS

The International Monetary Fund has downgraded its annual global growth forecast for 2015 from 4.0% to 3.8%, largely due to the recovery in the United States, the ongoing instability in the Eurozone and the slowdown in China's economy. The year 2015 is expected to be a very challenging year for Malaysia with growth expected to moderate to between 4.5% and 5.5% in 2015 (2014: 6%) depending on the magnitude of fluctuations in crude oil prices and movements of the Ringgit against the currencies of major trading partners. Malaysia's economy is expected to be fuelled by strong domestic demand while resilient exports will anchor growth. The risks of declining oil prices affecting the country's outlook, will however, linger.

Despite the impending challenges that are expected to affect Malaysia's overall economy, Sarawak is expected 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. With its economy estimated to have grown by 5% in 2014 (2013: 4.7%) and its GDP continuing to soar, the State is on course to achieve its economic ambitions on the back of strong domestic demand and increased investment in projects under SCORE and the 10th Malaysia Plan. Sarawak intends to leverage on its relative political and economic stability to become a high-income state by 2020 and the nation's richest state by 2030.

Being Sarawak's largest and most integrated infrastructure company, CMS is set to benefit from its investments under SCORE and from the infrastructure and related services required across the State. Our SCORE investments to date are via our 20% equity stake in OM Materials (Sarawak) Sdn Bhd to develop a ferrosilicon and manganese alloys smelter, as well as our 40% equity stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd or MPAS, to develop Southeast Asia's first integrated phosphate complex in Samalaju. These two new high growth facilities will serve as catalysts to accelerate our growth while delivering long-term sustainable profits and increased shareholder value.

These investments, coupled with our sizable cash reserves and very low gearing, place CMS in an ideal position to explore other avenues of opportunity within SCORE. By leveraging on our healthy balance sheet, local knowledge, an experienced management team and synergised portfolio of Sarawak-based businesses, we are confident of maximising our participation in the Sarawak growth story.

CMS is undoubtedly on a sustainable pathway of growth and we are very proud to have come so far. Our shareholders, staff, customers, suppliers and the communities in which we operate are our motivation, and it is to them that we dedicate our position as one of the best proxy listed investments for Sarawak's accelerating economic development. As a passionate, people-led organisation, we will continue to strive to exceed the expectations and uphold the responsibilities placed on us. Your Board is confident that the Group will deliver a satisfactory performance in 2015.

## ACKNOWLEDGEMENTS

As CMS prepares to embark on the next stage of our transformation journey, we want to convey our sincere appreciation to the many parties who have contributed to our success thus far.

On behalf of the Board of CMS, I would like to express my utmost gratitude to you, our shareholders, for your steadfast trust and confidence in CMS. To CMS' past and existing leaders, our more than 2,200 direct employees, as well as the Management teams and the Boards of all our Group's companies, I wish to convey my deep appreciation for their worthy sacrifices, hard work and loyalty. Some of our employees have been with us for over 37 years and we applaud them for their steadfastness and commitment.

Our sincere thanks to the many external partners that work with or alongside us whose support and reliability has been critical to our success. Our heartfelt appreciation also to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and all others who have lent us their unwavering support and cooperation. A big thank you to our State Government and its agencies for having the vision to develop Sarawak so wisely and to design and implement SCORE. Not forgetting our joint venture partners, the SEDC and our co-shareholders in our Strategic Investments – we truly appreciate your support and cooperation.

Last but not least, I wish to take this opportunity to express our deep appreciation to Y Bhg Datu Michael Ting Kuok Ngie who will be stepping down as a Director of CMS at our upcoming AGM after having served as a Director for 16 years. We thank Y Bhg Datu Ting for his invaluable contributions during his tenure with us and wish him every success in his future endeavours. Datu's retirement is part of the Company's structured Directors' succession plan.

Going forward, we ask that all four of our stakeholders continue to lend us their valued support as we work to move the Group on to new avenues 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

8 April 2015

# 40 YEARS OF EMPOWERING THE AMBITIONS OF OUR CUSTOMERS, SUPPLIERS AND STAFF

**CMS is committed to building professional and enduring ties with our customers, suppliers and staff. To this end, we continue to roll out a host of initiatives to empower our key stakeholders and ensure their success, which ultimately translates into our success too.**

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014


Our success in achieving record revenue and profit growth year-on-year amidst a challenging business environment is testament to our prudent business model, professional management and focus on delivering long-term sustainable growth.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

**"Dear Shareholders,**

I am pleased to report that CMS' core business divisions turned in strong performances on the financial and operational fronts in FY 2014 giving the Group its fifth consecutive year of record growth. Our success in achieving record revenue and profit growth year-on-year amidst a challenging business environment is testament to our prudent business model, professional management and focus on delivering long-term sustainable growth. Above all, it attests to the hard work, resilience and worthy efforts of our Board of Directors (Board) and staff. We are organising ourselves to leverage on the momentum gained to date to propel CMS forward into a new era of transformational growth."

The Group's revenue rose 18% to an all-time high of RM1.67 billion in FY 2014 (FY 2013: RM1.42 billion) primarily on the back of higher revenue from the Construction Materials & Trading Division which contributed 80% to this increase. The main contributors to Group revenue were the Construction Materials & Trading Division (contributing 36% of Group revenue), followed by the Cement Division (32% of Group revenue) and Construction & Road Maintenance Division (22% of Group revenue). Together, these three Divisions contributed 90% of the Group's revenue. The remainder of the year's revenue came primarily from our Property Development Division and Samalaju Development Division, which contributed 7% and 1% of Group revenue respectively.

The year saw CMS' profit before tax (PBT) rising 16% to touch a record RM341.45 million in FY 2014 (FY 2013: RM294.89 million). The main contributors to the Group's PBT were the Cement Division (contributing 35% of PBT), followed by contributions from the Construction & Road Maintenance Division (25% of PBT) and Construction Materials & Trading Division (22% of PBT). These three Divisions made a combined contribution of 82% to the Group's PBT, while the remainder came primarily from the Property Development Division and Samalaju Development Division, which contributed 13% and 4% of the Group's PBT respectively.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

## CEMENT DIVISION

REVENUE
**RM548** million
FY 2014

The Group's **Cement Division** comprising our cement, clinker and concrete product operations, continues to be our largest PBT contributor. As the sole cement and clinker manufacturer in Sarawak, the Division's growth continues to be driven by increased infrastructure and construction activities in the state of Sarawak.

In FY 2014, the Cement Division registered a 25% increase in PBT of RM120.48 million over PBT of RM96.66 million in the preceding year. This improvement was attributed to higher cement sales volume due to the continued growth of cement demand in the State, improved operational efficiencies, lower volume of cement imported and higher volume of cement and clinker produced by the Division. The effect of cost increases over the last few years has been offset by the cement price adjustment in early 2014. The year also saw the Division's revenue rise by 6.5% to RM548.23 million in FY 2014 from RM514.64 million previously.

**25%**
**INCREASE**
in PBT to RM120.48 million

**1.75**
million MT per annum
rated cement grinding capacity

### CEMENT OPERATIONS

The Division's cement operations are run by CMS Cement Sdn Bhd which produces CEM 1 Portland Cement and operates grinding plants in Kuching and Bintulu. CMS Cement also oversees the operations of bulk terminals in Sibu and Miri that are outfitted with packing and bulk distribution capabilities. All CMS' cement is transported from our plants in Kuching and Bintulu to these terminals, using purpose-built all-weather barges equipped with fully enclosed pneumatic self-loading and unloading systems. This ensures that all the main economic centres in Sarawak, namely Kuching, Sibu, Bintulu, Miri and emerging markets such as Samalaju and their hinterlands, have a consistent and sufficient supply of bag and bulk cement to meet their needs.

Boasting an annual combined rated production capacity of 1.75 million MT per annum, the Division's cement operations continue to leverage on strong market demand to fuel growth. For the period 2011 to 2014, the Kuching and Bintulu plants registered a combined average Utilisation Factor (UF%) of 85%. In tandem with growing local demand, our cement mills are expected to run above their historic average production levels through continuous mill optimisation initiatives, while the shortfall will be met by cement imported by CMS Cement.

To meet the anticipated increase in cement demand, CMS Cement is developing a 1.00 million MT per annum grinding plant adjacent to the Mambong clinker plant. Construction of the new RM190 million plant began in 2014 and cement production

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

**Clinker Operations**

**900,000**

MT per annum
rated production capacity

is set to commence by the first half of 2016 (1H 2016). With this third plant in its stable, CMS Cement's total production capacity will increase by almost 60%. This will enable CMS to meet growing cement demand in Sarawak, have significant reserve production capacity, as well as potentially extend our supply into nearby countries.

For FY 2015, CMS Cement will make additional investments amounting to some RM17 million to further improve its distribution capabilities. This will mainly involve upgrading works on the main jetty in Kuching to improve the handling of raw material imports and the export of bulk and bag cement.

### CLINKER OPERATIONS

CMS Cement also owns CMS Clinker Sdn Bhd, the State's sole clinker manufacturer which has adjoining raw material reserves to last for at least the next 50+ years. CMS Clinker's operations today encompass a plant in Mambong on the outskirts of Kuching which has a production capacity of 900,000 MT per annum. This plant is able to meet up to 85% of the clinker demand from CMS Cement's plant in Kuching.

Within the clinker industry, there are three main factors that contribute significantly to a plant's performance – the stability of 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 900,000 MT per annum. Modifications were also made to the plant in 2012 so that it now runs on cheaper locally-mined coal of lower calorific value. Following this upgrading exercise, the plant's performance has been progressively improving in terms of reliability, output, lowered power consumption and fuel costs. All these have in turn led to a reduction in overall clinker production costs.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

## CMS CONCRETE PRODUCTS

Over the years, CMS Concrete Products Sdn Bhd has steadily built a reputation for itself as a highly reliable manufacturer of pre-formed concrete products. Its range of offerings includes reinforced concrete square piles, bridge beams, culverts, ready-mixed concrete (RMC) and Industrialised Building System (IBS) components. The bridge beams have been utilised to construct a great number of bridges throughout Sarawak. The Company prides itself on producing products that comply with all existing construction standards and safety requirements. Via its 70,000 MT per annum facility in Kuching, the Company has the capacity to produce a full range of IBS components, including precast wall panels, beams and columns as well as half slabs and pre-stressed slabs. To date, this plant has been running at a 50%-60% utilisation rate.

**GOING FORWARD,** CMS Concrete Products is exploring the development of new concrete and IBS products as well as an expansion of its service offering.

Today, the Company offers a complete package to its customers. Its solutions encompass design services for IBS projects, supply throughout the State over land or by sea, as well as construction services such as pile driving and wall panel installation. Going forward, CMS Concrete Products is exploring the development of new concrete and IBS products as well as an expansion of its service offering. The Company has commenced RMC operations in Samalaju and is now planning to set up a manufacturing plant in Bintulu.


# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

## CONSTRUCTION MATERIALS & TRADING DIVISION

REVENUE
**RM599** million
FY 2014

CMS' **Construction Materials & Trading Division** is today responsible for the operations of five quarries, five stationary and three mobile premix plants, a wire production line and the Group's trading business.

In FY 2014, the Division's PBT rose by a stellar 39% to RM76.48 million from RM55.08 million previously. This was primarily due to the full year supply of mild steel polyurethane (MSPU) pipes in FY 2014, the first batch of which was delivered at the end of FY 2013. The quarrying business also reported greater PBT, whilst the premix business maintained its excellent profit. The recovery of RM2.72 million bad debts by the wires business also helped boost the Division's results. The year saw the Division's revenue increasing by 52% from the previous year, primarily on the back of secured sales of MSPU pipes, higher sales volume of quarry aggregates and premix, as well as a rise in contract works and services.

Quarrying Operations
**3.15**
million MT per annum
aggregates production capacity

### QUARRYING OPERATIONS

CMS Quarries Sdn Bhd and CMS Penkuari Sdn Bhd are both involved in the production of granite, microtonalite and limestone aggregates. Together, the two companies operate five quarries in Stabar, Penkuari, Akud, Sebuyau and Sibanyis with a combined annual rated capacity of 3.15 million MT per annum.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

By Q2 2015, production capacity at Sibanyis will be increased by 50% from 600,000 MT to 900,000 MT per annum by installing a second unit tertiary Cone Crusher. Ongoing studies continue to identify potential quarries in the northern region of Sarawak and additional wharf facilities are also being developed in the Kuching area to improve our ability to transport stone aggregates longer distances more competitively. CMS Quarries remains committed to providing a steady supply of good quality stone aggregates at competitive prices to meet demand throughout the State. To date, the Company commands an approximate 35% market share for stone aggregates sold in Sarawak and is gearing itself up for potential demand growth linked to the planned RM27 billion 1,663km-long Pan Borneo Highway.

## PREMIX OPERATIONS

CMS Premix Sdn Bhd and CMS Premix (Miri) Sdn Bhd today have an approximate 67% share of Sarawak's high quality asphaltic concrete (premix) and bitumen emulsion market. The premix operations involve eight premix plants in Kuching, Sarikei, Sibu, Bintulu, Miri and Limbang with a combined rated capacity of 1,440 MT per hour; as well as a 15 MT per hour bitumen emulsion plant in Kuching which manufactures bitumen emulsion and cutback bitumen products.

Plans are in the pipeline to purchase two more 150 MT per hour mobile premix plants to meet the increasing demand for premix in Sarawak as well as to cater to the need for such operations to be closer to project sites.

## WIRE OPERATIONS

CMS Wires Sdn Bhd, which manufactures steel drawn wires and wire mesh for the local construction industry, today has approximately 20% share of the market. Its sole 5,500 MT per annum plant currently produces approximately 4,800 MT of steel wires and mesh per annum. Management plans to upgrade its aging machines in FY 2015 in order to improve efficiency and productivity.

CMS Premix **CONTINUES** to invest to meet the increasing demand for premix in Sarawak.

## TRADING OPERATIONS

Our 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. Given Sarawak's growing water infrastructure needs, sales of mild steel water pipes has been on the uptrend. In FY 2014, CMS Infra Trading Sdn Bhd registered strong sales of MSPU pipes and fittings which was mainly attributable to demand from the Tanjung Manis Project (Package Phase 1). The year also saw strong demand for the Company's construction materials and systems as well as its road management and petroleum products.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

**Road Maintenance Concessions**
Maintain approximately 680km of Federal roads and 5,400km of State roads in Sarawak.

## CONSTRUCTION & ROAD MAINTENANCE DIVISION

REVENUE
**RM364** million
FY 2014

CMS' **Construction & Road Maintenance Division** implements a wide range of infrastructure construction projects and road maintenance works across Sarawak. The projects are executed primarily through subsidiaries PPES Works (Sarawak) Sdn Bhd, CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd.

The Division's existing projects involve roads maintenance, water infrastructure, buildings and pavement rehabilitation works. The Division also continues to derive stable recurring income from its two road concessionaires who are tasked with maintaining approximately 680km of Federal roads and 5,400km of State roads in Sarawak.

In FY 2014, the Division registered a 26% increase in revenue to RM364.30 million of which approximately RM148.70 million was derived from construction works, roads, water infrastructure projects and building works, while approximately RM215.60 million came from stable and improved recurring revenue from the two road maintenance concessions. The Division, however, posted a lower PBT of RM84.23 million, a 12% decline in comparison to the preceding year's PBT, primarily as a result of an increase in project costs and events beyond the Management's control.

Throughout the year, the Division strengthened its technical capabilities by investing in new machinery. It also implemented continuous training for employees to improve operational efficiency and productivity as well as leveraged on a Division-wide staff teambuilding programme to build camaraderie. More weight was also given to the quality of work that the Division undertakes in line with the Group's mission of 'Producing Quality, On Spec & On Time'. This has helped reinforce the Division's reputation as a contractor to be trusted within the State.

Going forward, the Construction & Road Maintenance Division will ensure it remains competitive in its bid for new projects. The Division's income generation is expected to remain stable given that the majority of this is derived from contractual earnings from or linked to its two road maintenance concessions or from ongoing longer-term construction projects. At this stage any positive contributions from the Pan Borneo Highway have yet to be quantified as the project is still being finalised. At the time of writing, the Division had on hand a construction order book outside of its road concession revenues amounting to some RM610 million.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

## PROPERTY DEVELOPMENT DIVISION

REVENUE
**RM114** million
FY 2014

The Group's **Property Development Division** owns two large land banks in and around Kuching. One of these is a 3,911-acre land bank in Petra Jaya owned by Projek Bandar Samariang Sdn Bhd which is being developed into a riverine township called Bandar Samariang.

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 (CBD), The Isthmus.

Over the course of 2014, the Property Development Division continued to expand and develop its two major land banks. The Division posted a revenue of RM113.58 million in FY 2014 (FY 2013: RM74.98 million), while its PBT grew 46% to RM45.63 million in FY 2014 from RM31.27 million previously. The higher PBT was attributable to more land and property sales recognised as well as higher construction activities.

Given the vast undervalued development land bank whose development potential is now being steadily unlocked, this business holds solid potential for long-term, sustainable growth. Profits continue to be underpinned by strategic land sales that are structured in order to catalyse the development of the Division's own adjoining land parcels, and to take advantage of the State's fast-track urbanisation and economic growth efforts.

**46%**
**INCREASE**
in PBT to RM45.63 million

### BANDAR SAMARIANG

Bandar Samariang, situated 7km from the Kuching city centre and within easy reach of the beaches of Damai and Santubong, is today home to more than 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 RM475 million (for development between 2014 and 2019).

The development has certainly benefited from improved road access, an increase in critical mass, visible affordability and CMS' improved build quality, with interest in the township and sales on the uptrend. The Federal Administrative Centre road, linking Bandar Samariang directly to the Sarawak River toll bridge and to the loop road running north-south through the township, has radically transformed accessibility into the township.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

To date, under Phase 1 of Bandar Samariang comprising some 600 acres, a total of 577 acres have been fully developed. Plans are underway to commence the second phase comprising 350 acres between 2015 and 2018. Following the completion of the access road between Bandar Samariang and Matang in 2015, sales for residential and commercial properties are expected to trend upwards. The added attraction of the Mydin Hypermarket, which commenced construction in early 2015 and scheduled for completion in 2016, will further increase the project's desirability as well as encourage the setting up of complementary businesses. On top of this, the Group is planning to develop other parcels of land which will include schools, shops and industrial lots as well as public amenities and housing.

THE PROPERTY DEVELOPMENT Division continued to **EXPAND** and **DEVELOP** its two major land banks.

The development of Phase 2 comprising industrial lots on 25 acres of land began following the sale of some 130 acres of land to Kota Sarjana Sdn Bhd in January 2014. Following the subsequent sale of another 500 acres of land to Malaysian-listed Sentoria Group Berhad for the development of a water theme park and a resort city as well as residential properties, the Sentoria Group is proceeding with its plans to construct the water theme park and resort city while seeking planning approval for the residential development. All these upcoming developments are expected to further boost the attractiveness of the whole area.

### THE ISTHMUS

We continue to make solid progress on the 246-acre Isthmus development that will serve as Kuching's new CBD. To date, some 56 acres have been developed incorporating projects and infrastructure that have begun to embed a new business vibrancy and contemporary lifestyle into the city's natural beauty and charm. Of the remaining land available, 93 acres have been earmarked for development that include a niche waterfront residential enclave, hotel, tertiary educational centre, petrol stations, commercial shops, commercial showrooms, and two signature Green Building Index or GBI-certified office buildings.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

Preliminary work has begun on many of these projects and is progressing smoothly. The hotel development by the UCSI Education Group of Companies commenced piling and foundation works in February 2014 and is expected to be completed within 30 months. Pending construction of its adjoining campus facilities, part of the hotel will be used for tertiary educational purposes. Construction on the two signature GBI-certified buildings for Pelita Holdings Bhd and the Sarawak Economic Development Corporation respectively commenced in 2H 2014 and is scheduled for completion within a 24-month timeframe. One of the Petronas petrol stations in the vicinity opened for business in Q3 2014, while ground-breaking activities for the 14 units of semi-detached commercial showrooms took place in early 2015. Some 54 units of the three-storey strata titled shop office are expected to be launched in FY 2015 following the completion of site clearance and earthworks activities.

The Isthmus is poised to enter a new exciting phase of development in the near future with plans underway to launch its central core, aptly named The Hub. Covering some 30 acres, The Hub, which is envisaged to be the heart of The Isthmus, is being planned to feature an urban park with pedestrianised boulevards. This will be complemented by niche shopping, medical and wellness facilities, serviced apartments, SOHO units, class-A green offices and ample parking. The Isthmus has an estimated GDV of RM736 million (for development between 2014 and 2019). All these developments are going a long way in reinforcing The Isthmus' standing as the strategic up-and-coming CBD of Kuching.

## OTHER DEVELOPMENTS

The Property Development Division also owns 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.

The year saw construction works on the Rivervale Residences (also known as Lot 9244) commencing. This niche residential development nestled amidst 19 acres of prime land in the Stutong area of Kuching, comprises 78 exclusive semi-detached houses and two 14-storey condominium blocks with built-up areas ranging from 750 sq. ft. to 3,800 sq. ft. Piling works have begun for the semi-detached houses while construction of the two condominium blocks is scheduled to commence in FY 2015. As per current estimates, the development has a GDV of approximately RM250 million.

The Division is also focusing its efforts on another high-end residential development, namely North Kuching's Lane Park Residences. Comprising up to 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. To date, the development's two show houses have been completed.

The Group's other parcels of land will be retained until the appropriate development opportunities arise. In the meanwhile, we will continue to actively seek out other land banks around Kuching and in major towns throughout Sarawak.

The Division will continue to actively seek out other land banks around Kuching and in major towns throughout Sarawak.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

## SAMALAJU DEVELOPMENT DIVISION

REVENUE
**RM15** million
FY 2014

The **Samalaju Industrial Park (SIP)** is one of five growth nodes under the Sarawak Corridor of Renewable Energy (SCORE) initiative. The SIP is an attractive drawing card to heavy and energy-intensive industries that are keen to tap into the competitive edge afforded by Sarawak's competitive long-term renewable energy costs and its strategic proximity to fast growing East Asian markets.

The SIP accords 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.

CMS has been an active participant in the SIP by virtue of our involvement in three core areas: firstly, our ventures into energy-intensive industries at the SIP; secondly, the provision of temporary workers' accommodation through 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) and in OM Materials (Samalaju) Sdn Bhd (OM Materials Samalaju) for the development of a 600,000 MT per annum ferrosilicon and manganese alloys smelter, while another venture revolves around our 40% stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS), an intergrated phosphate complex with a production capacity of approximately 1.4 million MT per annum (by year 2020) of phosphate and related products. These investments are expected to materially contribute to the Group's future growth and its sustainable profits in a significant manner when they take off.

In the second core area, that of accommodation and housing, the Division has been tasked with addressing the short-term 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 pending completion of the adjoining Township, when operational.

The third core area involves the development of the new, approximately 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. The first phase of the township is expected to be launched in 2015.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014


In FY 2014, the Samalaju Development Division registered a sharp 65% drop in PBT (excluding associates) to RM9.46 million as compared to PBT of RM26.72 million previously, on the back of lower revenue due to lower occupancy and rates.

## SAMALAJU LODGES

With the demobilisation of the lodges' principal tenant in mid-2014, the Division experienced a steep drop in occupancy over FY 2014. However, the Division continued to proactively explore accommodation opportunities with prospective new tenants. Where in the past, total bed space capacity had touched 9,000 beds or more, the capacity of the lodges going forward is expected to be much lower as prospective new tenants are proposing different and less dense room configurations to suit their respective needs. The Division will continue to explore how best to provide tailor-made accommodation for those seeking medium and long-term accommodation within the SIP, while simultaneously catering to walk-in guests.

## SAMALAJU ECO PARK

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 the SIP. Nestled on approximately 2,000 acres of land, the Samalaju Eco Park Township incorporates the natural semi-undulating terrain of the area, with the Township designed to preserve as much of the land's natural landforms and gentle water bodies. Green and blue spaces in the form of parks, water bodies and canals, community gardens and a golf course will dot the Township and provide living spaces for the community. To date, the Division has completed earthworks and has begun construction on the first residential phase comprising 160 units of apartment blocks that is scheduled for completion by early 2016.

Land clearing and earthworks are currently underway for the commercial centre of the Township, which will comprise a blend of shophouses, mixed-use complexes, markets and a shopping centre. This phase of the project is expected to be completed by 2017. These developments will centre on a system of canals and lakes, with shops being accorded frontage of the canal and river walk. It will provide an inspiring 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. Works on the canal are also underway and will be completed in conjunction with the completion of the shophouses.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

### SAMALAJU CENTRAL

Located in the heart of the SIP 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 a visually attractive and well laid out commercial hub comprising commercial shop lots, semi-detached light industrial buildings and vacant industrial lots.

Plans for the first phase of development incorporating 129 units of commercial shop lots, a food emporium, and a transportation hub have been approved by the State Planning Authority. Construction on the first phase comprising 68 units of 129 units is expected to commence in Q2 2015 and be completed by Q4 2016.

### TANJUNG SAMALAJU RESORT HOTEL

The Tanjung Samalaju Resort Hotel development, which is perched on a 26.16-acre site along the cliffs of the Samalaju Peninsula, offers stunning views of both the South China Sea and the Similajau National Park. Designed to be a sanctuary amidst the hustle and bustle of the industrial park, the hotel offers 150 rooms and suites, nine chalets (three units each) as well as a host of modern facilities. The 177-room 4-star hotel is 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 soft opening of the hotel was held in December 2014, and it became fully operational in March 2015. The hotel offers quality accommodation for 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. Planning and designing of the master plan and the units are currently underway. The launch of the semi-detached industrial lots at the park is slated for Q2 2016.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

## FERROSILICON AND MANGANESE ALLOYS SMELTING PROJECT

The Group has a 20% equity stake in OM Materials Sarawak and OM Materials Samalaju 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 approximately a 600,000 MT capacity smelter in two phases at an approximate total project cost of USD592 million.

The first phase of commercial production was achieved when the alloys were successfully tapped at around midnight (Sarawak time) on 22 September 2014. By the end of FY 2014, four furnaces were in operation. In FY 2014, OM Materials Sarawak recorded a profit mainly as a result of the favourable exchange rate attributable to the appreciation of the US dollar against the Malaysian Ringgit.

Going forward, 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 (steel production is forecast to grow at a CAGR of 4.54% up to 2025). The smelter is also expected to reap the benefits of competitive energy costs; a tax holiday with no import and/or export duties; 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 binding market price-linked offtake arrangements with leading industry players for over 60% of production, and 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.

Going forward, 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.

As at end December 2014, overall construction progress of Phase 1 of the project (expressed in terms of cumulated earned value or EV) stood at 87%. Full commercial production of ferrosilicon alloys is expected to be reached by 2H 2015 and OM Materials Sarawak is expected to contribute significantly to the Group's earnings thereafter. Production of manganese alloys by OM Materials Samalaju is expected to commence by 1H 2016 and this will further enhance the Group's earnings thereafter.

## INTEGRATED PHOSPHATE COMPLEX

On 31 December 2013, CMS joined forces with several parties to construct Southeast Asia's first integrated phosphate complex in Samalaju at a projected cost of some RM1.55 billion. 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 Malaysian Phosphate Additives (Sarawak) Sdn Bhd or MPAS. Under the shareholders' agreement, SISB and MPV have a 40% equity stake each in MPAS with the remaining 20% is held by AESB.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

Today, MPAS is focusing its efforts on the development, construction and commissioning of an integrated phosphate complex that will have an annual production capacity of approximately 1.4 million MT of phosphate and related products by 2020. The project, which calls for nine integrated plants to be built on 350 acres of land near the Samalaju deepwater port (which is also currently under construction), will tap into the competitive energy cost in Sarawak from its hydro-powered dams. It will employ nearly 1,200 skilled workers and staff and will be funded via a mixture of shareholders' equity and long-term bank funded debt.

Ground clearing and earthworks for the project began in Q1 2014 and the complex is scheduled to be operational in phases by the start of FY 2017. The first Yellow Phosphorus (YP) and Food Grade Acid (FGA) plant, with a capacity of 5,000 MT per annum of YP and 18,000 MT per annum of FGA, will commence production in Q1 2017. The remaining plants are expected to be fully commissioned by Q4 2018. Negotiations for the Engineering, Procurement and Construction (EPC) agreement, financing and Power Purchase Agreement (PPA) are currently underway.

The project is significant for a number of reasons. It is the first high-impact project in the SIP by a 100% Malaysian company. It involves direct domestic investment of up to approximately RM1.55 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 SIP, it takes SCORE and CMS into a dynamic new industrial sector that offers long-term sustainable demand growth. It also offers opportunities for investment in downstream manufacturing in the animal feed, fertiliser, cleaning and detergent sectors; and it is envisaged that businesses in these sectors will be drawn to the SIP itself so they can locate themselves adjacent to their feedstock supplier.

The 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 as it eliminates the use of meat and bone meal (ex-bones of pigs and cattle) in all animal feed. 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

CMS is the single largest shareholder of K & N Kenanga Holdings Berhad (Kenanga) and its Group of Companies by virtue of a 25% equity stake in Kenanga. Established more than 40 years ago, Kenanga is listed on the Main Board of Bursa Malaysia Securities Berhad. The Kenanga financial group today includes Kenanga Investment Bank Berhad, Kenanga Investors Berhad, Kenanga Deutsche Futures Sdn Bhd and Kenanga Capital Sdn Bhd. Recognised as one of Malaysia's largest independent investment banks, Kenanga is involved in equity broking, investment banking, futures broking, treasury, specialised finance and fund management activities.

For FY 2014, Kenanga's revenue increased by 14% to RM592.40 million from the year before, while it registered PBT of RM41.77 million. Net income stood at RM449.07 million, an increase of 13% from the preceding year.

CMS' listed and unlisted Strategic Investments continue to **GROW** and **CREATE** shareholder value whilst supporting CMS' position as a prime mover in Sarawak's growth story.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

In FY 2014, Kenanga Investment Bank Berhad (KIBB) was named Malaysia's Top Retail Broker by Bursa Malaysia Berhad in line with its contribution and performance in FY 2013. The Equity Broking division registered a PBT of RM17.25 million in comparison to RM2.50 million the year before. As one of the top three brokerage houses in the country with one of the largest network of remisiers, KIBB continued its efforts to educate investors about share trading via platforms such as seminars and nationwide roadshows. Over the course of FY 2014, KIBB introduced the Kentrade Trading Challenge, an online simulated trading game which garnered more than 12,000 participants over a period of two months.

Kenanga's Investment Banking division saw its revenue improving by 15% to RM206.60 million in FY 2014 while it posted a PBT of RM31.45 million. The division's major achievements included its contributions to 7-Eleven Malaysia Holdings Berhad's successful debut on the Main Board of Bursa Malaysia. The division acted as the Joint Principal Adviser and Managing Underwriter for this IPO exercise and raised RM731.85 million. The IPO won Best Deal, Malaysia at The Asset's Triple A Country Awards 2014, Southeast Asia and was hailed the Best IPO in 2014 by The Edge Malaysia. In addition, the division was also the adviser, underwriter or lead manager for most of the initial public and Sukuk offerings in Malaysia, including those involving Perisai Petroleum Technology Berhad, Syarikat Prasarana Negara Berhad, Kanger International, Heng Huat Resources Group Berhad and Sarawak Energy Berhad, among others.

Kenanga Investors Group, comprising Kenanga Investors Berhad (KIB) and its subsidiary Kenanga Islamic Investors Berhad (KIIB), ended FY 2014 on a positive note with assets under management (AUM) of RM5.45 billion and PBT of RM13.98 million. During the year, KIB grew its unit trust assets by 70% or net RM1.30 billion, positioning KIB amongst the largest new inflow of funds for unit trust companies in 2014. Previously in the 17th position, KIB now ranks the 10th largest unit trust company in Malaysia. KIB also continued to deliver strong and consistent funds' performance in FY 2014 and was awarded the Best Performing Equity Malaysia Fund award for the 5-year and 10-year categories at the prestigious Lipper Fund Awards 2015 (Malaysia).

For more than a decade, Kenanga Deutsche Futures Sdn Bhd (KDF) has remained at the forefront of the derivatives industry. In FY 2014, KDF exceeded its profitability targets and maintained top market ranking in execution market share, accounting for about 13.56% of the 12.46 million contracts traded on Bursa Malaysia Derivatives Berhad. Prioritising its customers and the quality of its people, KDF will continue to sharpen its focus on achieving its business goals and responding rapidly to emerging opportunities so as to fuel further business expansion.

## 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 2014, KKB turned in consolidated revenue of RM202.00 million as well as posted a PBT of RM31.92 million and net profit after non-controlling interest of RM20.97 million.

KKB has set its sights on expanding its steel fabrication activities so that it can undertake larger and more complex projects, including those from the Oil and Gas sector. To this end, KKB will leverage on its new modern fabrication plant that incorporates an open yard and heavy load-out jetty facility fronting the Sarawak River, as well as sizeable covered all-weather workshops.

KKB's associate, OceanMight Sdn Bhd (OMSB) has been licensed by Petronas as an Approved Service Provider to undertake major onshore fabrication for offshore facilities and related works. In September 2014, OMSB bid for and successfully secured the Tanjong Baram (SFRSC) Project which it expects to complete by Q2 2015. This bodes well for KKB going forward.

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

## STRATEGIC INVESTMENTS – UNLISTED

### EDUCATION

The Group continues to play a role in the development of the nation's future leaders through wholly-owned subsidiary CMS Education Sdn Bhd which owns and operates the Tunku Putra School. The school, which is located in Kuching's Petra Jaya on a 18.51-acre campus, first opened its doors in January 1997. Over the years, it has grown and today provides kindergarten, primary and secondary-level classes for national and international streams. Classes at Tunku Putra School are purposefully kept small so students have the assurance of quality attention. At the same time, a high standard of teaching from its specialist expatriate and Malaysian teachers, and its offer of a wide range of sporting and extracurricular activities, ensure students reap the benefits of a holistic education. English as a Second Language (ESL) support is offered to students who would benefit from some additional English tuition. 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.

Tunku Putra School continues to play 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, 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 2014, Tunku Putra generated gross revenue of RM7.01 million with 584 students on the roll. During the year, there were 132 new applications, an improvement over FY 2013's number.

### CMS OPUS PRIVATE EQUITY

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

Since its inception in 2006, CMS Opus has grown and established a name for itself in Malaysia's private equity industry. The Company is one of a few private equity firms that has adopted Shariah-compliant investment principles. To date, it has investments in seven investee companies with its current AUM totalling RM291 million.

For FY 2014, CMS Opus returned investment capital amounting to RM10.17 million including a gain of RM2.33 million to its investors.

## MOVING FORWARD

As the CMS Group enters a new era of transformational growth following its 40th anniversary, we are organising ourselves to leverage on the positive momentum gained thus far to deliver robust and sustainable growth going forward.

Today, CMS remains one of the best proxy listed investments for Sarawak's accelerating economic growth. Our success thus far is owed to two key economic drivers: the first being the State's promotion of energy-intensive industries under SCORE; and the second, the host of significant infrastructure developments and related services and supply needs that are arising across the State. These drivers, which have long-term perspectives and are not affected by short-term lower oil prices, are set to propel the State's economy and CMS to new heights of success.

Despite the external challenges that are affecting Malaysia's economy, Sarawak remains on course to achieve its economic ambitions. Sarawak's economy is estimated to have grown by 5% in 2014 (2013: 4.7%), driven by energy exports, accelerating industrial development and strong domestic demand. In the past two decades, the State has seen its GDP soar and is

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

now contributing around 10% of Malaysia's total GDP. Sarawak continues to capitalise on its relative political and economic stability and is intent on becoming a high-income state by 2020 and the nation's richest state by 2030.

The SCORE initiative is set to further strengthen the State's economy and elevate the per capita income and quality of life of the people of Sarawak. Via SCORE, Sarawak anticipates it will achieve the following growth milestones by 2030 – a five-fold rise in the State's GDP and the creation of 1.6 million additional jobs. With RM334 billion expected to be injected into Sarawak's economy by 2030 (approximately 20% from the government and 80% from the private sector), we are confident that both investment opportunities and demand for CMS' construction materials products, our construction and road maintenance services, and our property and township developments, will increase.

Although still at an early stage of development, SCORE continues to garner overwhelming interest. Domestic and foreign equity investment and joint venture projects are on the rise within SCORE, attesting to this economic corridor's standing as an attractive investor proposition. As at March 2015, 15 projects in the SIP had been approved with a total investment value of RM25 billion.

In view of our early involvement as a major local private sector participant in multiple areas of SCORE, we are in a strong position to add real value to potential energy-intensive industrial investors looking for a local co-investing partner in SCORE. Potential partners know they can count on us to strengthen their project's appeal given CMS' strong balance sheet, our unrivalled private sector knowledge of SCORE, our management's professionalism and bandwidth, plus our synergised portfolio of Sarawak-based businesses.

Via CMS' 20% equity stake in OM Materials Sarawak and 40% equity stake in MPAS, we expect to secure long-term, sustainable growth and to significantly enhance shareholder value. We also expect our role as a key infrastructure facilitator to strengthen going forward with the State Government having identified long-term initiatives such as the RM27 billion 1,663km long Pan Borneo Highway as a key step towards boosting investment outside SCORE. As we ramp up the pace of development in relation to our Kuching land banks and the Samalaju permanent township, our role in township and property development too is set to strengthen.

Going forward, we will focus on implementing the strategic growth initiatives we have set out to secure sustainable business growth. To this end, we will continue to look to the strategies under our Nine Point Scorecard to guide us. With a focus on stimulating growth and ensuring we turn in a robust performance, these strategies dictate that we 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 called 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 are to set our sights on private sector-driven profitability; leverage on a strong SCORE play; and develop, for future use, an expertise which will take us beyond Sarawak's shores.

As we explore new pathways of opportunity, we will also continue to embrace our ROAR V.2 strategy that has accorded us a proven flow of sustainable profits from a portfolio of synergised businesses. 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 our current strategies and strengths

# GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2014

for the period 2012 through to 2016. We believe that as we stick to our proven strategies while remaining adaptable to market conditions, we have every chance of attaining significant sustainable and transformational profits growth.

We also have several other elements that are in our favour. Today, our core divisions, which are generating the bulk of the Group's revenue and earnings, are all set to grow in tandem with Sarawak's own growth story. At the same time, we have diversified our earnings base so that we now have a wider spread of income and profits outside of our cement business, thereby significantly reducing our risks.

Spearheading all our endeavours will be our experienced and professional management team. The emergence of new leadership in the Sarawak Government too bodes well for us. We have always had a professional and strong working relationship with the State Government and look forward to strengthening this relationship going forward.

As we move forward to implement our strategies, we will continue to take stock of our progress and challenge ourselves so that we remain agile and do not stumble in what is a volatile, uncertain, complex and ambiguous (V.U.C.A.) world. CMS is already playing a significant role within Sarawak in several key sectors and we will endeavour to honour our obligations to the many communities we serve by demonstrating professionalism, integrity and a respect and care for others in all our dealings.

## IN APPRECIATION

CMS' success in its first 40 years that has led us to be Sarawak's leading infrastructure facilitator is attributable to the support of many parties. We wish to express our deepest 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 steadfast trust and confidence in us, and for extending us their worthy support and cooperation.

I wish to convey my heartfelt gratitude to our Board of Directors for their wise counsel and astute insights which helped us steer a steady course amidst 2014's opportunities and challenges. To the CMS family of employees, I wish to convey my utmost appreciation for your dedication, hard work and commitment to excellence. These worthy traits have certainly stood us in good stead time and time again. We believe they will take us a long way as we embark on the next phase of our transformational growth.

We trust that all four of our stakeholders will continue to lend us their unwavering 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

8 April 2015

# BOARD OF DIRECTORS' PROFILE

## YAM TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

**Malaysian**
**Age: 63 years**

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

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, 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 formerly an independent director of Maxis Communications Berhad and Bangkok Bank Berhad.

Currently, Tan Sri Syed Anwar is Chairman of Nestle (M) Berhad, Lembaga Zakat Selangor, Pulau Indah Ventures Sdn Bhd (a joint venture company between Khazanah Nasional Berhad and Temasek of Singapore), Matrix Capacity Petroleum Group Berhad and Malakoff Corporation Berhad. 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 CMS Group, does not have any personal interest in any business arrangement involving the CMS Group, has no family relationship with any other director and/or major shareholder of the CMS Group.

Tan Sri Syed Anwar has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2014.

# BOARD OF DIRECTORS' PROFILE


**Malaysian**
**Age: 51 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 a director of CMS subsidiaries in cement, construction, construction materials and property development. He is also a director of several other private companies.

Dato Sri Mahmud is the brother of Dato Hajjah Hanifah Hajar Taib-Alsree, 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 four (4) out of five (5) meetings of the Board of Directors in the financial year ended 31 December 2014.

# BOARD OF DIRECTORS' PROFILE

## Y BHG DATUK SYED AHMAD ALWEE ALSREE

**Singaporean, Permanent Resident of Malaysia**
**Age: 49 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 CMS 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 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 Dato Hajjah Hanifah Hajar Taib-Alsree (a major shareholder of CMS).

Datuk Syed Ahmad has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2014.

# BOARD OF DIRECTORS' PROFILE

## Y BHG DATO' RICHARD ALEXANDER JOHN CURTIS

**British, Permanent Resident of Malaysia**
**Age: 63 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 the 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 (1997-2000), a leading Malaysian retail company and F&B chain operator.

Dato' Richard is a director of K & N Kenanga Holdings Berhad and Kenanga Investment Bank Berhad and a number of CMS subsidiaries in cement, construction materials and trading, construction and road maintenance and property development. 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 2014.

# BOARD OF DIRECTORS' PROFILE

# Y BHG DATU MICHAEL TING KUOK NGIE

**Malaysian**
**Age: 74 years**

**Non-Independent, Non-Executive Director**
**Member – ESOS Committee**

Datu Michael Ting Kuok Ngie was appointed to the Board of CMS on 24 March 1999. A civil engineer by profession, Datu Michael served in the Public Works Department (PWD) for 32 years. His last appointment was as Director of PWD prior to retiring in 1998. Datu Michael continued to serve as Technical Advisor to Sarawak's State Planning Unit for a further two (2) 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 a director of CMS subsidiaries in cement, construction materials and construction & road maintenance as well as other private companies. He has no family relationship with any director and/or major shareholder of the Company.

Datuk Michael has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2014.

# BOARD OF DIRECTORS' PROFILE

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

**Malaysian**
**Age: 66 years**

**Non-Independent, Non-Executive Director**
**Member – ESOS Committee**

General (R) Dato' Seri DiRaja Tan Sri 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) Dato' Seri DiRaja Tan Sri Zahidi is currently Chairman of Affin Holdings Berhad and Genting Plantations Berhad and a director of Bintulu Port Holdings Berhad, Defence Technologies Sdn Bhd, Genting Malaysia Berhad and Parkson Retail Asia Limited. General (R) Dato' Seri DiRaja Tan Sri Zahidi was made a Member of Dewan Negara Perak by DYMM Paduka Seri Sultan Perak on 25 November 2006 and is a director of Yayasan Sultan Azlan Shah. On 23 April 2013, he 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) Dato' Seri DiRaja 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) Dato' Seri DiRaja Tan Sri Zahidi has no family relationship with any director and/or major shareholder of the Company.

General (R) Dato' Seri DiRaja Tan Sri Zahidi has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2014.

# BOARD OF DIRECTORS' PROFILE

## Y BHG DATU HUBERT THIAN CHONG HUI

**Malaysian**
**Age: 67 years**

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

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

Datu Hubert graduated with a Bachelor of Civil Engineering degree from Monash University, Melbourne, Australia. He is currently Chairman of CMS Works Sdn Bhd and LAKU Management Sdn Bhd, a wholly-owned company of the State Government of Sarawak. He is also a director of CMS subsidiaries in cement, construction materials and construction & road maintenance. Prior to this, he served in the Public Works Department (PWD) for 39 years with the last nine (9) years as the Director of PWD.

Datu Hubert has no family relationship with any director and/or major shareholder of the Company.

Datu Hubert has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2014.

# BOARD OF DIRECTORS' PROFILE

## Y BHG DATUK KEVIN HOW KOW

**Malaysian**
**Age: 66 years**

**Independent, Non-Executive Director**
**Chairman – Group Audit Committee**
**Member – Group Risk Committee**

Datuk Kevin How Kow was appointed to the Board of CMS on 12 March 2004. Datuk 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, Datuk Kevin was Partner-in-charge of the firm's practice in Sabah and Labuan until his retirement at the end of 2003.

Datuk Kevin is a director of 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. Datuk Kevin has no family relationship with any director and/or major shareholder of the Company.

Datuk Kevin has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2014.

Save as disclosed, none of the Directors have any conflict of interests with CMS nor conviction for offences within the past ten (10) years others than traffic offences.

# SENIOR MANAGEMENT TEAM



01 **DATUK SYED AHMAD ALWEE ALSREE**
Group Executive Director

02 **DATO' RICHARD CURTIS**
Group Managing Director

03 **DATO ISAAC LUGUN**
Head, Samalaju Development Division

04 **SYED HIZAM BIN SYED MAHMOOD EZZULARAB ABDUL-MOEZ ALSAGOFF**
Group Chief Financial Officer

05 **DAVID LING KOAH WI**
Group General Counsel

06 **DANNY SIM WEI MIN**
General Manager, Group Procurement

07 **TAN MEI FUNG**
General Manager, Group Finance

08 **DALJIT SINGH**
Head, Group Information Technology

# SENIOR MANAGEMENT TEAM


**09 ABDUL NASSER MOHD SANUSI**
General Manager, Special Projects

**10 WENDY YONG SAN SAN**
Senior General Manager, Group Human Resources

**11 MOHD ZAID ZAINI**
Head, Business Development

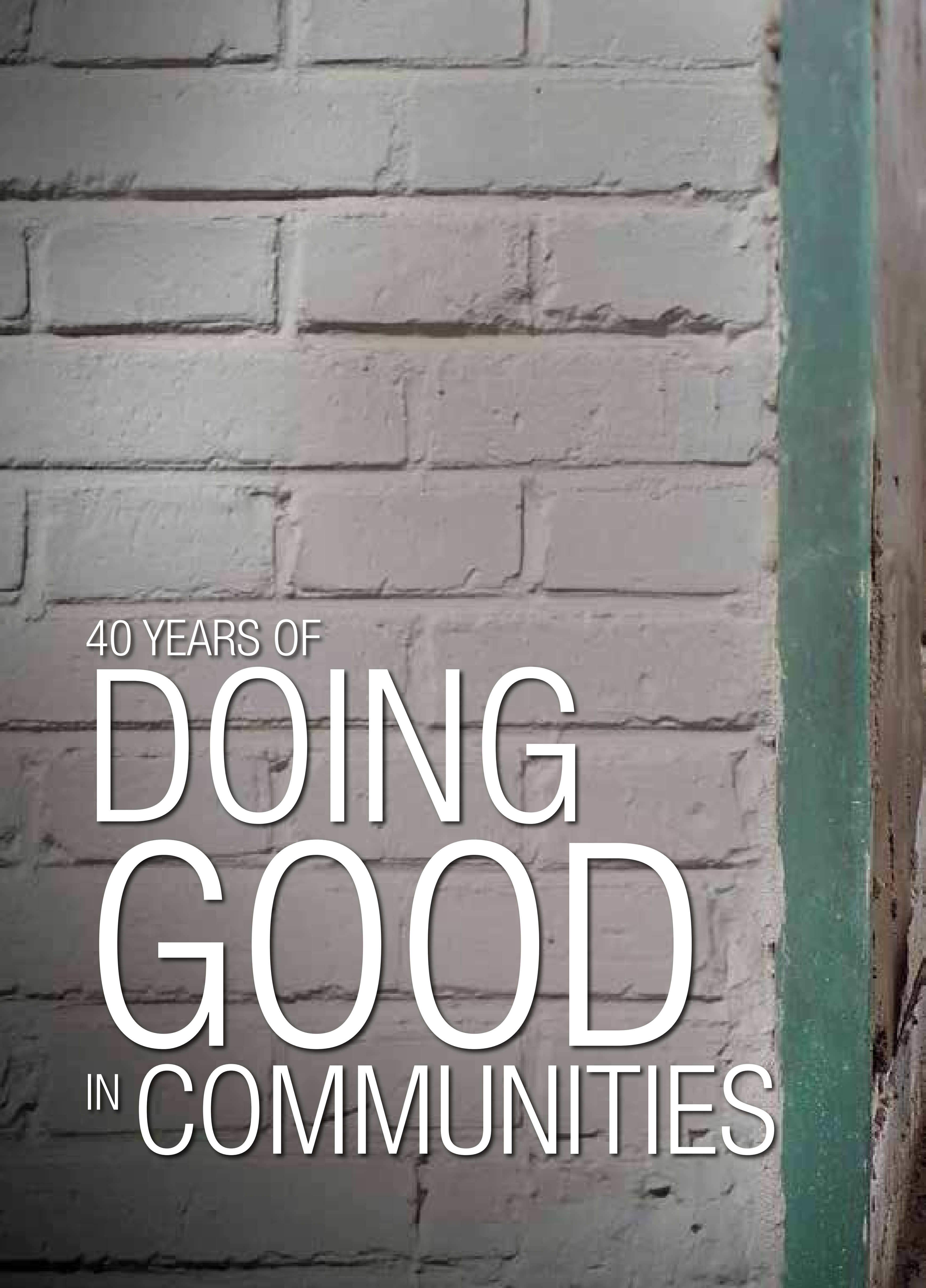
**12 FRANCIS LOU**
Group Internal Auditor

**13 LIM JIT YAW**
Head, Construction & Road Maintenance Division

**14 VINCENT KUEH HOI CHUANG**
Head, Property Development Division

**15 GOH CHII BING**
Head, Cement Division

**16 CHONG SWEE SIN**
Head, Construction Materials & Trading Division

# 40 YEARS OF DOING GOOD IN COMMUNITIES


Through CMS' Doing Good platform, our employees are volunteering their time and effort to serve the communities that we do business in. This has certainly done much to unleash the power of the human spirit, fuel individual passion, foster teamwork and strengthen the bonds between CMS and the community.

# CORPORATE RESPONSIBILITY

## OUR COMMITMENT TO RESPONSIBLE CORPORATE PRACTICES

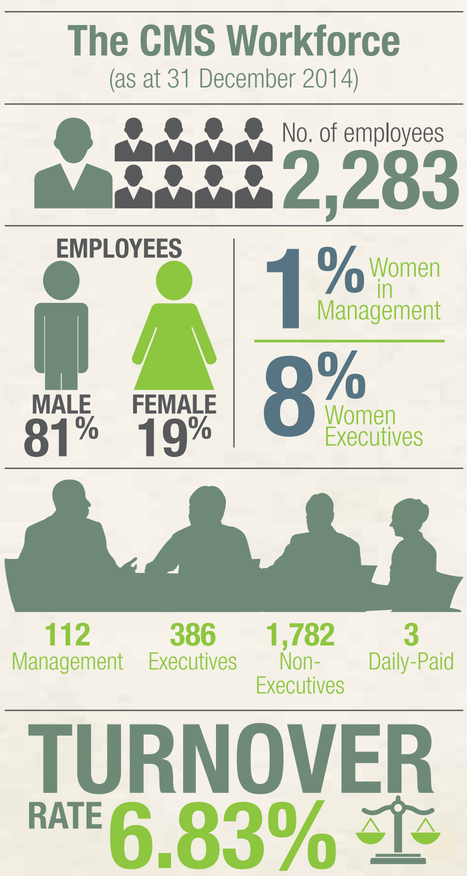
As Cahya Mata Sarawak (CMS) celebrates 40 years of transformational growth, we remain genuinely committed to balancing out our robust financial performance with responsible social and environmental performance.

Since our inception, we have endeavoured to carry out responsible corporate practices that aim to make a positive impact on our four key stakeholders, namely our shareholders, staff, customers and the communities that we operate in, while building enduring ties with them. Today, CMS remains committed to strengthening stakeholder ties as well as growing in a profitable and responsible manner by embedding sustainable corporate responsibility (CR) practices into our business operations and value chain.

The year 2014 saw us bolstering our existing CR initiatives in the areas of the Workplace, Community, Environment and Marketplace, while rolling out new ones. All these efforts are doing much to reinforce our position as a model for responsible corporate behaviour while propelling us closer towards achieving our ambition of becoming the 'PRIDE of Sarawak and Beyond'.

### OUR COMMITMENT TO NURTURING OUR PEOPLE

Our people are undoubtedly our greatest asset, and we are constantly looking at ways and means to effectively nurture them while creating a stimulating workplace that attracts and retains highly skilled talent. To develop our employees to their full potential and guide them on their career paths, we continue to place an emphasis on continuous learning and growth. At the same time, we uphold the importance of family values and work-life balance so that our people become well-rounded individuals. In 2014, we continued to implement effective workplace measures to ensure that the CMS workforce remained a highly skilled, harmonious and industrious one.




### ENSURING EQUAL OPPORTUNITIES FOR ALL

As a company that views its workforce as family, we are mindful that we need to actively explore avenues to improve diversity in our workforce practices including gender, ethnicity and age diversity. Here at CMS, we do not accept sexual harassment and discrimination in the workplace. Discrimination based on race, colour, sex, sexual orientation, age, language, religion, political opinion, and national or social origin is simply not tolerated. Hiring and promotion is based on relevant and set criteria and legislation. This ensures the CMS Family remains a harmonious and safe one.

### TRAINING AND DEVELOPMENT INITIATIVES

To build up our human capital, we continue to roll out a host of training and development programmes throughout the year for employees at all levels. Initiatives such as our management trainee, talent development and succession planning programmes, are ensuring that we have a ready pool of qualified leaders to meet and sustain our business needs today and for the future.

# CORPORATE RESPONSIBILITY

### *In-House Training Capability*

The CMS In-House Training Capability (ITC) Programme that we introduced in 2012 serves to address the Group's internal training needs and build up our trainers' expertise in general and specific areas. Following the success of 2012 and 2013's ITC programmes, we conducted another 12 training sessions with 226 employees in 2014. All these sessions were rated as "exceeding expectations" by participants.

### *Group Training Initiatives*

As part of our efforts to nurture the skillsets of our people, we organise training sessions to meet their specific needs. In 2014, a total of 740 CMS employees underwent some 10,357 man-hours of external training, while a total of 1,126 employees underwent some 14,690.5 man-hours of in-house training.

### *Annual Management Retreat*

Our Annual Management Retreat serves as an opportune platform to share information on CMS' core businesses and strategic investments. At these sessions, the Group Managing Director, Group Chief Financial Officer as well as Senior Management and their teams from the respective CMS Business Divisions, present their reports.

The 2014 Annual Management Retreat, was attended by 100 participants comprising managers and executives across the CMS Group. This retreat was different in that participants were challenged to be actively involved in cognitive exercises including group discussions on ways to improve the Group's CR programme and resolve Koffee Talk issues. Attendees also took part in the DISC personality profiling exercise and a half-day training session titled, 'Influential Communication for Managers'.

### *Team Building*

Team building sessions at CMS accord teams the opportunity to strengthen their camaraderie and communication while leaders have a platform to motivate team members and guide them towards becoming high performance teams. These sessions aim to stretch employees, bring out their innate talent and demonstrate how the best possible results are produced when teams work together. The team-building programme helps employees to enhance their interpersonal and problem-solving skills, while promoting creativity and increasing productivity. In 2014, we organised sessions for the Construction & Road Maintenance Division and the Cement Division to address issues surrounding the operational transformation of their businesses.

### *Succession Planning*

To ensure the sustainable growth of the Group and put in a place a robust leadership pool to lead CMS forward, we continue to focus on succession planning activities. The CMS Succession Plan introduced in 2011, mandates that existing and emerging leaders as well as employees with high potential, are identified and nurtured. To date, 17 potential successors for various key positions within CMS have undergone extensive development and training. Between June and July 2014, these candidates underwent one-one-one review sessions with the Group Managing Director and are on track to achieve their succession goals.

### *Management Trainee Development*

On 1 April 2014, the 18 management trainees involved in the CMS Management Trainee Development Programme successfully completed their one year programme. By August, 11 of these trainees had been absorbed as full time employees within CMS.

In honour of the late Dato Sri Liang Kim Bang, a well respected member of the CMS Board of Directors, an Award of Excellence in his name was conferred on the best performing management trainee. Mr. Lau King Ung (now attached to CMS Premix Sdn Bhd in Sibu as a Production Engineer) received the inaugural award as he best exemplified the late Dato Sri Liang's management and leadership qualities.

## EMPLOYEE ENGAGEMENT AND COMMUNICATION

### *Work-Life Balance*

Here at CMS, we are committed to creating a holistic work culture. Our Work-Life Balance Programme aims to help our 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. In 2014, we rolled out four initiatives under the programme.

# CORPORATE RESPONSIBILITY

### CMS WORK-LIFE BALANCE ACTIVITIES

| | |
|---|---|
| 08 August | Health Talk on Diabetes |
| 09 October | Fruity Day |
| 13 November | What's in a Meal Day |
| 09 December | Health Talk on Healthy Diet for Malaysians |

***Safety Month Campaign***

One of our top priorities is to keep our people safe and healthy. To this end, we continue to implement stringent health, safety and environmental measures throughout our workplace. Our Safety Month Campaign serves as a platform to create awareness about the importance of safety and health among employees. Employees are asked to lend their earnest support to Management to help them identify workplace risks and implement the necessary safety and health measures.

For 2014's Safety Month Campaign, our second one since its introduction in 2013, we focused our efforts on enhancing the effectiveness of the Safety & Health Committee (SHC). The month-long campaign included activities such as training by our very own CMS Safety Officers and walkabouts by the SHC where safety audit-related simulations were conducted. To improve the safety culture throughout CMS, we continued to implement the key performance indicator (KPI) demerit points system for all executive-level and above employees. The demerit points serve as a gauge of the safety standards in place and the effectiveness of Management in carrying out certain safety actions.

***Friendly Games***

As we set out to build a great team of great people and strengthen employee pride in being part of the CMS family, we are leveraging on our Group-wide games platform to bring employees together. The CMS 2014 Friendly Games, which were held state-wide in Kuching, Sibu, Bintulu and Miri, proved to be excellent platforms for employees at every level of the organisation and from different divisions to interact while building up great esprit de corps. Opened up to various government and private sector organisations, the games also provided the opportunity for our employees to establish newfound relationships and forge stronger ties with their external counterparts. Over 20 government and private sector agencies took part in the 2014 Games that included activities such as football, badminton and bowling.

***Koffee Talk***

The brainchild of Group Human Resources, Koffee Talk sessions provide an avenue for non-executive staff to communicate and express their work-related issues and general concerns to our Group Managing Director and Human Resources representatives outside the confines of a formal setting and the presence of their management superiors. First held in 2007, the Koffee Talk sessions reached their fifth cycle in 2014. Some 376 non-executives from all divisions attended the sessions held in Kuching, Kota Samarahan, Sri Aman, Limbang, Miri, Bintulu and Sibu from June until September 2014. All key issues were documented with a view to resolving them in consultation with the Division Heads on a timely basis.

***Townhall Meetings***

Our annual Townhall Meetings are excellent opportunities for Management to engage with employees while cascading down information on the Group's direction and expectations. In 2014, our annual Townhall Meetings were held in Kuching, followed by Miri, Bintulu and Sibu. These sessions saw CMS employees being briefed on the Group's performance, key business developments and our strategic plans going forward.

***Compassionate Fund***

Our people are certainly the heart and soul of CMS and we do our part to look out for them and their families. The CMS Compassionate Fund helps us fulfil our obligations to our people by providing financial assistance to CMS employees in need. In the year in review, the Fund disbursed a total of RM38,426.08 in financial aid to needy employees across the Group.

## OUR COMMITMENT TO ENRICHING COMMUNITIES

We are proud and yet humbled that we have played a part in elevating and enriching the many communities in Sarawak through our CR endeavours these last 40 years. The passion of our people to lend a helping hand and make a tangible difference continues to strengthen with each new task that they undertake. In 2014, we bolstered our efforts to reach out to the community by implementing existing programmes and introducing new ones.

### EMPLOYEE VOLUNTEERISM AT CMS

Employee volunteerism has always been an area of strength within CMS and it continues to be displayed throughout the length and breadth of our organisation. Time and time again, our people have sought to make a real difference by carrying out initiatives that cut across racial and cultural boundaries to meet a broad range of humanitarian needs. Back in 2007, we launched the 'Doing Good' platform to improve the Group's contribution to the community through employee volunteerism. This has certainly done much to unleash the power of the human spirit, fuel individual passion, foster teamwork and strengthen the bonds between CMS and the communities where we do business.

# CORPORATE RESPONSIBILITY

Even as our employees continue to invest their time, money and effort to help others, the Group too is doing its bit to back their desire to volunteer in their local communities through recognising and empowering employees. As per their KPIs, all employees within CMS are required to undertake a minimum of three days of community work during the year which is then translated into the number of man-hours achieved. Since the onset of the 'Doing Good' initiative, 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 |
| 2014 | 49,190 | 2,283 |

In 2014, CMS employees throughout the Group volunteered 49,190 man-hours of their time to 'Doing Good' activities. This was a 11.66% increase over the previous year's 45,038 man-hours proving that CR continues to be strongly embedded within the hearts and minds of CMS employees. In addition, a total of RM99,255.00 cash was raised by employees through fundraising events in compared to RM73,725.00 in the preceding year. The funds raised included personal donations to various charitable organisations within Sarawak.

## CR IN THE COMMUNITY – 2014 HIGHLIGHTS

### *In Support of Charitable Organisations*

In 2014, the largest sum raised for a single event was RM33,955.00 for the Go Bald 6.0 event in aid of the Sarawak Children's Cancer Society. Fire victims of Rumah Ngumbang, Batang Ai in Sri Aman received RM16,498.30 through CMS' collaboration with Hope Place Kuching, an NGO set up to help the needy and underprivileged in Kuching and the surrounding areas. CMS volunteers also participated in the various annual sale-of-work events to help raise funds for organisations such as the PERKATA Special School, Kuching Autistic Association and Sarawak Cheshire Home, to name a few.

### *Rebuilding and Cleaning-Up Communities*

Through CMS' collaboration with Habitat for Humanity, CMS volunteers participated in six home-builds in 2014, including Habitat's Borneo Blitz Build project. Our people together with international volunteers from Singapore, Australia, New Zealand, the United Kingdom and USA helped build 14 houses within a week. CMS also sponsored building materials worth RM200,000.00 for this project. Other major rebuilding projects involved schools, children's homes, homes for the elderly and places of worship, among others.

### *Health Awareness Initiatives*

In 2014, employees who sought to uphold a better work-life balance through active participation in running events, reaped the benefits of a healthier lifestyle. Running events such as the Colour Rush Run, Road Share Run, Rat Race Run, The Spring's Live Active Run, Charity Night Run, Kuching Marathon, The Animazing Race, Monster Dash, MRCS Charity Jog-a-thon, Maju Sarawak Run (Bintulu), and Energizer Night Race (KL), all saw good participation by CMS employees.

On 27 September 2014, we held the CMS Charity Run (called the CMS Health Run in 2013) from which RM16,498.30 in entry fees were collected and donated to Hope Place Kuching. The 2014 Run was held in the towns of Kuching, Betong, Sibu, Bintulu and Miri with some 1,398 participants in total turning out for these events.

### *Saving Lives through Blood Donation Drives*

Our conscientious employees participate in blood donation drives regularly, whether they are organised internally or by external agencies or hospitals. In 2014, five blood donation drives were organised internally.

# CORPORATE RESPONSIBILITY

***Other Major Sustainable CR Activities 2014***

The following lists out the major CR initiatives that our employees participated in in 2014:

| DATE | COMPANY | CSR PROJECT | AREA |
|---|---|---|---|
| 15.02.2014 | CMS Roads (RMU Tapah) | Rebuilding works at Surau Darul Ibadah, Kg. Gayu, Borneo Highland | Padawan |
| 21.02.2014 | CMS Clinker | Recycling campaign at CMS Clinker plant | Kuching |
| 01.03.2014 | CMS Roads (RMU Bau) | Drain-clearing/cleaning at Kg. Lidah Tanah Baru | Bau |
| 08.03.2014 | PPES Works | Building a recycle storage area for SMK St. Thomas | Kuching |
| 15.03.2014 | CMS Roads (RMU Serian) | General cleaning at Kg. Kakeng | Serian |
| 15.03.2014 | CMS Roads (RMU Kuching) | General cleaning at Home of Peace, Landeh | Padawan |
| 22.03.2014 | CMS Cement, Kuching | Dismantling of SMK Pending School's old fences | Kuching |
| 05.04.2014 | CMS Roads (RMU Tapah) & CMS Quarries | Resurfacing the road at The Epiphany Chapel | Siburan |
| 06.04.2014 | CMS Premix, (Miri) | Filling ground with quarry waste at Rh. Lanting, Ulu Sg. Arip | Miri |
| 09.04.2014 | CMS Roads (RMU Niah) | Excavation and gravel filling at Surau Darul Makmur, Tanjung Belipat | Niah |
| 06.04.2014 | CMS Roads (RMU Bau) | Gravel-filling at the parking lot of St. Maria Church, Kg. Bumbok, | Padawan |
| 13.04.2014<br>20.04.2014 | CMS Pavement Tech, Miri | Gravel-filling at SIB Church Pekan Trusan Briwan Road. | Lawas |
| 19.04.2014 | PPES Works | Rebuilding works at Gereja St. Joseph, Seroban | Serian |
| 23.04.2014 | CMS Cement, Kuching | Recycling campaign No. 2 at CMS Cement plant | Kuching |
| 04.05.2014 | CMS Group, CMS Infra Trading, CMS Agrotech & CMS Pavement Tech | PERKATA Open Day Sales | Kuching |
| 17.05.2014 | CMS Roads (RMU Sarikei) | Painting works at Surau Darul Saadah, Taman Susur Jambu Indah | Sarikei |
| 17.05.2014 | CMS Roads (RMU Bau) | Leveling of the football field at SK Pueh | Lundu |
| 17.05.2014 | CMS Roads (RMU Sri Aman) | Resurfacing access road to the school and excavating the school field; colouring contest for SK Selepong students | Sri Aman |
| 23.05.2014 | CMS Clinker | Recycling campaign at CMS Clinker plant | Kuching |
| 24.05.2014 | CMS Groupwide | CMS blood donation drive at Wisma Mahmud | Kuching |
| 24.05.2014 | PPES Works | Cleaning of the river and Sibosang's village water catchment area at Kg. Singai Daun | Bau |
| 14.06.2014 | CMS Roads (RMU Serian) | Resurfacing of road and rebuilding works at St. Mark's Chapel | Serian |
| 21.06.2014 | CMS Cement, Bintulu | Cleaning at Surau Darul Yakin, Kg. Kuala Segan | Bintulu |
| 21.06.2014 | CMS Roads (RMU Betong) | Resurfacing of carpark at St. Augustine Church | Betong |
| 28.06.2014 | CMS PPES Works | General cleaning at PDK Kg. Atas Singai | Bau |
| 14.07.2014 | CMS Groupwide | Built homes for the needy home owners at Habitat Borneo Blitz Build | Kuching |
| 10.08.2014<br>17.08.2014 | CMS Works | General cleaning and painting of the road beams at Pusat Pemulihan Kota Samarahan | Kota Samarahan |
| 31.08.2014 | CMS Premix, Sibu | Tree planting | Sibu |
| 06.09.2014 | CMS Pavement Tech | Gravel-filling at St. Chapel Church | Sri Aman |
| 13.09.2014<br>20.09.2014 | CMS Works | Concreting floor slab work and road resurfacing at SMK Datuk Patinggi Haji Abdul Gapor, Stampin | Kuching |
| 22.09.2014 | CMS Roads (CMS Roads) | Earth leveling works and general cleaning at Masjid Kg. Hijrah | Simunjan |
| 27.09.2014 | CMS Groupwide | Charity Run to raise funds for Hope Place Kuching | State-wide |
| 11.10.2014 | PPES Works | Road-marking at St. Mathew Church, Kg. Sibuluh | Bau |
| 18.10.2014 | CMS Cement, Kuching | Rebuilding works at Kg. Sg. Lumut, Buntal | Kuching |
| 18.10.2014 | PPES Works (FRM Samarahan) | General cleaning at SK St. Patrick Tangga | Serian |
| 18.10.2014 | CMS Roads (RMU Saratok) | Debris collection at Tg. Kembang Beach Kabong | Betong |
| 08.11.2014 | CMS Roads | General cleaning at Kg. Seroban | Serian |
| 16.11.2014 | CMS Roads | Road improvements to SK Sg. Sentebu's School Canteen | Sarikei |
| 30.11.2014 | CMS Roads (RMU Mukah) | Repainting of school building and hostel of SK Dua Sungai | Mukah |
| 14.12.2014 | CMS Premix, Miri | Gotong royong at Rh. Sait KM21 Bintulu-Tatau Rd. | Bintulu |
| 20.12.2014 | Construction Material Division | Gravel-filling at St. Bonaventure Church Kg. Mundai | Padawan |
| 20.12.2014 | CMS Roads | Resurfacing carpark of St. Francis Xavier Church, Seratau | Siburan |

# CORPORATE RESPONSIBILITY

### *How we spent our time 'Doing Good' in 2014*

| Breakdown of CR Initiatives | % |
|---|---|
| Health Awareness Events | 53 |
| Re-building Communities | 30 |
| Sustaining Charitable Organisations | 5 |
| Saving Lives | 6 |
| Community Clean-ups | 6 |

### *Sustainability of CR Projects*

Our CR efforts encompass a variety of projects that have specific tenures or which are sustainable for specific periods. The breakdown of projects covering periods below one year, between one to three years, and above three years is depicted below. The year saw an increase in the number of sustainable projects for the three years and above period. This shows the commitment by CMS employees to volunteer for long-term projects which are more sustainable.

| Sustainability Period | 2013 | 2014 |
|---|---|---|
| Under 1 year | 46% | 40% |
| 1-3 years | 23% | 23% |
| More than 3 years | 31% | 36% |

### *Corporate Responsibility Survey*

Following an internal CR survey on 'How to Improve our CR' carried out in October 2014, the CR man-hours guidelines were revised to diversify employees' 'Doing Good' initiatives. The new guidelines took effect on 1 January 2015 and apply to CMS employees throughout the Group.

### *Corporate Sponsorship and Donations*

In 2014, the CMS Group contributed a total of RM901,594.00 to charitable and sports events within Sarawak. These funds were targeted at activities that were significant either to the receiving charity or which helped strengthen CMS' image in the community.

## OUR COMMITMENT TO ENVIRONMENT-FRIENDLY PRACTICES

As a conscientious corporate citizen, we remain committed to preserving the environment by implementing 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

### *CEMENT DIVISION*

*CMS Cement Sdn Bhd*

CMS Cement continues to implement 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). This enables the company to determine its compliance with the Recommended Environmental Quality (Clean Air) Regulations, 1978. In 2014, CMS Cement's dust particulate emission standard was 0.10 g/Nm³.

The company also continues to undertake Total Suspended Particulate (TSP) and PM10 Ambient Air Monitoring readings at two locations outside the plant. The TSP Ambient Air Monitoring involves measuring 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 $\mu g/m^3$. On the other hand, 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 $\mu g/m^3$. As per 2013, the year in review saw all the monitored results falling within the regulatory standard limit for Portland Cement imposed by the Department of the Environment (DOE).

In 2014, CMS Cement's employees took part in its Waste Recycling Campaign with some 11,411 kg (2013: 10,643 kg) of recycling items collected for the local council, a 7% increase over 2013's results. CMS Cement also reduced its use of jumbo bags by about 5% (from 39,406 pieces to 37,495 pieces). Today, several of CMS Cement's plants continue to successfully maintain their ISO 14001 (Environment) accreditation, which demonstrates their commitment to embedding sustainability throughout their value chain.

# CORPORATE RESPONSIBILITY

*CMS Clinker Sdn Bhd*

In 2014, CMS Clinker's emissions results and noise levels fell within regulatory standards. Its 2014 achievements include the following:

- Waste Gas Stack dust emission of 52 mg/Nm$^3$ against the 100 mg/Nm$^3$; using Standard C as stipulated under Environmental Quality (Clean Air) Regulations 1978;
- Cooler Stack dust emission of 46.7 mg/Nm$^3$ against the 100 mg/Nm$^3$; using Standard C as stipulated under Environmental Quality (Clean Air) Regulations 1978;
- Coal Mill Stack dust emission of 31.3 mg/Nm$^3$ against the 100 mg/Nm$^3$; using Standard C as stipulated under Environmental Quality (Clean Air) Regulations 1978;
- Day time boundary noise levels measured at all sites were below the DOE recommended guidelines of 70 dB(A), while all night time boundary noise levels measured were also below the DOE recommended guidelines of 60 dB(A);
- Ambient air quality monitoring results of Total Suspended Particulates, Particulate Matter less than 10 micron, Acid Rain as well as SOX and NOX were lower than the DOE guidelines limit and in compliance with the Recommended Malaysian Ambient Air Quality Guidelines;
- Biochemical Oxygen Demand and Suspended Solids analysed for the wastewater discharge from the drain septic tanks were within the limit specified under Standard B as per the Environmental Quality (Sewage) Regulations 2009; and
- The river water quality monitoring results were within the Class IIB parameters of the National Water Quality Standards (NWQS).

The upgraded CMS Clinker plant is currently at its full operational stage; and the optimisation and reliability programmes that are underway are constantly being reviewed. Today, the plant is running in a more efficient manner with 100% low calorific value (CV) coal from local mines (as compared to high CV imported coal) which is helping lower its operational cost. Other operational excellence benchmarking such as excellent clinker quality production, optimum plant throughput and a reduced carbon footprint, are some other advantages that we are realising following the upgrading project. The focus on utilising alternative fuels and alternative raw materials at the plant are coming into play in a more intense manner following the completion of a storage shed in the fourth quarter of 2014. Discussions with the DOE and potential suppliers regarding the sludge/slag and shredded tyres utilisation in the plant have already begun.

## CONSTRUCTION MATERIALS & TRADING DIVISION

*CMS Quarries Sdn Bhd*

CMS Quarries is committed to implementing best practises in environmental preservation and protection throughout its operations. All CMS Quarries' worksites at Stabar, Bukit Akud, Penkuari, Sebuyau and Gunung Sibanyis constantly maintain their compliance standards and immediately address any new conditions that are imposed by the Natural Resource Environment Board (NREB). This includes compliances in relation to approvals concerning vibrations, airborne dust, water quality as well as general noise levels. An appointed NREB-registered consultant continues to prepare an Environmental Monitoring Report on all our quarry sites on a quarterly basis.

In 2014, CMS Quarries successfully maintained its ISO 14001 (Environment) accreditation, which reflects its readiness and commitment to embracing sustainability throughout its business value chain.

*CMS Premix Sdn Bhd*

Environmental stewardship continues to be a priority at CMS Premix and is an essential component of its business practices. In 2014, CMS Premix's operations continued to be fully committed and compliant with the requirements of the Environment Clean Air Quality Regulations 1978 that focus on reducing smoke emission from stacks and dust emission.

Monitoring activities continue to be undertaken by an appointed DOE-registered consultant on a quarterly basis at all our premix sites. The management and staff of CMS Premix are steadfastly committed to ensuring that all environmental issues are well managed and that the environment they operate in is preserved for our future generation. In 2014, CMS Premix in Kuching successfully maintained its ISO 14001 (Environment) accreditation which it received in 2013.

## PROPERTY DEVELOPMENT DIVISION

The Property Development Division is continually seeking to incorporate green features in the construction of its buildings where possible and to mitigate the impact of its development projects on the environment. It views landscaping and the planting of trees as important elements and has plans to incorporate lush landscaping featuring some 300 trees of local genus at the Rivervale residential development and another 850 trees at the upcoming phases of the Bandar Samariang development. Meanwhile, the residential components under planning at The Isthmus will include 360 trees while 250 trees would be introduced at the high-end Lane Park development.

# CORPORATE RESPONSIBILITY

The Division is currently undertaking the construction of the Green Building Index (GBI) certified Land Custody Development Authority and Sarawak Economic Development Corporation headquarter buildings at The Isthmus. Located 5km from the Kuching Central Business District (CBD), The Isthmus project is the new green extension of the Kuching CBD. Comprising 247 acres of prime waterfront land, all developments at The Isthmus incorporate green strategies and provide for people friendly amenities. The central core of The Isthmus, called The Hub, incorporates green features such as a green park with pedestrianised connectors.

### *SAMALAJU DEVELOPMENT DIVISION*

Samalaju Properties Sdn Bhd continues to uphold the Group's vision of creating a renewable and sustainable future through its practice of good environmental stewardship in all the planning and development activities underway at the various projects within the Industrial Park. As part of a larger sustainable development drive, and in a conscious effort to preserve and promote biodiversity in the area, Samalaju Properties is planning to plant 5,000 trees across its Hotel, Eco Park, and Central developments over the next two years. The selection of trees will focus mainly on local species carefully selected in consultation with local experts and botanists, to ensure that the biodiversity in and around the Samalaju Industrial Park preserved despite the rapid ongoing development.

## OUR COMMITMENT TO RESPONSIBLE MARKETPLACE PRACTICES

CMS is steadfastly committed to upholding responsible and fair marketplace practices and to ensuring transparency in all our dealings. By ensuring open and proactive communications in all areas of our business, we are helping build stakeholder confidence, strengthening our reputation and protecting shareholder value.

### RECOGNISED FOR OUR ROBUST PERFORMANCE

CMS continues to make Sarawak proud and create good value for its shareholders. In 2014, we garnered critical acclaim for our solid business management and continued growth when we picked up The EDGE Billion Ringgit Club (EDGE BRC) award for the 'Best Performing Stock – Industrial Products Sector' and a Silver Award for 'Highest Profit Growth Company 2014 – Industrial Products Sector.' This achievement follows our success in 2013 when we received

the accolade 'Highest Profit Growth Company 2013 – Industrial Products Sector'. Going forward, we are committed to building upon our achievements.

### TIMELY UPDATES

Via the Investor Relations section of our website (www.cmsb.com.my), we continue to provide investors with timely and relevant information. Shareholders and other interested parties can readily access our financial statements and announcements to Bursa Malaysia as well as track the daily movements of our share price. CMS' 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 PRACTICES

As a responsible public-listed entity, we are deeply committed to upholding the highest standards of corporate governance. We pride ourselves on our compliance with the stringent 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 encompass 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 CMS' 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 any concerns they may have. To this end, we conduct regular customer satisfaction surveys to gain insights into customer satisfaction levels and to ensure continuous improvements are made.

## MOVING FORWARD

CMS has come a long way these last 40 years and steadfastly built up its reputation as a company that is committed to meaningful CR activities. CR has evolved to be a way of life at CMS and is deeply embedded within our people. Even as we have endeavoured to deliver true and sustainable value as well as to establish enduring ties with our many stakeholders, we remain committed to advancing our CR activities to greater heights.

As CMS ventures forth into new areas of opportunity, we remain committed to conducting our business in a responsible manner by nurturing our people, enriching communities, upholding good environmental performance and undertaking good marketplace practices.

We believe that as we work hard to implement our existing CR programmes and roll out new ones, we will meet our objectives of achieving long-term, sustainable growth and 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 continues to make a concerted effort in 2014 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.

### 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 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 unit 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 Session in October each year. The final consolidated GMP is then tabled to the Board in the November session for approval.

  For 2014, the Board strategic planning exercise was held in September. The Board subsequently approved the Group's Management Plan 2015 – 2017 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 in the Key Performance Indicators of Senior Management which are cascaded 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 2014, the Board implemented its Enterprise Risk Management framework on a Group-wide basis 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.

# STATEMENT ON CORPORATE GOVERNANCE

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.

**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 2014, an independent external consultant was engaged to conduct an assessment of the Board Effectiveness Evaluation for the Board.

## 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")], two (2) Independent Non-Executive Directors and two (2) remaining Non-Independent Non-Executive Directors. 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 three (3) 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, ethnicity and age diversity. The Board is committed to ensure its succession planning is done in a smooth manner to ensure continuity and stability of the Board.

# STATEMENT ON CORPORATE GOVERNANCE

The profiles of the Board members are presented on pages 42 to 49 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 three (3) Independent Non-Executive Directors for 2014. 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.

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 2014, General (Retired) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj Zainuddin was re-designated as a Non-Independent Non-Executive Director.

5. **Shareholders' Approval for Re-appointment of Independent Non-Executive Directors 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 Datuk 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 AC. The NRC and Board have determined that Datuk 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 40th AGM.

   The NRC has also assessed the independence of YAM Tan Sri Dato' Seri Syed Anwar Jamalullail who shall reach a tenure of nine (9) years on 9 May 2015 and recommended to the Board to retain him as an Independent Non-Executive Director of the Company and to continue to act as Independent Chairman of the Board in view that he continues to provide strong leadership for the Board. 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 NRC and Board have therefore recommend the proposal to re-elect him as a Director of the Company in accordance with Article 110 of the Company's Articles of Association and to retain him to act as an independent director of the Company. In line with Recommendation 3.3 of the Code, a proposal is being submitted to shareholders for their approval at the forthcoming 40th 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.

   In 2014 the Board approved the NRC's recommendation to carry out the BEE once every two (2) years instead of annually. The Board also engaged an independent external consultant to carry out the BEE for the year 2014. The outcome of the BEE assessment was presented to the NRC in January 2015 and subsequently to the Board in February 2015. The NRC and Board were satisfied with the rating accorded for 2014 which was satisfactory and noted the key strengths as well as key improvement areas raised by the said consultant. The NRC and Board were 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.

Directors' fees and meeting attendance allowance are in line with market practice based on a benchmarking analysis of the review of the Directors' fees against selected listed peer companies in Malaysia which was carried out by an independent external consultant engaged by the Board in 2013. Directors' fees for the financial year ended 31 December 2014 will be tabled for shareholders' approval at the forthcoming 40th AGM. The fee payable to Directors is as follows:

- RM85,000 per annum for Non-Executive Directors
- RM127,500 per annum for the Non-Executive Chairman and Non-Executive Deputy Chairman at a factor of 1.5 times of the fees for the Non-Executive Directors

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 2014 in line with the disclosure requirements under the MMLR is as follows:

| Remuneration Band (RM) | Number of Directors | |
|---|---|---|
| | Executive | Non-Executive |
| 10,001 – 50,000 | - | 1 |
| 100,001 – 150,000 | - | 2 |
| 150,001 – 200,000 | - | 1 |
| 200,001 – 250,000 | - | 1 |
| 700,001 – 750,000 | - | 1 |
| 800,001 – 850,000 | - | 1 |
| 2,200,001 – 2,250,000 | 1 | - |
| 4,100,001 – 4,150,000 | 1 | - |

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

# STATEMENT ON CORPORATE GOVERNANCE

The Directors' aggregate remuneration for the financial year 2014 is as follows:

| Remuneration (RM'000) | Executive | Non-Executive | Total |
|---|---|---|---|
| Salaries & other emoluments | 5,573 | 1,362 | 6,935 |
| Defined contribution plans | 679 | 130 | 809 |
| Fees | - | 763 | 763 |
| Share option granted under ESOS | 120 | - | 120 |
| Estimated money value of benefits-in-kind | 731 | 488 | 1,219 |
| Total | 7,103 | 2,743 | 9,846 |

## 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 2014 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 | 4/4 (Chairman) | 100 | - | - | 1/1 (Chairman) | 100 |
| Dato Sri Mahmud Abu Bekir Taib | 4/5 (Deputy Chairman) | 80 | - | - | 4/4 | 100 | - | - | 0/1 | 0 |
| Datuk Syed Ahmad Alwee Alsree | 5/5 | 100 | - | - | - | - | 4/4 (Chairman) | 100 | - | - |
| Dato' Richard Curtis | 5/5 | 100 | - | - | - | - | 4/4 | 100 | - | - |
| General (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj Zainuddin | 5/5 | 100 | - | - | 3/3^ | 100 | - | - | 1/1 | 100 |
| Datuk Wan Ali Tuanku Yubi * | 0/1 | 0 | - | - | - | - | 0/1 | 0 | 0/1 | 0 |
| Datu Michael Ting Kuok Ngie @ Ting Kok Ngie | 5/5 | 100 | - | - | 3/3^ | 100 | - | - | 1/1 | 100 |
| Datu Hubert Thian Chong Hui | 5/5 | 100 | 5/5 | 100 | 4/4 | 100 | 3/3# | 100 | 0/0@ | 0 |
| Datuk Kevin How Kow | 5/5 | 100 | 5/5 (Chairman) | 100 | - | - | 4/4 | 100 | - | - |

* Resigned on 28 February 2014
# Appointed on 17 March 2014
@ Appointed on 27 August 2014
^ Stepped down on 27 August 2014

# STATEMENT ON CORPORATE GOVERNANCE

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.

Directors also attend site and/or plant visits from time to time which are arranged with the respective Senior Management in the Group. In 2014, members of the Board visited the Cement Plant in Kuching, new Cement Plant being constructed in Mambong 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.

The Board, via the NRC, has undertaken an assessment of the training needs of each director during the year. All the Directors have attended training in 2014 which include the following training programmes, conferences and/or seminars:

| Training focus | Training programmes and conferences/seminars |
|---|---|
| **Corporate Governance** | • 6th Annual Corporate Governance Summit – "Above and Beyond the Call of Duty"<br>• Nominating Committee Programme 2: Effective Board Evaluation<br>• Annual Asean Corporate Governance Summit 2014 -"Governance and Regulatory Update"<br>• Latest Bursa/SC Requirements, Code of Corporate Governance and Related Party Transaction / Insider Trading<br>• New Age Roles of Company Secretary<br>• Annual Directors Duties, Governance and Regulatory Updates Seminar 2014<br>• Talk on Corporate Governance:<br>(a) Anti-Money Laundering and Anti -Terrorism Financing Act 2001;<br>(b) From Compliance to performance - Using risk management as a catalyst for performance;<br>(c) Best Practices in ensuring Boardroom effectiveness & accountability - Getting it right for high performance;<br>(d) Amendments to Companies Bill;<br>(e) GST Implications to Non-Executive Directors;<br>(f) Recovery & Resolution Planning;<br>(g) Cyber criminals in the Financial Services Sector |
| **Financial/Audit** | • MIA International Accountants Conference 2014: Powering the Economy, Leading with Dynamism<br>• The Institute of Internal Auditors 2014 International Conference<br>• 2015 Budget Seminar & Getting Ready for GST |
| **Management** | • MINDA – Corporate Directors Advanced Programme : Human Capital |
| **Investor Relations** | • International Manganese Institute 40th Annual Conference: The Last Frontier for Economic Development |

# 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.

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

1. **Group AC**

   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 77 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**<br>- Chairman of NRC (Independent, Non-Executive) |
| **Dato Sri Mahmud Abu Bekir Taib**<br>(Non-Independent, Non-Executive) |
| **Datu Hubert Thian Chong Hui**<br>(Independent, Non-Executive) |
| **General (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj Zainuddin***<br>(Non-Independent, Non-Executive) |
| **Datu Michael Ting Kuok Ngie***<br>(Non-Independent, Non-Executive) |
| **Datuk Wan Ali Tuanku Yubi**[@]<br>(Non-Independent, Non-Executive) |

@ Resigned as Director on 28 February 2014
* Stepped down on 27 August 2014

In line with Paragraph 15.08A of the MMLR, the membership of NRC continues to be reviewed and refreshed in 2014 to comprise exclusively of Non-Executive Directors and 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 2014 NRC held four (4) meetings. The attendance of NRC members is presented on page 66 of this Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE

The main activities of the NRC carried out and/or fulfilled in 2014 are summarised as follows:

- Nominating Function
  - Re-election, re-appointment of Directors and retention of Independent Non-Executive Director at the 39th 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 Board Committees and Senior Management Succession Planning
- Remuneration Function
  - Review of Directors' remuneration
  - 2013 and 2014 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 the Group Human Resources Policies and Procedures Manual
- Others
  - Approval of NRC work plan for 2014

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 2014, 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 if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum number of one (1), shall retire from office at each 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 39th AGM held on 15 May 2014, two (2) Directors who retired by rotation under Article 110 of the Company's Articles of Association were re-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.

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 or 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.

At the 39th AGM held on 15 May 2014, YBhg Datu Michael Ting Kuok Ngie ("Datu Ting") who retired under Section 129(6) of the Companies Act, 1965 was re-appointed by the shareholders. Datu Ting shall retire at the forthcoming 40th AGM pursuant to Section 129(2) of the Companies Act, 1965 but shall not seek re-appointment.

# 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**<br>- Chairman of GRC (Executive) |
| **Dato' Richard Curtis**<br>(Executive) |
| **Datuk Kevin How Kow**<br>(Independent, Non-Executive) |
| **Datu Hubert Thian Chong Hui#**<br>(Independent, Non-Executive) |
| **Datuk Wan Ali Tuanku Yubi***<br>(Non-Independent, Non-Executive) |

* Resigned as Director on 28 February 2014
\# Appointed on 17 March 2014

The GRC meets at least once every quarter. In 2014 GRC held four (4) meetings. The attendance of GRC members is presented on page 66 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**<br>- Chairman of ESOS Committee (Independent, Non-Executive) |
| **Dato Sri Mahmud Abu Bekir Taib**<br>(Non-Independent, Non-Executive) |
| **General (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj Zainuddin**<br>(Non-Independent, Non-Executive) |
| **Datu Michael Ting Kuok Ngie**<br>(Non-Independent, Non-Executive) |
| **Datu Hubert Thian Chong Hui#**<br>(Independent, Non-Executive) |
| **Datuk Wan Ali Tuanku Yubi ***<br>(Non-Independent, Non-Executive) |

* Resigned as Director on 28 February 2014
\# Appointed on 27 August 2014

The membership of the ESOS Committee was also refreshed in August to comprise exclusively of Non-Executive Directors and one-third (1/3) of its members being independent. The authority and responsibilities of the ESOS Committee are spelt out in its TOR which is reviewed periodically.

# STATEMENT ON CORPORATE GOVERNANCE

The ESOS Committee meets at least once a year. Aside from the one (1) meeting which was held in 2014, a total of twenty five (25) 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 66 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 Control and Risk Management

The Board has the overall responsibility for maintaining a system of internal control 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 control within the Group is outlined on pages 78 to 82 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 the Notes to the Financial Statements on page 180 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.

## 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 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.

# STATEMENT ON CORPORATE GOVERNANCE

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 2015, the Group AC assessed the independence of Messrs. Ernst & Young ("EY") as external auditors of the Company for 2014. Overall, the Group AC was satisfied with EY's objectivity, independence and performance for 2014 and recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming 40th AGM.

The details of the statutory audit, audit-related and non-audit fees approved in 2014 to the external auditors are set out below:

| | RM'000 |
|---|---|
| Fees paid/payable to EY and its affiliates | |
| • Audit services | 717 |
| • Non-audit services including tax services | 912 |
| **Total** | **1,629** |

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 77 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.

5. **AGM**

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 39th AGM of the Company was held on 15 May 2014 at the Borneo Convention Centre, Kuching. The Notice of Meeting attached to the Annual Report was distributed to the shareholders. The 39th 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 2013 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 2013. Suggestions which were received from the shareholders at the Company's AGM are considered for implementation, where appropriate.

The Notice of Meeting for the 40th AGM details 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 2014, 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 www.bursamalaysia.com and the Company's website at 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 2014, the Company has fully applied the broad Principles set out in the Code.

**This Statement is made in accordance with the Board of Directors' approval on 13 March 2015.**

# 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 2014.

**Composition**

The Group Audit Committee comprises the following Board members:

Datuk 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
(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 (5) members and not fewer than three (3) 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 of 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.

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.

# GROUP AUDIT COMMITTEE REPORT

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;

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.

# GROUP AUDIT COMMITTEE REPORT

## 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.

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.

# GROUP AUDIT COMMITTEE REPORT

**Meetings in 2014**

During the year ended 31 December 2014, the Committee held five (5) meetings which were attended by the members as follows:

| Name of Director | Total Meetings Attended |
|---|---|
| Datuk Kevin How Kow | 5/5 (100%) |
| YAM Tan Sri Dato' Seri Syed Anwar Jamalullail | 5/5 (100%) |
| Datu Hubert Thian Chong Hui | 5/5 (100%) |

The Committee held two (2) meetings with the external auditors on 17 March 2014 and 25 November 2014 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 2014**

The Committee carried out its duties in accordance with its term of reference during the financial year and up to end March 2015. 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;
- 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;
- Reviewed the recommendation to the board on final dividend for the year ended 31 December 2014;
- 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;
- 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; and
- Reviewed the Audit Committee's and Internal Audit's Terms of References.

# GROUP AUDIT COMMITTEE REPORT

**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 2014 have been verified by Group Internal Audit. The Group Audit Committee having reviewed the Internal Audit Report thereon is satisfied that these options have been allocated in compliance with the by-laws of the Company's ESOS.

**Internal Audit Function**

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

The Group Internal Audit Department is staffed by a team of eight (8) and the cost of maintaining the function in 2014 amounted to RM1,426,194 (2013: RM1,324,252).

**This Statement is made in accordance with the Board of Directors' approval on 13 March 2015.**

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

**Background**

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 Directors 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 and the importance of sound risk management practices and internal control, and for reviewing the adequacy and integrity of those systems. 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.

Summarised below is a description of the key elements of the Group's Risk Management and Internal Control System.

1. **Risk Management Framework & Policy**

   The Group's risk management framework is constantly monitored and reviewed to ensure that risks and control are updated to reflect the current situation and ensure its relevancy. The Management takes serious view and actions in ensuring that the Group is always alert to the changing business environment and any situation that might affect the Group's assets, income and reputation.

   The Group's policy is to create a consistent consideration between risks and rewards in the business planning, execution and daily operations in achievement of the Group's goals.

   The main underlying principles of the risk policy are:

   - Informed risk management is an essential element of a corporate strategy.
   - Effective risk management provides greater assurance that the Group's strategy and business objectives will be achieved without major surprises.
   - Each Business 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 on timely basis.

2. **Risk Management Structure**

   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 Headquarters and the Business Divisions ("Division") / Board level decision making process.

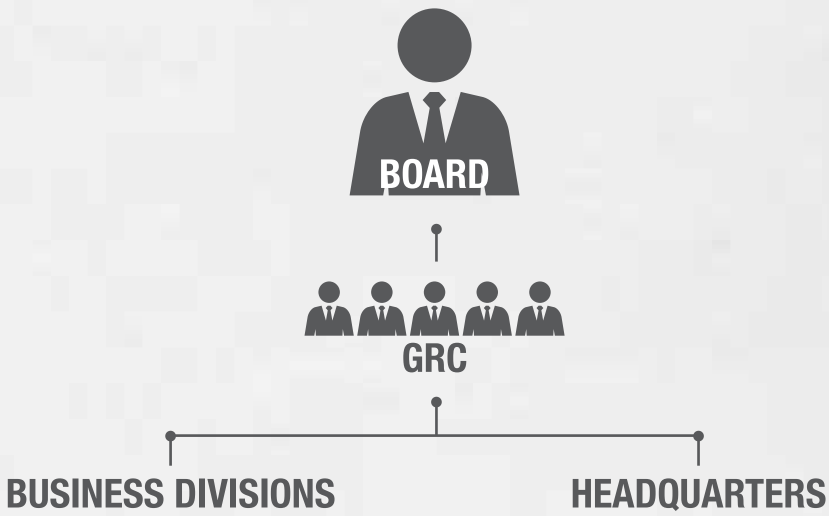
   A Group Risk Committee ("GRC") was established by the Board's resolution passed on 27 March 2009 and in accordance with Articles of the Association, and is guided by the Terms of Reference. The GRC comprises four (4) members, namely the Group Executive Director, Group Managing Director and any two (2)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

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

Our risk management structure encompasses the whole organisation.




**3. Risk Management Process**

The Group's risk management process is a systematic procedure and practice which consists of risk identification, analysis, treatment, monitoring and reporting as depicted in the diagram below:

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CMSB Group's Risk Management process can generally be summarised as follows:

**a) Identification**

Risks are defined as any event which may have an impact upon its business objectives.

On a quarterly basis, the respective risk owners will review and update their risk profile during their management meeting. The risk owners will also use the platform to review the control and management actions for each of the identified risks.

Notwithstanding the quarterly risk reporting framework, as and when necessary each risk owners shall report any material risks that may or have arisen on timely basis.

**b) Analysis**

Risk is measured in terms of probability and impact depending on the likelihood of occurrence and relative significance of the impact. The Group adopts a 5 x 5 matrix in measuring the risks, and hence responds appropriately to mitigate / protect the Group from loss, uncertainty and loss of business opportunities.

**c) Treatment**

For any "High" and "Significant" risks identified, appropriate control and management action plans are to be developed to manage the risks to an acceptable level. This is done through internal discussion and consultation with the respective risk owners.

**d) Monitoring**

Risk coordinators have been appointed in the respective Divisions to coordinate the risk review process. The risk coordinators and owners will continuously monitor the internal and external environment for potential changes to risks and ensure that risk responses continue to operate effectively.

In addition, the monthly operations performance reviews forum which focuses on monitoring the achievement of financial objectives and other key performance indicators is also being used as an effective platform to identify and deliberate on risks and risk management issues. This has further enhanced the Group's risk management and monitoring process.

**e) Reporting**

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

**4. Key Risk Management Activities**

**a) Establishment of Project Risk Management**

As part of the Group's commitment to be a more vigilant organisation, the management has embarked on the initiative to establish a project risk management framework to manage the Group's project risks. A Project Risk Scorecard ("PRS") system has been developed and approved by the GRC in 2014 which is to be used for all future strategic investment as well as certain "high threshold" contracts in the ordinary course of business undertaken by CMSB Group of Companies.

Under this PRS system, the relevant project owners/managers are required to identify the project risks to evaluate the feasibility of the project and present them to the GRC and/or their respective Boards before the project is formally approved. Subsequently, the project manager will need to monitor the risks and provide periodic updates from time to time.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

b) **Commencement of Risk Management Automation**

By leveraging on the current technology advancement, the Group has engaged an external consultant to conduct a review on the current risk management system and to assist in enhancing the current system; one of which is to introduce an electronic-based risk management framework, with the aim to enhance the efficiency of the risk management process. This system provides an online platform for top management and users to review, update and monitor the risks at all times.

The system has been successfully implemented at the Headquarters and two (2) of the major Divisions in 2014, and will be gradually rolled out to other Divisions going forward.

c) **New Bottom-up Risk Management**

As part of the aim to make risk management relevant at all levels across the Group, the process of expanding the reporting framework such that risks reporting and risk management will not be confined to only the management level but to cascade it down to all executive and non-executive levels to further ensure and enhance the adequacy of our risk management framework, especially in relation to the operational risks related matters.

In view of the above, the GRC has in the fourth quarter of 2014 approved a new bottom-up risk management approach to expand risk management framework to the executives and non-executives.

This new framework is currently in place at a selected Division and the current plan is to roll out to all Divisions in due course.

5. **Business Continuity Management**

Business continuity management is regarded as an integral part of the Group's risk management process. In this regard, the Group has formulated a business continuity plan to minimise potential disruptions to business and operations due to business supply chain disruption, inaccessible to the workplace, unavailability of key personnel and failure of critical systems and applications.

The business continuity plan documents the strategies and/or actions to be undertaken during a crisis so that all Divisions are able to resume their critical business functions within a critical timeframe to fulfil their statutory and regulatory requirements.

In order to ensure that these plans are continuously relevant, these plans are reviewed and updated periodically.

6. **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 the responsibility to review and endorse all high value purchases in the Group.
- A detailed strategic planning and budgeting process where operating units prepare business plans and detailed capital and operating budgets for the coming year. These plans are approved by the Board.
- All major business commitments or investments will be subject to review in accordance with the procedures set out in the Limits of Authority Manual so as to ensure that all such investments meet the risk appetite and investment criteria determined by the Board and that Division's operating budget.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- 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 control 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 control, 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 control 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.

**Internal Control and Risk Management System Effectiveness**

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 maintains oversight of its interests in associated companies through representations on the respective Boards of the associated companies. This allows the Group's interests to be served and to receive quarterly financial reports thereon. While 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, these representations also provide the Board with information to assess the performance of the Group's investments.

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.

**This Statement is made in accordance with the Board of Directors' approval on 13 March 2015.**

# 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 39th Annual General Meeting held on 15 May 2014, 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.

The Company did not purchase any of its own shares during the financial year. On 10 January 2014, the Company had re-sold 801,000 ordinary shares of RM1.00 each held in treasury at RM7.34 per share at a total consideration of RM5,742,916*.

The details of the shares re-sold during the financial year are as follows:

| Month | No. of shares re-sold | Re-sale Price Per Share (RM) | | | Total Consideration Received (RM)* |
|---|---|---|---|---|---|
| | | Highest | Lowest | Average | |
| January 2014 | 801,000 | 7.34 | 7.34 | 7.34 | 5,742,916 |

* Inclusive of transaction cost

There was no share retained as treasury shares as at 31 December 2014.

**3. Options, Warrants or Convertible Securities**
The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2014 other than the granting and exercising of options under the Employees' Share Option Scheme as disclosed in Note 36 (a) to the Audited FInancial Statements 2014.

**4. American Depository Receipt (ADR) / Global Depository Receipt (GDR)**
The Company did not sponsor any ADR / GDR programme during the financial year.

**5. Sanctions and/or Penalties**
There were no sanctions or penalties 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 RM912,000 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 2014 and the unaudited financial results for the year ended 31 December 2014 announced by the Company on 25 February 2015.

**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 carried out by the the Company during the financial year.

**11. Recurrent Related Party Transactions of a Revenue Nature**
At the 39th Annual General Meeting held on 15 May 2014, 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 39 of the Audited Financial Statements 2014.

# 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 2014.

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 2014 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 the Board of Directors' approval on 13 March 2015.**

# FINANCIAL STATEMENTS 2014

# 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 2014.

## 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, premix 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 | 221,335 | 20,123 |
| - Non-controlling interests | 44,273 | - |
| | 265,608 | 20,123 |

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

Since the end of the previous financial year, the Company,

(a) declared on 15 May 2014 and paid on 20 June 2014 a final tax exempt (single-tier) dividend of 12 sen per ordinary share, totalling RM41,433,665 in respect of the financial year ended 31 December 2013; and

(b) declared on 27 August 2014 and paid on 24 October 2014 an interim tax exempt (single-tier) dividend of 1.5 sen per ordinary share, totalling RM15,588,728 in respect of the financial year ended 31 December 2014.

At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2014, of 7 sen per share on 1,039,504,420 ordinary shares, amounting to a dividend payable of RM72,765,309 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 2015.

# DIRECTORS' REPORT

## DIRECTORS

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

| | |
|---|---|
| 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) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Zainuddin | |
| Datu Michael Ting Kuok Ngie @ Ting Kok Ngie | |
| Datu Hubert Thian Chong Hui | |
| Datuk Kevin How Kow | |

Datu Michael Ting Kuok Ngie @ Ting Kok Ngie retires pursuant to Section 129 of the Companies Act, 1965 in the forthcoming Annual General Meeting of the Company and does not wish to seek for re-appointment. Hence, he will retire at the conclusion of the coming Annual General Meeting.

In accordance with Article 110 of the Company's Articles of Association, Tan Sri Dato' Seri Syed Anwar Jamalullail and Dato' Richard Alexander John Curtis 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 39 to the financial statements.

## DIRECTORS' INTERESTS

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

| | Number of ordinary shares of RM1 each | | | Number of ordinary shares of RM0.50 each | | | |
|---|---|---|---|---|---|---|---|
| | At 1.1.2014 | Exercise of options | Disposed | Share split and bonus issue# | Exercise of options | Disposed | At 31.12.2014 |
| Direct interest: | | | | | | | |
| Dato Sri Mahmud Abu Bekir Taib | 29,400,085 | - | - | 58,800,170 | - | - | 88,200,255 |
| Datuk Syed Ahmad Alwee Alsree | - | 600,000 | - | 1,200,000 | - | (1,000,000) | 800,000 |
| Dato' Richard Alexander John Curtis | - | - | - | - | 1,710,000 | (500,000) | 1,210,000 |
| Indirect interest*: | | | | | | | |
| Datuk Syed Ahmad Alwee Alsree | 45,630,102 | - | - | 91,260,204 | - | - | 136,890,306 |
| Datu Michael Ting Kuok Ngie @ Ting Kok Ngie | 19,000 | - | (19,000) | - | - | - | - |

# DIRECTORS' REPORT

**DIRECTORS' INTERESTS (CONT'D.)**

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 (cont'd.):

| | Number of options over ordinary shares of RM1 each | | | Number of options over ordinary shares of RM0.50 each | | | |
|---|---|---|---|---|---|---|---|
| | At 1.1.2014 | Granted | Exercised | Share split and bonus issue# | Exercised | Forfeited | At 31.12.2014 |
| Datuk Syed Ahmad Alwee Alsree | 1,000,000 | - | (600,000) | 800,000 | - | - | 1,200,000 |
| Dato' Richard Alexander John Curtis | 950,000 | - | - | 1,900,000 | (1,710,000) | - | 1,140,000 |

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

\# During the financial year, the Group undertook a share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each and a bonus issue on the basis of one (1) bonus share for every two (2) subdivided shares. The number of options held prior to the share split and bonus issue were adjusted in accordance with the ByLaws of the Employees' Share Option Scheme.

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 RM339,703,540 to RM519,752,210 by way of:

(a) the issuance of 5,716,600 and 3,244,000 new ordinary shares of RM1.00 and RM0.50 each, respectively, to eligible employees of the Group under the Employees' Share Option Scheme at an exercise price of RM2.20 or RM2.23 before the share split and RM0.74 or RM0.75 after the share split, per ordinary share for cash.

(b) the subdivision of every one existing ordinary share of RM1.00 each into two ordinary shares of RM0.50 each in the Company, and the bonus issue of 345,420,140 new subdivided shares after the subdivision amounting to RM172,710,070, on the basis of one bonus share for every two subdivided shares held in the Company.

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 re-sold 801,000 (2013: 12,480,100) treasury shares in the market at an average price of RM7.34 per share. After the re-sale of the treasury shares, the Company no longer holds any treasury share in its books.

**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.

During the year, the Company granted 3,926,000 share options under offer 3 of the ESOS. The salient features and other terms of the ESOS are disclosed in Note 36 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 150,000 ordinary shares of RM1.00 each.

# DIRECTORS' REPORT

**EMPLOYEES' SHARE OPTION SCHEME (CONT'D.)**

The names of option holders who have been granted options to subscribe for 150,000 or more ordinary shares of RM1.00 during the financial year are as follows:

| | Number of options over ordinary shares of RM1 each | | | | Number of options over ordinary shares of RM0.50 each | | |
|---|---|---|---|---|---|---|---|
| | At 1.1.2014 | Granted | Exercised | Forfeited | Share split and bonus issue# | Exercised | At 31.12.2014 |
| Syed Hizam bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff | 650,000 | 50,000 | (480,000) | - | 440,000 | - | 660,000 |
| Dato Isaac Lugun | 340,000 | - | - | - | 680,000 | (510,000) | 510,000 |
| Othman bin Abdul Rani | 110,000 | - | (18,100) | (91,900) | - | - | - |
| Goh Chii Bing | 250,000 | 25,000 | (135,000) | - | 280,000 | - | 420,000 |
| Azam bin Azman | 207,000 | - | (50,000) | - | 314,000 | (58,200) | 412,800 |
| Lim Jit Yaw | 210,000 | - | (97,400) | - | 225,200 | - | 337,800 |
| Chong Swee Sin | 60,000 | 125,000 | (20,000) | - | 330,000 | - | 495,000 |
| Kueh Hoi Chuang | - | 275,000 | - | - | 550,000 | - | 825,000 |
| Ling Koah Wi | 205,000 | - | (10,000) | - | 390,000 | (190,000) | 395,000 |
| Woo Yoke Meng | 100,000 | - | (50,000) | - | 100,000 | - | 150,000 |
| Abdul Nasser Bin Mohd Sanusi | 60,000 | - | (30,000) | - | 60,000 | - | 90,000 |
| Lee Chong Teik | 65,000 | - | (35,000) | - | 60,000 | - | 90,000 |
| Mazlin Binti Darus | 90,000 | - | - | - | 180,000 | - | 270,000 |
| Bilin Anak Dandi | 112,500 | - | (37,500) | - | 150,000 | - | 225,000 |

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

# During the financial year, the Group undertook a share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each and a bonus issue on the basis of one (1) bonus share for every two (2) subdivided shares. The number of options held prior to the share split and bonus issue were adjusted in accordance with the ByLaws of the Employees' Share Option Scheme.

**OTHER STATUTORY INFORMATION**

(a) Before the statements of profit or loss and other 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 13 March 2015.

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

**Dato' Richard Alexander John Curtis**

# STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **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 2014 and of the financial performance and the cash flows for the year then ended.

The supplementary information set out in Note 46 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 13 March 2015.

**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 13 March 2015.

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

Before me,

PHANG DAH NAN
Commissioner For Oaths
First Floor, Sublot 18,
Lot 2227, M10 Commercial Centre,
10th Mile, Kuching - Serian Road
93250 Kuching, Sarawak.

COMMISSIONER FOR OATHS
NO. Q 114
PHANG DAH NAN
MALAYSIA

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CAHYA MATA SARAWAK BERHAD

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **Cahya Mata Sarawak Berhad**, which comprise statements of financial position as at 31 December 2014 of the Group and of the Company, and statements of profit or loss and other 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 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CAHYA MATA SARAWAK BERHAD

## OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 46 on page 196 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and 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

**YONG VOON KAR**
1769/04/16 (J/PH)
Chartered Accountant

Kuching, Malaysia
Date: 13 March 2015

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | Group 2014 RM'000 | Group 2013 RM'000 | Company 2014 RM'000 | Company 2013 RM'000 |
|---|---|---|---|---|---|
| **Revenue** | 4 | 1,673,898 | 1,416,841 | 73,823 | 72,233 |
| Cost of sales | | (1,278,305) | (1,066,038) | (17,508) | (16,294) |
| **Gross profit** | | 395,593 | 350,803 | 56,315 | 55,939 |
| **Other items of income** | | | | | |
| Interest income | 5 | 1,835 | 617 | - | - |
| Other income | 6 | 27,768 | 19,326 | 8,346 | 11,737 |
| **Other items of expense** | | | | | |
| Administrative expenses | | (70,773) | (60,189) | (38,411) | (32,889) |
| Selling expenses | | (12,004) | (10,525) | - | - |
| Finance costs | 7 | (3,602) | (4,533) | (45) | - |
| Other expenses | | (15,210) | (7,461) | (5,964) | (879) |
| Share of results of associates | | 16,586 | 6,628 | - | - |
| Share of results of joint ventures | | 1,259 | 228 | - | - |
| **Profit before tax** | 8 | 341,452 | 294,894 | 20,241 | 33,908 |
| Income tax expense | 11 | (75,844) | (79,346) | (118) | (1,232) |
| **Profit net of tax** | | 265,608 | 215,548 | 20,123 | 32,676 |
| **Other comprehensive income** | | | | | |
| Foreign currency translation, net of tax | | (145) | 17 | - | - |
| Share of other comprehensive expense of associates, net of tax | | (18,153) | (4,770) | - | - |
| **Other comprehensive expense for the year, net of tax** | | (18,298) | (4,753) | - | - |
| **Total comprehensive income for the year** | | 247,310 | 210,795 | 20,123 | 32,676 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 221,335 | 175,072 | 20,123 | 32,676 |
| Non-controlling interests | | 44,273 | 40,476 | - | - |
| | | 265,608 | 215,548 | 20,123 | 32,676 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 202,897 | 170,512 | 20,123 | 32,676 |
| Non-controlling interests | | 44,413 | 40,283 | - | - |
| | | 247,310 | 210,795 | 20,123 | 32,676 |

| | | 2014 | 2013 (Restated) |
|---|---|---|---|
| **Earnings per share attributable to owners of the Company (sen per share):** | | | |
| Basic | 12(a) | 21.42 | 17.52 |
| Diluted | 12(b) | 21.31 | 17.37 |

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | 597,214 | 499,673 | 4,350 | 4,429 |
| Prepaid land lease payments | 14 | 16,738 | 17,501 | 10,138 | 10,564 |
| Land held for property development | 15(a) | 61,815 | 65,954 | - | - |
| Investment properties | 16 | 5,626 | 5,743 | 26,922 | 21,380 |
| Intangible assets | 17 | 2,320 | 230 | 118 | 34 |
| Goodwill | 18 | 61,709 | 61,709 | - | - |
| Investments in subsidiaries | 19 | - | - | 811,893 | 783,609 |
| Investments in associates | 20 | 403,945 | 380,528 | 57,063 | 57,063 |
| Investments in joint ventures | 21 | 1,395 | 3,945 | - | - |
| Deferred tax assets | 22 | 27,075 | 23,007 | 918 | 724 |
| Other receivables | 24 | 10,432 | 9,379 | 10,999 | 11,135 |
| Investment securities | 27 | 9,461 | 7,169 | - | - |
| | | 1,197,730 | 1,074,838 | 922,401 | 888,938 |
| **Current assets** | | | | | |
| Property development costs | 15(b) | 161,894 | 147,546 | - | - |
| Inventories | 23 | 121,520 | 130,546 | - | - |
| Trade and other receivables | 24 | 278,694 | 267,398 | 93,920 | 120,609 |
| Other current assets | 25 | 46,180 | 25,362 | - | - |
| Investment securities | 27 | 128,686 | 127,068 | 127,299 | 126,012 |
| Tax recoverable | | 1,434 | 3,196 | - | 2,647 |
| Cash and bank balances | 28 | 829,590 | 613,708 | 674,600 | 579,392 |
| | | 1,567,998 | 1,314,824 | 895,819 | 828,660 |
| Asset classified as held for sale | 29 | 34,403 | 34,230 | - | - |
| | | 1,602,401 | 1,349,054 | 895,819 | 828,660 |
| **TOTAL ASSETS** | | 2,800,131 | 2,423,892 | 1,818,220 | 1,717,598 |

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Income tax payable | | 21,224 | 23,395 | 179 | - |
| Loans and borrowings | 30 | 74,619 | 73,013 | - | - |
| Trade and other payables | 31 | 520,364 | 340,106 | 729,469 | 620,195 |
| Other current liabilities | 32 | 23,255 | 14,799 | - | - |
| | | 639,462 | 451,313 | 729,648 | 620,195 |
| **Net current assets** | | 962,939 | 897,741 | 166,171 | 208,465 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 22 | 39,070 | 33,712 | - | - |
| Loans and borrowings | 30 | 30,177 | 27,089 | - | - |
| Trade and other payables | 31 | 16,889 | 24,072 | - | - |
| | | 86,136 | 84,873 | - | - |
| **TOTAL LIABILITIES** | | 725,598 | 536,186 | 729,648 | 620,195 |
| **Net assets** | | 2,074,533 | 1,887,706 | 1,088,572 | 1,097,403 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 33 | 519,752 | 339,704 | 519,752 | 339,704 |
| Treasury shares | 33 | - | (3,629) | - | (3,629) |
| Share premium | 34 | 289,304 | 448,663 | 289,301 | 448,660 |
| Other reserves | 35 | (15,329) | 14,286 | 178,916 | 177,280 |
| Retained earnings | | 1,018,004 | 855,093 | 100,603 | 135,388 |
| | | 1,811,731 | 1,654,117 | 1,088,572 | 1,097,403 |
| **Non-controlling interests** | | 262,802 | 233,589 | - | - |
| **TOTAL EQUITY** | | 2,074,533 | 1,887,706 | 1,088,572 | 1,097,403 |
| **TOTAL EQUITY AND LIABILITIES** | | 2,800,131 | 2,423,892 | 1,818,220 | 1,717,598 |

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 2014

| | | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Non-distributable | | | | Distributable | |
| **Group** | **Note** | **Equity, total RM'000** | **Equity attributable to owners of the Company RM'000** | **Share capital (Note 33) RM'000** | **Treasury shares (Note 33) RM'000** | **Share premium (Note 34) RM'000** | **Other reserves (Note 35) RM'000** | **Retained earnings RM'000** | **Non-controlling interests RM'000** |
| **At 1 January 2014** | | 1,887,706 | 1,654,117 | 339,704 | (3,629) | 448,663 | 14,286 | 855,093 | 233,589 |
| Profit net of tax | | 265,608 | 221,335 | - | - | - | - | 221,335 | 44,273 |
| Other comprehensive (expense)/income, net of tax | | (18,298) | (18,438) | - | - | - | (18,438) | - | 140 |
| Total comprehensive income | | 247,310 | 202,897 | - | - | - | (18,438) | 221,335 | 44,413 |
| **Transactions with owners** | | | | | | | | | |
| Disposal of treasury shares | | 5,743 | 5,743 | - | 3,629 | - | - | 2,114 | - |
| Bonus issue | | - | - | 172,710 | - | (172,710) | - | - | - |
| Grant of equity-settled share options to employees | | 7,293 | 7,293 | - | - | - | 7,293 | - | - |
| Exercise of employee share options | | 15,032 | 15,032 | 7,338 | - | 13,351 | (5,657) | - | - |
| Share of associate's reserves | | - | - | - | - | - | 3,241 | (3,241) | - |
| Liquidation of subsidiaries | | (15,458) | (15,458) | - | - | - | (15,183) | (275) | - |
| Acquisition of non-controlling interests | | (40) | (871) | - | - | - | (871) | - | 831 |
| Dividends on ordinary shares | 44 | (57,022) | (57,022) | - | - | - | - | (57,022) | - |
| Dividends paid to non-controlling interests | | (16,031) | - | - | - | - | - | - | (16,031) |
| Total transactions with owners | | (60,483) | (45,283) | 180,048 | 3,629 | (159,359) | (11,177) | (58,424) | (15,200) |
| **At 31 December 2014** | | 2,074,533 | 1,811,731 | 519,752 | - | 289,304 | (15,329) | 1,018,004 | 262,802 |

# STATEMENTS OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2014

| | | | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Non-distributable | | | | Distributable | |
| Group (cont'd.) | Note | Equity, total RM'000 | Equity attributable to owners of the Company RM'000 | Share capital (Note 33) RM'000 | Treasury shares (Note 33) RM'000 | Share premium (Note 34) RM'000 | Other reserves (Note 35) RM'000 | Retained earnings RM'000 | Non-controlling interests RM'000 |
| **At 1 January 2013** | | 1,686,923 | 1,480,923 | 332,436 | (23,319) | 433,821 | 19,302 | 718,683 | 206,000 |
| Profit net of tax | | 215,548 | 175,072 | - | - | - | - | 175,072 | 40,476 |
| Other comprehensive expense, net of tax | | (4,753) | (4,560) | - | - | - | (4,560) | - | (193) |
| Total comprehensive income/(expense) | | 210,795 | 170,512 | - | - | - | (4,560) | 175,072 | 40,283 |
| **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 | 44 | (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) |
| **At 31 December 2013** | | 1,887,706 | 1,654,117 | 339,704 | (3,629) | 448,663 | 14,286 | 855,093 | 233,589 |

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

# STATEMENTS OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2014

| Company | Note | Equity, total RM'000 | Share capital (Note 33) RM'000 | Treasury shares (Note 33) RM'000 | Share premium (Note 34) RM'000 | Other reserves (Note 35) RM'000 | Retained earnings RM'000 |
|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | | Distributable |
| **At 1 January 2014** | | 1,097,403 | 339,704 | (3,629) | 448,660 | 177,280 | 135,388 |
| Profit net of tax, representing total comprehensive income | | 20,123 | - | - | - | - | 20,123 |
| **Transactions with owners** | | | | | | | |
| Grant of equity-settled share options to employees | | 7,293 | - | - | - | 7,293 | - |
| Exercise of employee share options | | 15,032 | 7,338 | - | 13,351 | (5,657) | - |
| Disposal of treasury shares | | 5,743 | - | 3,629 | - | - | 2,114 |
| Bonus issue | | - | 172,710 | - | (172,710) | - | - |
| Dividends on ordinary shares | 44 | (57,022) | - | - | - | - | (57,022) |
| Total transactions with owners | | (28,954) | 180,048 | 3,629 | (159,359) | 1,636 | (54,908) |
| **At 31 December 2014** | | 1,088,572 | 519,752 | - | 289,301 | 178,916 | 100,603 |
| **At 1 January 2013** | | 1,062,276 | 332,436 | (23,319) | 433,818 | 180,028 | 139,313 |
| Profit net of tax, representing total comprehensive income | | 32,676 | - | - | - | - | 32,676 |
| **Transactions with owners** | | | | | | | |
| 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 | 44 | (42,970) | - | - | - | - | (42,970) |
| Total transactions with owners | | 2,451 | 7,268 | 19,690 | 14,842 | (2,748) | (36,601) |
| **At 31 December 2013** | | 1,097,403 | 339,704 | (3,629) | 448,660 | 177,280 | 135,388 |

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 2014

| Group | Note | 2014 RM'000 | 2013 RM'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 341,452 | 294,894 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 8 | 86 | 965 |
| Amortisation of prepaid land lease payments | 8 | 763 | 747 |
| Bad debts written off | 8 | 54 | 690 |
| Depreciation of property, plant and equipment | 8 | 41,684 | 82,484 |
| Depreciation of investment properties | 8 | 117 | 117 |
| Gain on redemption of redeemable preference shares | 6 | (607) | (996) |
| Gain on liquidation of subsidiaries | 6 | (15,618) | - |
| Grant of equity-settled share options to employees | 9 | 7,293 | 3,322 |
| Gross dividend income | 4/6 | (20,107) | (15,710) |
| Impairment loss on trade and other receivables | 8 | 4,092 | 428 |
| Impairment loss on investment in an associate | 8 | - | 3,125 |
| Impairment loss on property, plant and equipment | 8 | 533 | - |
| Interest expense | 7 | 2,927 | 3,835 |
| Interest income | 4/5 | (3,915) | (5,590) |
| Inventories written down | 8 | 387 | 30 |
| Inventories written off | 8 | 34 | 764 |
| Net fair value changes in investment securities held as fair value through profit and loss | 8 | 4,697 | (2,436) |
| Net gain on disposal of property, plant and equipment | 8 | (535) | (500) |
| Net realised gain on disposal of investment securities | 6 | (981) | (1,285) |
| Project under study written off | 8 | - | 4 |
| Property, plant and equipment written off | 8 | 1,157 | 28 |
| Reversal of impairment loss on trade and other receivables | 6 | (360) | (3,144) |
| Share of results of associates | | (16,586) | (6,628) |
| Share of results of joint ventures | | (1,259) | (228) |
| Unrealised foreign exchange gain | 6 | (618) | (827) |
| Total adjustments | | 3,238 | 59,195 |
| **Operating cash flows before changes in working capital** | | 344,690 | 354,089 |
| Changes in working capital | | | |
| Increase in property development costs | | (14,348) | (16,413) |
| Decrease/(increase) in land held for development | | 4,139 | (2,443) |
| Decrease/(increase) in inventories | | 8,605 | (24,605) |
| Increase in other current assets | | (20,774) | (13,007) |
| Increase in receivables | | (15,685) | (54,962) |
| Increase in payables | | 173,357 | 57,831 |
| Increase in other current liabilities | | 8,456 | 11,014 |
| Total changes in working capital | | 143,750 | (42,585) |
| **Cash flows from operations** | | 488,440 | 311,504 |

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| Group (cont'd.) | Note | 2014 RM'000 | 2013 RM'000 |
|---|---|---|---|
| **Operating activities (cont'd.)** | | | |
| Interest received | | 3,914 | 5,590 |
| Interest paid | | (3,199) | (4,177) |
| Income taxes paid, net of refund | | (74,963) | (76,949) |
| **Net cash flows from operating activities** | | 414,192 | 235,968 |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | 13 | (141,660) | (94,139) |
| Acquisition of non-controlling interests | | (40) | - |
| Additions to prepaid land lease payments | 14 | - | (466) |
| Proceeds from disposal of property, plant and equipment | | 1,237 | 980 |
| Proceeds from disposal of investment securities | | 15,472 | 99,461 |
| Proceeds from disposal of intangible assets | | 14 | - |
| Additional costs incurred on intangible assets | 17 | (2,190) | (20) |
| Additional investments in associates | | (29,395) | (50,919) |
| Redemption of redeemable preference shares | | 2,612 | 4,534 |
| Dividends received from associates | 20(ii) | 2,584 | 2,969 |
| Dividends received from investments | | 20,107 | 15,668 |
| Acquisition of investment securities | | (23,276) | (121,517) |
| Capital repayment by joint ventures | | - | 200 |
| Distribution of profit from joint ventures | | 3,809 | 31 |
| **Net cash flows used in investing activities** | | (150,726) | (143,218) |
| **Financing activities** | | | |
| Drawdown of borrowings | | 181,416 | 106,780 |
| Increase in deposits pledged to licensed banks | 28 | (151) | (1,763) |
| Increase in wholesale fund pledged to a licensed bank | 28 | - | (23,000) |
| Repayment of borrowings | | (176,722) | (96,503) |
| Proceeds from exercise of employees' share options | 36(b) | 15,032 | 16,040 |
| Dividends paid to owners of the Company | 44 | (57,022) | (42,970) |
| Dividends paid to non-controlling interests | | (16,031) | (12,463) |
| Acquisition of treasury shares | 33(b) | - | (19,102) |
| Net proceeds from disposal of treasury shares | 33(b) | 5,743 | 45,161 |
| **Net cash flows used in financing activities** | | (47,735) | (27,820) |
| **Net increase in cash and cash equivalents** | | 215,731 | 64,930 |
| **Cash and cash equivalents at 1 January** | | 588,945 | 524,015 |
| **Cash and cash equivalents at 31 December** | 28 | 804,676 | 588,945 |

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 2014

| Company | Note | 2014 RM'000 | 2013 RM'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 20,241 | 33,908 |
| Adjustments for: | | | |
| Amortisation of intangible assets | 8 | 17 | 429 |
| Amortisation of prepaid land lease payments | 8 | 426 | 426 |
| Depreciation of property, plant and equipment | 8 | 812 | 953 |
| Depreciation of investment properties | 8 | 622 | 661 |
| Loss on disposal of property, plant and equipment | 8 | 130 | - |
| Loss on liquidation of subsidiaries | 8 | 1,116 | - |
| Grant of equity-settled share options to employees | 9 | 1,181 | 791 |
| Gross dividend income | 4 | (64,980) | (61,588) |
| Reversal of impairment loss of subsidiaries | 8 | (102,520) | (30,807) |
| Interest expense | 7 | 17,508 | 16,195 |
| Interest income | 4 | (8,243) | (10,045) |
| Net fair value changes in investment securities | 8 | 4,718 | (2,426) |
| Net realised gain on disposal of investment securities | 6 | (981) | (1,285) |
| Waiver of amount owing by subsidiaries | 8 | - | 30,871 |
| Total adjustments | | (150,194) | (55,825) |
| **Operating cash flows before changes in working capital** | | (129,953) | (21,917) |
| Changes in working capital | | | |
| Decrease/(increase) in receivables | | 129,344 | (41,025) |
| Increase in payables | | 109,275 | 146,560 |
| Total changes in working capital | | 238,619 | 105,535 |
| **Cash flows from operations** | | 108,666 | 83,618 |
| Interest received | | 8,243 | 10,045 |
| Interest paid | | (17,508) | (16,195) |
| Tax refunded | | 2,514 | 2,296 |
| **Net cash flows from operating activities** | | 101,915 | 79,764 |

# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| Company (cont'd.) | Note | 2014 RM'000 | 2013 RM'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | 13 | (972) | (999) |
| Proceeds from disposal of property, plant and equipment | | 109 | - |
| Acquisition of investment securities | | (20,496) | (114,224) |
| Proceeds from disposal of investment securities | | 15,472 | 99,461 |
| Additional costs incurred on investment properties | 16 | (6,164) | (250) |
| Additional costs incurred on intangible assets | 17 | (101) | (20) |
| Dividends received | | 64,980 | 60,559 |
| Subscription of additional shares in an existing subsidiary | 19(a) | (29,360) | (38,162) |
| Acquisition of non-controlling interests | 19(b) | (40) | - |
| Acquisition of a subsidiary | 19(c) | - | (1,527) |
| **Net cash flows from investing activities** | | 23,428 | 4,838 |
| **Financing activities** | | | |
| Increase in deposit pledged to a licensed bank | 28(b) | - | (210) |
| Increase in wholesale fund pledged to a licensed bank | 28(c) | - | (23,000) |
| Dividends paid on ordinary shares | 44 | (57,022) | (42,970) |
| Proceeds from subsidiaries for allocation of share options to their employees | | 6,112 | 2,532 |
| Proceeds from exercise of employees' share options | 36(b) | 15,032 | 16,040 |
| Acquisition of treasury shares | 33(b) | - | (19,102) |
| Net proceeds from disposal of treasury shares | 33(b) | 5,743 | 45,161 |
| **Net cash flows used in financing activities** | | (30,135) | (21,549) |
| **Net increase in cash and cash equivalents** | | 95,208 | 63,053 |
| **Cash and cash equivalents at 1 January** | | 556,182 | 493,129 |
| **Cash and cash equivalents at 31 December** | 28 | 651,390 | 556,182 |

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 2014

## 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 the previous financial year except as follows:

On 1 January 2014, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2014.

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

The nature and impact of the new and amended MFRSs and IC Interpretation are described below:

**Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities**

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and “simultaneous realisation and settlement”. These amendments are to be applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under MFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under MFRS 10.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

The amendments to MFRS 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives has been allocated when there has been no impairment or reversal of impairment of the related CGU. In addition, the amendments introduce additional disclosure requirements when the recoverable amount is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by MFRS 13 Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's and the Company's financial statements.

**Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting**

These amendments provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measure of hedge effectiveness. Retrospective application is required.

These amendments have no impact on the Group as the Group does not have any derivatives that are subject to novation.

**IC Interpretation 21: Levies**

IC 21 defines a levy and clarifies that the obligating event which gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. For a levy which is triggered upon reaching a minimum threshold, IC 21 clarifies that no liability should be recognised before the specified minimum threshold is reached. Retrospective application is required.

The application of IC 21 has had no material impact on the disclosures or on the amounts recognised in the Group's and the Company's financial statements.

### 2.3 Standards issued but not yet effective

The 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 standards, if applicable, when they become effective.

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

- Amendments to MFRS 119: Defined Benefit Plans - Employee Contributions
- Annual Improvements to MFRSs 2010 - 2012 Cycle
- Annual Improvements to MFRSs 2011 - 2013 Cycle

**MFRS effective for annual periods beginning on or after 1 January 2016**

- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investments Entities - Applying the Consolidation Exception
- Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- MFRS 14: Regulatory Deferral Accounts

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.3 Standards issued but not yet effective (cont'd.)

**MFRS effective for annual periods beginning on or after 1 January 2017**

- MFRS 15: Revenue from Contracts with Customers

**MFRS effective for annual periods beginning on or after 1 January 2018**

- MFRS 9: Financial Instruments

**(a) Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of an asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

**(b) Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments clarify that:

- gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and

- gains and losses resulting from transactions involving the sale or contribution to an associate of a joint venture of assets that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

**(c) Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception**

The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. The amendments further clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. In addition, the amendments also provides that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

The amendments are to be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.3 Standards issued but not yet effective (cont'd.)**

**(d) Amendments to MFRS 101: Disclosure Initiatives**

The amendments to MFRS 101 include narrow-focus improvements in the following five areas:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income arising from equity accounted investments

The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's and the Company's financial statements.

**(e) Amendments to MFRS 127: Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply this change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's and the Company's financial statements.

**(f) MFRS 15: Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The directors anticipate that the application of MFRS 15 will have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

**(g) MFRS 9: Financial Instruments**

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.3 Standards issued but not yet effective (cont'd.)**

**(h) Annual Improvements to MFRSs 2010 - 2012 Cycle**

The Annual Improvements to MFRSs 2010 - 2012 Cycle include a number of amendments to various MFRSs, which are summarised below. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

**(i) MFRS 2: Share-based Payment**

This improvement clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or those of another entity in the same group;
- A performance condition may be a market or non-market condition; and
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

This improvement is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

**(ii) MFRS 3: Business Combinations**

The amendments to MFRS 3 clarifies that contingent consideration classified as liabilities (or assets) should be measured at fair value through profit or loss at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of MFRS 9 or MFRS 139. The amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.

**(iii) MFRS 8: Operating Segments**

The amendments are to be applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in MFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

**(iv) MFRS 116: Property, Plant and Equipment and MFRS 138: Intangible Assets**

The amendments remove inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amendments clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

**(v) MFRS 124: Related Party Disclosures**

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. The reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.3 Standards issued but not yet effective (cont'd.)**

**(i) Annual Improvements to MFRSs 2011 - 2013 Cycle**

The Annual Improvements to MFRSs 2011 - 2013 Cycle include a number of amendments to various MFRSs, which are summarised below. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

**(i) MFRS 3: Business Combinations**

The amendments to MFRS 3 clarify that the standard does not apply to the accounting for formation of all types of joint arrangement in the financial statements of the joint arrangement itself. This amendment is to be applied prospectively.

**(ii) MFRS 13: Fair Value Measurement**

The amendments to MFRS 13 clarify that the portfolio exception in MFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of MFRS 9 (or MFRS 139 as applicable).

**(iii) MFRS 140: Investment Property**

The amendments to MFRS 140 clarify that an entity acquiring investment property must determine whether:

- the property meets the definition of investment property in terms of MFRS 140; and
- the transaction meets the definition of a business combination under MFRS 3,

to determine if the transaction is a purchase of an asset or is a business combination.

**(j) Annual Improvements to MFRSs 2012 - 2014 Cycle**

The Annual Improvements to MFRSs 2012 - 2014 Cycle include a number of amendments to various MFRSs, which are summarised below. The directors of the Company do not anticipate that the application of these amendments will have a significant impact on the Group's and the Company's financial statements.

**(i) MFRS 5: Non-current Assets Held for Sale and Discontinued Operations**

The amendment to MFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in MFRS 5.

The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is to be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

**(ii) MFRS 7: Financial Instruments - Disclosures**

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required.

In addition, the amendment also clarifies that the disclosures in respect of offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 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.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

**Business combinations (cont'd.)**

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 or loss.

### 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.7 Foreign currency (cont'd.)

#### (c) Foreign operations

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

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

### 2.8 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 | 2 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 ready 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**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.

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.

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

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

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

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

| | |
|---|---|
| Computer software | 3 years to 5 years |
| Other intangible assets | 20 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 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.

### 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 contracts

Where the outcome of a construction 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 the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.16 Service contracts

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

Contract costs include costs that relate directly to the contract, plus costs that are attributable to the Company's general contracting activity to the extent that they can be reasonably allocated to the contract together with such other costs that can be specifically charged to the customer under the terms of the contract.

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

### 2.17 Financial assets

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

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

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

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

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

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

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

#### (b) Loans and receivables

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

#### (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.

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.

### 2.18 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 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.18 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.

### 2.19 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 in accordance with the valuation methodologies as set out in Note 40.

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.

### 2.20 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

### 2.21 Financial liabilities

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

Financial liabilities, within the scope of 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.21 Financial liabilities (cont'd.)

**Other financial liabilities**

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

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.

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.

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.

### 2.22 Financial guarantee contracts

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.

### 2.23 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 2.27(h).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.24 Provisions

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

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

### 2.25 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.

### 2.26 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.

### 2.27 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 contracts

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

**2.27 Revenue (cont'd.)**

**(d) Development properties**

**(i) Sale of completed development property**

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

**(ii) Sale of development property under construction**

Where development property is under construction and agreement has been reached to sell such property when construction is completed, 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 orders 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.

**(i) Supervision and management fees**

Supervision and management fees are recognised when services are rendered.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.28 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.

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### 2.29 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.

### 2.30 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 43, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.31 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.

### 2.32 Treasury shares

When shares of the Company, that have not been cancelled, recognised as equity are re-acquired, the amount of consideration paid is recognised directly in equity. Re-acquired 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 re-sale, the difference between the sales consideration and the carrying amount is recognised in equity.

### 2.33 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.

### 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 2 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.

#### (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.

#### (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.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

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

#### (d) Construction contracts

The Group recognises contract revenue based on percentage of completion method. The stage of completion is measured by reference to either the costs incurred to-date to the estimated total cost or the completion of a physical proportion of work to-date. Significant judgement is required in determining the stage of completion, the extent of the costs incurred and the estimated total revenue (for contracts other than fixed contracts) and costs. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and work of specialists. The carrying amount of the Group's construction contracts is shown in Note 26.

#### (e) Deferred tax assets

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

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.

#### (f) 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 36.

#### (g) 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.

(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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D.)

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

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

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 | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Sale of goods | 1,147,574 | 908,043 | - | - |
| Sale of properties | 98,901 | 66,087 | - | - |
| Construction and road maintenance | 378,189 | 296,358 | - | - |
| Rendering of services | 26,312 | 124,923 | - | - |
| Interest income | 2,080 | 4,973 | 8,243 | 10,045 |
| Dividend income from investments | 20,074 | 15,692 | 20,074 | 15,692 |
| Rental income: | | | | |
| - Investment properties (Note 16) | 528 | 528 | 600 | 600 |
| - Land and buildings | 240 | 237 | - | - |
| Dividend income from subsidiaries | - | - | 42,322 | 42,020 |
| Dividend income from associates | - | - | 2,584 | 3,876 |
| | 1,673,898 | 1,416,841 | 73,823 | 72,233 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 5. INTEREST INCOME

| | Group | |
|---|---|---|
| | 2014 RM'000 | 2013 RM'000 |
| Interest income from: | | |
| - Loans and receivables | 1,165 | 385 |
| - Short term deposits | 602 | 108 |
| - Unwinding of discount (Note 24(a)) | 68 | 124 |
| | 1,835 | 617 |

## 6. OTHER INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Bad debts recovered (Note 24(a)) | 2,721 | - | - | - |
| Dividend from investment securities | 33 | 18 | - | - |
| Fee income | - | - | 7,179 | 6,409 |
| Gain on disposal of property, plant and equipment | 665 | 502 | - | - |
| Gain on liquidation of subsidiaries | 15,618 | - | - | - |
| Gain on redemption of redeemable preference shares | 607 | 996 | - | - |
| Insurance settlement | 2,575 | 15 | 120 | 15 |
| Liquidated damages claim | - | 6,735 | - | - |
| Miscellaneous income | 1,666 | 2,950 | 66 | 75 |
| Net realised gain on disposal of investment securities | 981 | 1,285 | 981 | 1,285 |
| Net fair value changes in investment securities held as fair value through profit or loss | - | 2,436 | - | 2,426 |
| Reversal of impairment loss on trade and other receivables (Note 24(a)) | 360 | 3,144 | - | - |
| Recovery of waiver of amount owing by a subsidiary | - | - | - | 1,527 |
| Supervision fees | 395 | 158 | - | - |
| Net foreign exchange gain: | | | | |
| - Realised | 1,529 | 260 | - | - |
| - Unrealised | 618 | 827 | - | - |
| | 27,768 | 19,326 | 8,346 | 11,737 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 7. FINANCE COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014<br>RM'000 | 2013<br>RM'000 | 2014<br>RM'000 | 2013<br>RM'000 |
| Interest expense on: | | | | |
| - Bank borrowings and bank overdraft | 2,734 | 3,638 | - | - |
| - Corporate shareholder's loan | 190 | 190 | - | - |
| - Amount owing to subsidiaries under central cash management account | - | - | 17,508 | 16,195 |
| - Finance lease liabilities | - | 2 | - | - |
| - Unwinding of discount | 3 | 5 | - | - |
| | 2,927 | 3,835 | 17,508 | 16,195 |
| Other finance costs: | | | | |
| - Trade facility charges | 619 | 599 | - | - |
| - Facility fee and commitment fee | 56 | 99 | 45 | 99 |
| | 675 | 698 | 45 | 99 |
| | 3,602 | 4,533 | 17,553 | 16,294 |
| Recognised in profit or loss as: | | | | |
| - Cost of sales | - | - | 17,508 | 16,294 |
| - Finance costs | 3,602 | 4,533 | 45 | - |
| | 3,602 | 4,533 | 17,553 | 16,294 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 8. PROFIT BEFORE TAX

**Results from operating activities is arrived at after charging:**

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Amortisation of intangible assets (Note 17) | 86 | 965 | 17 | 429 |
| Amortisation of prepaid land lease payments (Note 14) | 763 | 747 | 426 | 426 |
| Auditors' remuneration: | 859 | 877 | 189 | 273 |
| - Statutory audit | | | | |
| - Current year | 724 | 630 | 140 | 120 |
| - (Over)/under provision in previous years | (2) | 132 | - | 38 |
| - Other services | 137 | 115 | 49 | 115 |
| Bad debts written off | 54 | 690 | - | - |
| Depreciation of property, plant and equipment (Note 13) | 41,684 | 82,484 | 812 | 953 |
| Depreciation of investment properties (Note 16) | 117 | 117 | 622 | 661 |
| Employee benefits expense (Note 9) | 132,762 | 107,845 | 26,142 | 21,058 |
| Impairment loss on: | | | | |
| - Trade and other receivables (Note 24(a)) | 4,092 | 428 | - | - |
| - Investment in an associate | - | 3,125 | - | - |
| - Property, plant and equipment (Note 13) | 533 | - | - | - |
| Net fair value changes in investment securities held as fair value through profit and loss | 4,697 | - | 4,718 | - |
| Inventories written down | 387 | 30 | - | - |
| Inventories written off | 34 | 764 | - | - |
| Net loss on disposal of property, plant and equipment | - | - | 130 | - |
| Loss on liquidation of subsidiaries | - | - | 1,116 | - |
| Loss on disposal of inventories | 53 | - | - | - |
| Non-executive directors' remuneration (Note 10) | 2,255 | 2,493 | 1,993 | 2,220 |
| Minimum operating lease payments on: | 11,939 | 12,374 | 1,232 | 1,220 |
| - Land and buildings | 5,096 | 4,899 | 1,232 | 1,220 |
| - Plant and equipment | 5,663 | 6,114 | - | - |
| - Wharf | 1,180 | 1,361 | - | - |
| Project under study written off | - | 4 | - | - |
| Property, plant and equipment written off | 1,157 | 28 | - | - |
| Waiver of amount owing by subsidiaries | - | - | - | 30,871 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 8. PROFIT BEFORE TAX (CONT'D.)

**Results from operating activities is arrived at after crediting:**

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 RM'000** | **2013 RM'000** | **2014 RM'000** | **2013 RM'000** |
| Gain on liquidation of subsidiaries | 15,618 | - | - | - |
| Inventories written back | 2,180 | - | - | - |
| Net fair value changes in investment securities held as fair value through profit and loss | - | 2,436 | - | 2,426 |
| Net gain on disposal of property, plant and equipment | 535 | 500 | - | - |
| Reversal of impairment loss of a subsidiary | - | - | - | 30,807 |

## 9. EMPLOYEE BENEFITS EXPENSE

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 RM'000** | **2013 RM'000** | **2014 RM'000** | **2013 RM'000** |
| Salaries, allowances and bonuses | 111,380 | 92,804 | 22,102 | 18,051 |
| Contributions to defined contribution plan | 13,075 | 10,805 | 2,628 | 2,129 |
| Social security contributions | 861 | 796 | 78 | 74 |
| Share options granted under ESOS | 7,293 | 3,322 | 1,181 | 791 |
| Retirement benefits | 153 | 118 | 153 | 13 |
| | 132,762 | 107,845 | 26,142 | 21,058 |

Included in employee benefits expense of the Group and of the Company (including amounts capitalised) are executive directors' remuneration amounting to RM6,372,000 (2013: RM4,554,000) as further disclosed in Note 10.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 10. DIRECTORS' REMUNERATION

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| **Executive:** | | | | |
| Salaries and other emoluments | 5,573 | 3,863 | 5,573 | 3,863 |
| Defined contribution plans | 679 | 463 | 679 | 463 |
| Share options granted under ESOS | 120 | 228 | 120 | 228 |
| Total executive directors' remuneration (excluding benefits-in-kind) (Note 9) | 6,372 | 4,554 | 6,372 | 4,554 |
| Estimated money value of benefits-in-kind | 731 | 268 | 731 | 268 |
| Total executive directors' remuneration (including benefits-in-kind) | 7,103 | 4,822 | 7,103 | 4,822 |
| **Non-executive:** | | | | |
| Fees | 763 | 841 | 609 | 680 |
| Other emoluments | 1,362 | 1,522 | 1,254 | 1,410 |
| Defined contribution plans | 130 | 130 | 130 | 130 |
| Total non-executive directors' remuneration (excluding benefits-in-kind) (Note 8) | 2,255 | 2,493 | 1,993 | 2,220 |
| Estimated money value of benefits-in-kind | 488 | 83 | 457 | 83 |
| Total non-executive directors' remuneration (including benefits-in-kind) | 2,743 | 2,576 | 2,450 | 2,303 |
| Total directors' remuneration | 9,846 | 7,398 | 9,553 | 7,125 |

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 | |
|---|---|---|
| | 2014 | 2013 |
| **Executive Directors:** | | |
| RM1,800,001 to RM1,850,000 | - | 1 |
| RM2,200,001 to RM2,250,000 | 1 | - |
| RM2,700,001 to RM2,750,000 | - | 1 |
| RM4,100,001 to RM4,150,000 | 1 | - |
| **Non-executive Directors:** | | |
| RM10,001 to RM50,000 | 1 | - |
| RM100,001 to RM150,000 | 2 | 2 |
| RM150,001 to RM200,000 | 1 | - |
| RM200,001 to RM250,000 | 1 | 3 |
| RM700,001 to RM750,000 | 1 | - |
| RM750,001 to RM800,000 | - | 1 |
| RM800,001 to RM850,000 | 1 | 1 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 11. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| **Statements of profit or loss and other comprehensive income:** | | | | |
| Current income tax: | | | | |
| - Malaysian income tax | 78,182 | 87,027 | 600 | 1,500 |
| - (Over)/under provision in respect of previous years | (3,628) | (4,014) | (288) | 32 |
| | 74,554 | 83,013 | 312 | 1,532 |
| Deferred income tax (Note 22): | | | | |
| - Origination and reversal of temporary differences | 10,905 | (3,114) | (246) | (295) |
| - (Over)/under provision in respect of previous years | (9,615) | (553) | 52 | (5) |
| | 1,290 | (3,667) | (194) | (300) |
| Income tax expense recognised in profit or loss | 75,844 | 79,346 | 118 | 1,232 |

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 are as follows:

| | Group | |
|---|---|---|
| | 2014 RM'000 | 2013 RM'000 |
| Accounting profit before tax | 341,452 | 294,894 |
| Taxation at Malaysian statutory tax rate of 25% (2013: 25%) | 85,363 | 73,724 |
| Adjustments: | | |
| Share of results of associates | (4,146) | (1,657) |
| Share of results of joint ventures | (315) | (57) |
| Non-deductible expenses | 18,788 | 18,052 |
| Income not subject to tax | (10,970) | (5,723) |
| Benefits from previously unrecognised tax losses and unabsorbed capital allowances | (540) | (598) |
| Benefits from utilisation of reinvestment allowances | - | (7) |
| Deferred tax assets not recognised | 907 | 179 |
| Over provision of income tax in respect of previous years | (3,628) | (4,014) |
| Over provision of deferred tax in respect of previous years | (9,615) | (553) |
| Income tax expense recognised in profit or loss | 75,844 | 79,346 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 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 2014 and 2013 are as follows (cont'd.):

| | Company | |
|---|---|---|
| | 2014 RM'000 | 2013 RM'000 |
| Accounting profit before tax | 20,241 | 33,908 |
| Taxation at Malaysian statutory tax rate of 25% (2013: 25%) | 5,060 | 8,477 |
| Adjustments: | | |
| Group tax relief transferred from a subsidiary | (750) | (700) |
| Non-deductible expenses | 12,392 | 9,005 |
| Income not subject to tax | (16,348) | (15,577) |
| (Over)/under provision of income tax in respect of previous years | (288) | 32 |
| Under/(over) provision of deferred tax in respect of previous years | 52 | (5) |
| Income tax expense recognised in profit or loss | 118 | 1,232 |

Income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year. The Malaysian corporate income tax asset is expected to reduce from 25% to 24% with effect for year of assessment 2016 as announced in the 2014 Budget. The computation of deferred tax as at 31 December 2014 has reflected the change in tax rate.

Tax savings during the financial year arising from:

| | Group | |
|---|---|---|
| | 2014 RM'000 | 2013 RM'000 |
| Utilisation of current year tax losses | 76 | 9 |
| Utilisation of previously unrecognised tax losses | 5,208 | 605 |

## 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 | |
|---|---|---|
| | 2014 | 2013 (Restated) |
| Profit net of tax attributable to owners of the Company (RM'000) | 221,335 | 175,072 |
| Weighted average number of ordinary shares in issue ('000) | 1,033,352 | 999,276 |
| Basic earnings per share (sen) | 21.42 | 17.52 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 12. EARNINGS PER SHARE (CONT'D.)

### (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 | |
|---|---|---|
| | **2014** | **2013 (Restated)** |
| Profit net of tax attributable to owners of the Company (RM'000) | 221,335 | 175,072 |
| Weighted average number of ordinary shares in issue ('000) | 1,038,826 | 1,007,715 |
| Diluted earnings per share (sen) | 21.31 | 17.37 |

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

The comparative basic and diluted earnings per share have been adjusted to take into account the effect of the share split involving the subdivision of every one existing share of RM1 each into two subdivided shares of RM0.50 each and the bonus issue of one share for every two subdivided shares resulting in the increase in the number of ordinary shares.

## 13. PROPERTY, PLANT AND EQUIPMENT

| Group | Land RM'000 | Buildings and infrastructure RM'000 | Plant and machinery RM'000 | Office equipment and motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| **At 1 January 2013** | 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 |
| **At 31 December 2013 and 1 January 2014** | 66,685 | 254,953 | 729,827 | 101,408 | 1,152,873 |
| Additions | 6,476 | 56,512 | 67,285 | 11,387 | 141,660 |
| Disposals | - | - | (456) | (3,561) | (4,017) |
| Written off | - | - | (1,155) | (292) | (1,447) |
| Exchange differences | - | - | - | 12 | 12 |
| **At 31 December 2014** | 73,161 | 311,465 | 795,501 | 108,954 | 1,289,081 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

**13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**

| Group (cont'd.) | Land RM'000 | Buildings and infrastructure RM'000 | Plant and machinery RM'000 | Office equipment and motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Accumulated depreciation:** | | | | | |
| **At 1 January 2013** | 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 |
| **At 31 December 2013 and 1 January 2014** | 8,700 | 112,807 | 457,643 | 74,050 | 653,200 |
| Depreciation charge for the year: | 1,139 | 2,042 | 31,362 | 7,185 | 41,728 |
| - Recognised in profit or loss (Note 8) | 1,139 | 2,042 | 31,349 | 7,154 | 41,684 |
| - Capitalised in construction costs (Note 26) | - | - | 13 | 31 | 44 |
| Disposals | - | - | (110) | (3,205) | (3,315) |
| Written off | - | - | - | (290) | (290) |
| Impairment loss (Note 8) | - | 367 | 155 | 11 | 533 |
| Exchange differences | - | - | - | 11 | 11 |
| **At 31 December 2014** | 9,839 | 115,216 | 489,050 | 77,762 | 691,867 |
| **Net carrying amount:** | | | | | |
| At 31 December 2013 | 57,985 | 142,146 | 272,184 | 27,358 | 499,673 |
| At 31 December 2014 | 63,322 | 196,249 | 306,451 | 31,192 | 597,214 |

**13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)**

| Company | Motor vehicles RM'000 | Office equipment RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost:** | | | |
| **At 1 January 2013** | 7,314 | 6,770 | 14,084 |
| Additions | 614 | 385 | 999 |
| **At 31 December 2013 and 1 January 2014** | 7,928 | 7,155 | 15,083 |
| Additions | 618 | 354 | 972 |
| Disposals | (1,425) | (4) | (1,429) |
| **At 31 December 2014** | 7,121 | 7,505 | 14,626 |
| **Accumulated depreciation:** | | | |
| **At 1 January 2013** | 3,530 | 6,171 | 9,701 |
| Depreciation charge for the year (Note 8) | 509 | 444 | 953 |
| **At 31 December 2013 and 1 January 2014** | 4,039 | 6,615 | 10,654 |
| Depreciation charge for the year (Note 8) | 466 | 346 | 812 |
| Disposals | (1,187) | (3) | (1,190) |
| **At 31 December 2014** | 3,318 | 6,958 | 10,276 |
| **Net carrying amount:** | | | |
| At 31 December 2013 | 3,889 | 540 | 4,429 |
| At 31 December 2014 | 3,803 | 547 | 4,350 |

**(a) Assets under construction**

The Group's plant and machinery included RM47,806,459 (2013: RM6,601,193) which relate to expenditure for plants in the course of construction.

Included in the Group's buildings and infrastructure was RM49,843,313 (2013: RM122,488) which relate to expenditure for buildings in the course of construction.

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

During the previous financial year, the carrying amount of plant and machinery held under finance leases at the reporting date was RM78,898.

Details of the finance leases are disclosed in Note 37(d).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

**13. PROPERTY, PLANT AND EQUIPMENT (CONT'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 RM198,103,325 (2013: RM196,868,701) and RM12,134,558 (2013: RM10,064,445) for the Group and Company, respectively.

**(d) Changes in estimates**

During the last financial year, the Group further shorten the useful life of its buildings, 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 for the above revisions on depreciation charges were as follows:

| | Group | |
|---|---|---|
| | **2014 RM'000** | **2013 RM'000** |
| Increase in depreciation charges | - | 20,385 |

**(e) Land**

Included in the carrying amount of land are:

| | Group | |
|---|---|---|
| | **2014 RM'000** | **2013 RM'000** |
| Freehold land | 416 | 416 |
| Leasehold land | 62,906 | 57,569 |
| | 63,322 | 57,985 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 14. PREPAID LAND LEASE PAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| **Cost:** | | | | |
| **At 1 January** | 24,014 | 23,548 | 11,925 | 11,925 |
| Additions | - | 466 | - | - |
| **At 31 December** | 24,014 | 24,014 | 11,925 | 11,925 |
| **Accumulated amortisation:** | | | | |
| **At 1 January** | 6,513 | 5,766 | 1,361 | 935 |
| Amortisation for the year (Note 8) | 763 | 747 | 426 | 426 |
| **At 31 December** | 7,276 | 6,513 | 1,787 | 1,361 |
| **Net carrying amount** | 16,738 | 17,501 | 10,138 | 10,564 |
| Amount to be amortised: | | | | |
| - Not later than one year | 763 | 763 | 426 | 426 |
| - Later than one year but not later than five years | 3,053 | 3,053 | 1,704 | 1,704 |
| - Later than five years | 12,922 | 13,685 | 8,008 | 8,434 |

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 10 to 42 years (2013: 11 to 43 years) and 24 to 42 years (2013: 25 to 43 years), respectively.

## 15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS

### (a) Land held for property development

| Group | Leasehold land RM'000 | Development expenditure RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost:** | | | |
| **At 1 January 2013** | 56,177 | 7,334 | 63,511 |
| Additions | 3,378 | 568 | 3,946 |
| Disposals | (943) | (560) | (1,503) |
| **At 31 December 2013 and 1 January 2014** | 58,612 | 7,342 | 65,954 |
| Additions | 7,825 | 990 | 8,815 |
| Disposals | (838) | (521) | (1,359) |
| Transferred to property development costs | (11,204) | (391) | (11,595) |
| **At 31 December 2014** | 54,395 | 7,420 | 61,815 |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

**15. LAND HELD FOR PROPERTY DEVELOPMENT AND PROPERTY DEVELOPMENT COSTS (CONT'D.)**

**(b) Property development costs**

| Group | Leasehold land RM'000 | Development expenditure RM'000 | Total RM'000 |
|---|---|---|---|
| **Cumulative property development costs:** | | | |
| **At 1 January 2013** | 86,192 | 519,419 | 605,611 |
| Costs incurred during the year | - | 50,661 | 50,661 |
| **At 31 December 2013 and 1 January 2014** | 86,192 | 570,080 | 656,272 |
| Costs incurred during the year | - | 60,756 | 60,756 |
| Transferred from land held for property development | 11,204 | 391 | 11,595 |
| Reclassification | - | (45) | (45) |
| Reversal of completed projects | (11,406) | (4,677) | (16,083) |
| Unsold unit transferred to inventories | (2) | (1,090) | (1,092) |
| **At 31 December 2014** | 85,988 | 625,415 | 711,403 |
| **Cumulative costs recognised in profit or loss:** | | | |
| **At 1 January 2013** | (2,913) | (471,565) | (474,478) |
| Recognised during the year | (492) | (33,756) | (34,248) |
| **At 31 December 2013 and 1 January 2014** | (3,405) | (505,321) | (508,726) |
| Recognised during the year | (10,981) | (45,885) | (56,866) |
| Reversal of completed projects | 11,406 | 4,677 | 16,083 |
| **At 31 December 2014** | (2,980) | (546,529) | (549,509) |
| **Property development costs:** | | | |
| At 31 December 2013 | 82,787 | 64,759 | 147,546 |
| At 31 December 2014 | 83,008 | 78,886 | 161,894 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 16. INVESTMENT PROPERTIES

| Group | Long term leasehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost:** | | | |
| **At 31 December 2013 and 31 December 2014** | 3,177 | 2,918 | 6,095 |
| **Accumulated depreciation:** | | | |
| **At 1 January 2013** | 77 | 158 | 235 |
| Depreciation charge for the year (Note 8) | 38 | 79 | 117 |
| **At 31 December 2013 and 1 January 2014** | 115 | 237 | 352 |
| Depreciation charge for the year (Note 8) | 38 | 79 | 117 |
| **At 31 December 2014** | 153 | 316 | 469 |
| **Net carrying amount:** | | | |
| At 31 December 2013 | 3,062 | 2,681 | 5,743 |
| At 31 December 2014 | 3,024 | 2,602 | 5,626 |

| Company | Long term leasehold land RM'000 | Buildings RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost:** | | | |
| **At 1 January 2013** | 5,828 | 18,100 | 23,928 |
| Additions | - | 250 | 250 |
| **At 31 December 2013 and 1 January 2014** | 5,828 | 18,350 | 24,178 |
| Additions | - | 6,164 | 6,164 |
| **At 31 December 2014** | 5,828 | 24,514 | 30,342 |
| **Accumulated depreciation:** | | | |
| **At 1 January 2013** | 308 | 1,829 | 2,137 |
| Depreciation charge for the year (Note 8) | 103 | 558 | 661 |
| **At 31 December 2013 and 1 January 2014** | 411 | 2,387 | 2,798 |
| Depreciation charge for the year (Note 8) | 103 | 519 | 622 |
| **At 31 December 2014** | 514 | 2,906 | 3,420 |
| **Net carrying amount:** | | | |
| At 31 December 2013 | 5,417 | 15,963 | 21,380 |
| At 31 December 2014 | 5,314 | 21,608 | 26,922 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 16. INVESTMENT PROPERTIES (CONT'D.)

(a) The Company's investment property was leased to a subsidiary and included in buildings were RM6,164,040 (2013: Nil) which relate to expenditure of a building in the course of construction.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Rental income (Note 4) | (528) | (528) | (600) | (600) |
| Direct operating expenses: | | | | |
| - income generating investment properties | 1,163 | 82 | 954 | 1,128 |
| - non-income generating investment properties | 37 | 37 | - | - |

## 17. INTANGIBLE ASSETS

| Group | Computer software RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost:** | | | |
| **At 1 January 2013** | 5,174 | 926 | 6,100 |
| Additions | 20 | - | 20 |
| **At 31 December 2013 and 1 January 2014** | 5,194 | 926 | 6,120 |
| Additions | 2,021 | 169 | 2,190 |
| Disposals | (20) | - | (20) |
| **At 31 December 2014** | 7,195 | 1,095 | 8,290 |
| **Accumulated amortisation:** | | | |
| **At 1 January 2013** | 4,201 | 724 | 4,925 |
| Amortisation charge for the year (Note 8) | 959 | 6 | 965 |
| **At 31 December 2013 and 1 January 2014** | 5,160 | 730 | 5,890 |
| Amortisation charge for the year (Note 8) | 80 | 6 | 86 |
| Disposals | (6) | - | (6) |
| **At 31 December 2014** | 5,234 | 736 | 5,970 |
| **Net carrying amount:** | | | |
| At 31 December 2013 | 34 | 196 | 230 |
| At 31 December 2014 | 1,961 | 359 | 2,320 |

Included in computer software were RM1,500,000 (2013: Nil) which relate to expenditure for software under development.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 17. INTANGIBLE ASSETS (CONT'D.)

| Company | Computer software RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|
| **Cost:** | | | |
| **At 1 January 2013** | 2,286 | - | 2,286 |
| Additions | 20 | - | 20 |
| **At 31 December 2013 and 1 January 2014** | 2,306 | - | 2,306 |
| Additions | - | 101 | 101 |
| **At 31 December 2014** | 2,306 | 101 | 2,407 |
| **Accumulated amortisation:** | | | |
| **At 1 January 2013** | 1,843 | - | 1,843 |
| Amortisation charge for the year (Note 8) | 429 | - | 429 |
| **At 31 December 2013 and 1 January 2014** | 2,272 | - | 2,272 |
| Amortisation charge for the year (Note 8) | 17 | - | 17 |
| **At 31 December 2014** | 2,289 | - | 2,289 |
| **Net carrying amount:** | | | |
| At 31 December 2013 | 34 | - | 34 |
| At 31 December 2014 | 17 | 101 | 118 |

## 18. GOODWILL

| | Group | |
|---|---|---|
| | **2014 RM'000** | 2013 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 | |
|---|---|---|
| | **2014 RM'000** | 2013 RM'000 |
| Manufacturing | 61,709 | 61,709 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 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 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| CMS Clinker Sdn Bhd | 16.0% | 16.0% | 12.0% | 9.2% |

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 | |
|---|---|---|
| | 2014<br>RM'000 | 2013<br>RM'000 |
| Unquoted shares, at cost | 867,770 | 942,006 |
| Impairment losses | (55,877) | (158,397) |
| | 811,893 | 783,609 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 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 2014 % | 2013 % |
|---|---|---|---|---|
| **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 | 100.0 | 93.3 |
| CMS Energy Sdn Bhd (i) | Malaysia | Dormant | 100.0 | 100.0 |
| CMS Infra Trading Sdn Bhd | Malaysia | General trading | 51.0 | 51.0 |
| CMS I-Systems Berhad | Malaysia | Dormant | 100.0 | 100.0 |
| 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 Steel Berhad (i) | Malaysia | Dormant | 100.0 | 100.0 |
| CMS Wires Sdn Bhd | Malaysia | Manufacture and sale of wire mesh and related products | 69.1 | 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 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 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 System (IBS) products | 100.0 | 100.0 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

| Name of subsidiaries | Country of incorporation | Principal activities | Proportion of ownership interest 2014 % | 2013 % |
|---|---|---|---|---|
| **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. (iii) | India | Dormant | 99.9 | 99.9 |
| I-Systems (Guangzhou) Co. Ltd. (i) & (iii) | People's Republic of China | Software development and provision of e-business solutions | 100.0 | 100.0 |
| **Subsidiaries of CMS Property Development Sdn Bhd** | | | | |
| CMS Development Services Sdn Bhd | Malaysia | Dormant | 100.0 | 100.0 |
| CMS Hotels Sdn Bhd | Malaysia | Dormant | 100.0 | 100.0 |
| CMS Land Sdn Bhd | Malaysia | Property holding, property development and construction | 51.0 | 51.0 |
| CMS Property Management Sdn Bhd | Malaysia | Project management and consultancy | 51.0 | 51.0 |
| **Subsidiaries of CMS Resources Sdn Bhd** | | | | |
| CMS Penkuari Sdn Bhd (iv) | Malaysia | Quarry operations | 60.0 | 60.0 |
| CMS Premix Sdn Bhd | Malaysia | Production and sale of premix | 60.0 | 60.0 |
| CMS Premix (Miri) Sdn Bhd | Malaysia | Production and sale of premix | 60.0 | 60.0 |
| CMS Quarries Sdn Bhd | Malaysia | Quarry operations | 100.0 | 100.0 |
| PPES Concrete Product Sdn Bhd | Malaysia | Manufacture and sale of concrete products | 100.0 | 100.0 |
| **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 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

| Name of subsidiaries | Country of incorporation | Principal activities | Proportion of ownership interest 2014 % | 2013 % |
|---|---|---|---|---|
| **Subsidiaries of Samalaju Industries Sdn Bhd** | | | | |
| Samalaju Aluminium Industries Sdn Bhd (i) | Malaysia | Investment holding | 100.0 | 100.0 |
| Samalaju Properties Sdn Bhd | Malaysia | Provision and management of temporary accommodation, property and township development | 51.0 | 51.0 |
| **Subsidiary of Samalaju Properties Sdn Bhd** | | | | |
| Samalaju Hotel Management Sdn Bhd (v) | Malaysia | Hotel owner | 100.0 | 100.0 |

(i) Placed under voluntary liquidation
(ii) Another 60% is held by CMS Resources Sdn Bhd
(iii) Audited by firms other than Ernst & Young
(iv) Another 40% is held by CMS Premix Sdn Bhd
(v) Has yet to commence business operations

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

The Company subscribed for an additional 29,360,000 (2013: 38,162,000) ordinary shares of RM1 each in Samalaju Industries Sdn Bhd for a total cash consideration of RM29,360,000 (2013: RM38,162,000).

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

On 15 August 2014, the Company acquired an additional 6.7% equity interest in CMS Education Sdn Bhd from its non-controlling interest for a cash consideration of RM40,000. As a result of this acquisition, CMS Education Sdn Bhd became a wholly-owned subsidiary of the Company.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Summarised financial information of PPES Works (Sarawak) Sdn Bhd, CMS Land Sdn Bhd and CMS Resources Sdn Bhd which have non-controlling interests that are material to the Group is set out below. The summarised financial information presented below is the amount before inter-company elimination.

(i) Summarised Statements of Financial Position

| | PPES Works (Sarawak) Sdn Bhd (Economic Entity) | | CMS Land Sdn Bhd | | CMS Resources Sdn Bhd and its subsidiaries | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Non-current assets | 2,012 | 4,595 | 20,910 | 20,812 | 47,059 | 41,570 | 69,981 | 66,977 |
| Current assets | 261,793 | 221,613 | 121,110 | 105,666 | 376,068 | 235,004 | 758,971 | 562,283 |
| Total assets | 263,805 | 226,208 | 142,020 | 126,478 | 423,127 | 276,574 | 828,952 | 629,260 |
| Current liabilities | 89,099 | 57,073 | 45,689 | 43,960 | 254,897 | 131,478 | 389,685 | 232,511 |
| Non-current liabilities | 150 | 170 | 9,312 | 6,232 | 6,190 | 6,918 | 15,652 | 13,320 |
| Total liabilities | 89,249 | 57,243 | 55,001 | 50,192 | 261,087 | 138,396 | 405,337 | 245,831 |
| Net assets | 174,556 | 168,965 | 87,019 | 76,286 | 162,040 | 138,178 | 423,615 | 383,429 |
| Equity attributable to owners of the Company | 89,024 | 86,172 | 39,426 | 33,952 | 92,133 | 78,736 | 220,583 | 198,860 |
| Non-controlling interests | 85,532 | 82,793 | 47,593 | 42,334 | 69,907 | 59,442 | 203,032 | 184,569 |

(ii) Summarised Statements of Profit or Loss and Other Comprehensive Income

| | PPES Works (Sarawak) Sdn Bhd (Economic Entity) | | CMS Land Sdn Bhd | | CMS Resources Sdn Bhd and its subsidiaries | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Revenue | 205,779 | 132,942 | 45,726 | 7,434 | 359,486 | 336,390 | 610,991 | 476,766 |
| Profit for the year | 19,491 | 27,861 | 10,733 | 196 | 41,363 | 35,658 | 71,587 | 63,715 |
| Profit attributable to owners of the Company | 9,940 | 14,209 | 5,474 | 100 | 34,581 | 28,698 | 49,995 | 43,007 |
| Profit attributable to the non-controlling interests | 9,551 | 13,652 | 5,259 | 96 | 6,782 | 6,960 | 21,592 | 20,708 |
| Dividends paid to non-controlling interests | - | - | - | - | 3,440 | 3,040 | 3,440 | 3,040 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(iii) Summarised Statements of Cash Flows

| | PPES Works (Sarawak) Sdn Bhd (Economic Entity) | | CMS Land Sdn Bhd | | CMS Resources Sdn Bhd and its subsidiaries | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Net cash generated from/(used in) operating activities | 60,019 | 22,611 | 17,110 | (2,918) | 160,757 | 66,275 | 237,886 | 85,968 |
| Net cash generated from/(used in) investing activities | 3,788 | 186 | (124) | (10) | (9,632) | (6,669) | (5,968) | (6,493) |
| Net cash used in financing activities | (13,900) | (8,900) | - | - | (18,625) | (14,725) | (32,525) | (23,625) |
| Net increase/(decrease) in cash and cash equivalents | 49,907 | 13,897 | 16,986 | (2,928) | 132,500 | 44,881 | 199,393 | 55,850 |
| Cash and cash equivalents at beginning of the year | 146,620 | 132,723 | 321 | 3,249 | 136,933 | 92,052 | 283,874 | 228,024 |
| Cash and cash equivalents at end of the year | 196,527 | 146,620 | 17,307 | 321 | 269,433 | 136,933 | 483,267 | 283,874 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 20. INVESTMENTS IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 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 associate | (5,000) | (5,000) | - | - |
| | 267,233 | 267,233 | 57,063 | 57,063 |
| Redeemable preference shares, at cost | 22,493 | 24,319 | - | - |
| Less: Accumulated impairment losses | (6,973) | (6,973) | - | - |
| | 15,520 | 17,346 | - | - |
| Unquoted shares, at cost | 115,757 | 86,362 | - | - |
| | 398,510 | 370,941 | 57,063 | 57,063 |
| Share of post-acquisition reserves | 5,435 | 9,587 | - | - |
| | 403,945 | 380,528 | 57,063 | 57,063 |
| Fair value of investments in associates for which there is published price quotation | 187,574 | 248,039 | 95,562 | 156,028 |

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

| Name of associates | Principal activities | Proportion of ownership interest 2014 % | 2013 % |
|---|---|---|---|
| **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 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 20. INVESTMENTS IN ASSOCIATES (CONT'D.)

Details of the associates, which are incorporated in Malaysia, are as follows (cont'd.):

| Name of associates | Principal activities | Proportion of ownership interest 2014 % | 2013 % |
|---|---|---|---|
| **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 | 20.0 |
| Malaysian Phosphate Additives (Sarawak) Sdn Bhd* | Manufacturing and trading of inorganic feed phosphates | 40.0 | - |

* Has yet to commence business operations.

^ The shares in this associate have been pledged to a consortium pf banks for credit facilities granted to this associate.

## 20. INVESTMENTS IN ASSOCIATES (CONT'D.)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information represents the amounts in the MFRS financial statements of the associates and not the Group's share of those amounts.

(i) Summarised Statements of Financial Position

| | K&N Kenanga Holdings Berhad | | KKB Engineering Berhad | | OM Material (Sarawak) Sdn Bhd | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Non-current assets | 392,706 | 398,548 | 158,650 | 157,745 | 1,313,469 | 739,652 | 1,864,825 | 1,295,945 |
| Current assets | 5,337,339 | 5,321,041 | 182,100 | 174,293 | 287,168 | 118,468 | 5,806,607 | 5,613,802 |
| Total assets | 5,730,045 | 5,719,589 | 340,750 | 332,038 | 1,600,637 | 858,120 | 7,671,432 | 6,909,747 |
| Current liabilities | 4,866,849 | 1,384 | 33,763 | 34,234 | 213,551 | 47,073 | 5,114,163 | 82,691 |
| Non-current liabilities | 22 | 4,899,297 | 11,347 | 13,216 | 1,108,908 | 519,904 | 1,120,277 | 5,432,417 |
| Total liabilities | 4,866,871 | 4,900,681 | 45,110 | 47,450 | 1,322,459 | 566,977 | 6,234,440 | 5,515,108 |
| Net assets | 863,174 | 818,908 | 295,640 | 284,588 | 278,178 | 291,143 | 1,436,992 | 1,394,639 |

(ii) Summarised Statements of Profit or Loss and Other Comprehensive Income

| | K&N Kenanga Holdings Berhad | | KKB Engineering Berhad | | OM Material (Sarawak) Sdn Bhd | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Revenue | 592,398 | 517,604 | 202,009 | 228,880 | - | - | 794,407 | 746,484 |
| Profit/(loss) before tax from continuing operations | 41,767 | 8,791 | 31,924 | 47,112 | 21,391 | (7,766) | 95,082 | 48,137 |
| Profit/(loss) for the year from continuing operations | 30,470 | 7,210 | 23,942 | 34,957 | 21,291 | (7,897) | 75,703 | 34,270 |
| Loss for the year from discontinued operations | (147) | (110) | - | - | - | - | (147) | (110) |
| Other comprehensive income/(expense) | 13,943 | (19,019) | - | - | (54,415) | (73,983) | (40,472) | (93,002) |
| Total comprehensive income/(expense) | 44,266 | (11,919) | 23,942 | 34,957 | (33,124) | (81,880) | 35,084 | (58,842) |
| Dividends received from the associates during the year | - | - | 2,584 | 2,969 | - | - | 2,584 | 2,969 |

## 20. INVESTMENTS IN ASSOCIATES (CONT'D.)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interests in associates

| | K&N Kenanga Holdings Berhad | | KKB Engineering Berhad | | OM Material (Sarawak) Sdn Bhd | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Net assets at 1 January | 818,908 | 830,827 | 284,588 | 265,054 | 291,143 | 237,817 | 1,394,639 | 1,333,698 |
| Profit for the year | 30,323 | 7,100 | 23,942 | 34,957 | 21,291 | (7,897) | 75,556 | 34,160 |
| Other comprehensive income/(expense) | 13,943 | (19,019) | - | - | (54,415) | (73,983) | (40,472) | (93,002) |
| Foreign exchange differences | - | - | - | - | 20,159 | - | 20,159 | - |
| Issuance of shares | - | - | - | - | - | 135,206 | - | 135,206 |
| Dividends paid during the year | - | - | (12,890) | (15,423) | - | - | (12,890) | (15,423) |
| Net assets at 31 December | 863,174 | 818,908 | 295,640 | 284,588 | 278,178 | 291,143 | 1,436,992 | 1,394,639 |
| Interests in associates | 25.1% | 25.1% | 20.0% | 20.0% | 20.0% | 20.0% | - | - |
| Carrying value of Group's interests in associates | 216,657 | 205,546 | 59,128 | 56,918 | 55,636 | 58,229 | 331,421 | 320,693 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 21. INVESTMENTS IN JOINT VENTURES

| | Group | |
|---|---|---|
| | **2014 RM'000** | **2013 RM'000** |
| Unquoted shares, at cost | 2,300 | 2,300 |
| Share of post-acquisition reserves | (905) | 1,645 |
| | 1,395 | 3,945 |

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.

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

| | | Proportion of ownership interest | |
|---|---|---|---|
| **Name of joint ventures** | **Principal activities** | **2014 %** | **2013 %** |
| PPES Works (Sarawak) Sdn Bhd /Naim Cendera Sdn Bhd JV (i) | Construction of buildings | - | 55.0 |
| PPES Works – Naim Land JV | Construction of bridges | 55.0 | 55.0 |
| PPES Works Wibawa JV (ii) | Connection of water supply and all submarine related works | 50.0 | 50.0 |
| PPES Works (Sarawak) Sdn Bhd - PN Construction Sdn Bhd (iii) | Construction of Aquatic Centre | 49.0 | 49.0 |

(i) The joint venture was dissolved in 2014.

(ii) During the previous financial year, the Group's initial capital contribution in PPES Works Wibawa JV was reduced by RM200,000.

(iii) Not audited as auditor has yet to be appointed.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

**21. INVESTMENTS IN JOINT VENTURES (CONT'D.)**

Summarised financial information of PPES Works - Naim Land JV ("Naim Land JV") and PPES Works Wibawa JV ("Wibawa JV") is set out below. 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 Statements of Financial Position

| | Naim Land JV | | Wibawa JV | | Total | |
|---|---|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Non-current assets | 2 | - | 25 | - | 27 | - |
| Cash and cash equivalents | 308 | 5,364 | 156 | 316 | 464 | 5,680 |
| Other current assets | 3,827 | 1,424 | 10,523 | 6,640 | 14,350 | 8,065 |
| Total current assets | 4,135 | 6,788 | 10,679 | 6,956 | 14,814 | 13,745 |
| Total assets | 4,137 | 6,788 | 10,704 | 6,956 | 14,841 | 13,745 |
| Trade and other payables and provisions | 966 | 178 | 6,380 | 6,338 | 7,346 | 6,517 |
| Other current liabilities | 4,565 | - | - | - | 4,565 | - |
| Total current liabilities | 5,531 | 178 | 6,380 | 6,338 | 11,911 | 6,517 |
| Total liabilities | 5,531 | 178 | 6,380 | 6,338 | 11,911 | 6,517 |
| Net (liabilities)/assets | (1,394) | 6,610 | 4,324 | 618 | 2,930 | 7,228 |

(ii) Summarised Statements of Profit and Loss and Other Comprehensive Income

| | Naim Land JV | | Wibawa JV | | Total | |
|---|---|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Revenue | 5,307 | - | 41,159 | 4,764 | 46,466 | 4,764 |
| (Loss)/profit before tax from continuing operations | (5,394) | (14) | 4,106 | 472 | (1,288) | 458 |
| (Loss)/profit for the year from continuing operations | (5,394) | (14) | 4,106 | 472 | (1,288) | 458 |
| Total comprehensive (expense)/income | (5,394) | (14) | 4,106 | 472 | (1,288) | 458 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 21. INVESTMENTS IN JOINT VENTURES (CONT'D.)

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

| | Naim Land JV | | Wibawa JV | | Total | |
|---|---|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Net assets at 1 January | 6,610 | 6,624 | 618 | 609 | 7,228 | 7,233 |
| Distribution of profit | (2,610) | - | (400) | (63) | (3,010) | (63) |
| Return on capital from joint ventures | - | - | - | (400) | - | (400) |
| (Loss)/profit for the year | (5,394) | (14) | 4,106 | 472 | (1,288) | 458 |
| Net assets at 31 December | (1,394) | 6,610 | 4,324 | 618 | 2,930 | 7,228 |
| Interests in joint ventures | 55% | 55% | 50% | 50% | - | - |
| Carrying value of Economic Entity's interests in joint ventures | (767) | 3,636 | 2,162 | 309 | 1,395 | 3,945 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 22. DEFERRED TAX

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 RM'000** | **2013 RM'000** | **2014 RM'000** | **2013 RM'000** |
| **At 1 January** | (10,705) | (14,372) | 724 | 424 |
| Recognised in statements of profit or loss and other comprehensive income (net) (Note 11) | (1,290) | 3,667 | 194 | 300 |
| **At 31 December** | (11,995) | (10,705) | 918 | 724 |

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 | |
|---|---|---|---|---|
| | **2014 RM'000** | **2013 RM'000** | **2014 RM'000** | **2013 RM'000** |
| Deferred tax assets, net | 27,075 | 23,007 | 918 | 724 |
| Deferred tax liabilities, net | (39,070) | (33,712) | - | - |
| | (11,995) | (10,705) | 918 | 724 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2014 RM'000** | **2013 RM'000** | **2014 RM'000** | **2013 RM'000** |
| Deferred tax assets | 52,839 | 53,460 | 918 | 724 |
| Deferred tax liabilities | (64,834) | (64,165) | - | - |
| | (11,995) | (10,705) | 918 | 724 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

**22. DEFERRED TAX (CONT'D.)**

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 |
|---|---|---|---|---|
| **Deferred tax assets:** | | | | |
| **At 1 January 2013** | - | 43,932 | 565 | 44,497 |
| Recognised in statements of profit or loss and other comprehensive income | 4,334 | 711 | 3,918 | 8,963 |
| **At 31 December 2013** | 4,334 | 44,643 | 4,483 | 53,460 |
| Recognised in statements of profit or loss and other comprehensive income | (1,476) | 1,332 | (477) | (621) |
| **At 31 December 2014** | 2,858 | 45,975 | 4,006 | 52,839 |

| Group | Property, plant and equipment RM'000 | Property development costs RM'000 | Other temporary differences RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | |
| **At 1 January 2013** | (49,797) | (7,722) | (1,350) | (58,869) |
| Recognised in statements of profit or loss and other comprehensive income | (5,609) | 109 | 204 | (5,296) |
| **At 31 December 2013** | (55,406) | (7,613) | (1,146) | (64,165) |
| Recognised in statements of profit or loss and other comprehensive income | (1,598) | 933 | (4) | (669) |
| **At 31 December 2014** | (57,004) | (6,680) | (1,150) | (64,834) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 22. DEFERRED TAX (CONT'D.)

| Company | Unabsorbed capital allowances RM'000 |
|---|---|
| **Deferred tax assets:** | |
| **At 1 January 2013** | 424 |
| Recognised in statements of profit or loss and other comprehensive income | 300 |
| **At 31 December 2013** | 724 |
| Recognised in statements of profit or loss and other comprehensive income | 194 |
| **At 31 December 2014** | 918 |

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

| | Group | |
|---|---|---|
| | **2014 RM'000** | **2013 RM'000** |
| Unutilised tax losses | 35,634 | 34,483 |
| Unabsorbed capital allowances | 3,063 | 2,715 |
| | 38,697 | 37,198 |

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 (2013: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 44).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 23. INVENTORIES

| | Group | |
|---|---|---|
| | 2014 RM'000 | 2013 RM'000 |
| **Cost** | | |
| Raw materials | 37,453 | 38,018 |
| General stores | 72,425 | 64,293 |
| Work-in-progress | 78 | 436 |
| Goods in transit | 24 | 97 |
| Finished goods | 10,440 | 27,617 |
| Completed development units | 1,092 | - |
| | 121,512 | 130,461 |
| **Net realisable value** | | |
| Finished goods | 8 | 85 |
| | 121,520 | 130,546 |

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM770,354,787 (2013: RM597,058,691).

## 24. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| **Current** | | | | |
| **Trade receivables** | | | | |
| Third parties | 263,445 | 247,347 | - | - |
| Retention sums on construction contracts (Note 26) | 7,237 | 3,246 | - | - |
| Advance on construction contracts (Note 26) | - | 1,511 | - | - |
| | 270,682 | 252,104 | - | - |
| Less: Allowance for impairment | | | | |
| Third parties | (4,083) | (3,140) | - | - |
| Trade receivables, net | 266,599 | 248,964 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 24. TRADE AND OTHER RECEIVABLES (CONT'D.)

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| **Current (cont'd.)** | | | | |
| **Other receivables** | | | | |
| Other receivables | 7,319 | 8,836 | 335 | 826 |
| Amount due from joint ventures | - | 5,388 | - | - |
| Amount due from subsidiaries: | | | | |
| - Central cash management accounts | - | - | 84,131 | 112,142 |
| - Current accounts | - | - | 11,469 | 9,668 |
| - Loans | - | - | 574 | 574 |
| Other deposits | 4,527 | 4,084 | 588 | 576 |
| Interest receivable | 4 | 3 | - | - |
| Retention monies | 793 | 671 | - | - |
| | 12,643 | 18,982 | 97,097 | 123,786 |
| Less: Allowance for impairment Other receivables | (548) | (548) | (3,177) | (3,177) |
| Other receivables, net | 12,095 | 18,434 | 93,920 | 120,609 |
| | 278,694 | 267,398 | 93,920 | 120,609 |
| **Non-current** | | | | |
| **Other receivables** | | | | |
| Amount due from subsidiaries under loans | - | - | 10,999 | 11,135 |
| Amount due from an associate | 10,432 | 9,379 | - | - |
| | 10,432 | 9,379 | 10,999 | 11,135 |
| **Total trade and other receivables (current and non-current)** | 289,126 | 276,777 | 104,919 | 131,744 |
| Add: Cash and bank balances (Note 28) | 829,590 | 613,708 | 674,600 | 579,392 |
| **Total loans and receivables** | 1,118,716 | 890,485 | 779,519 | 711,136 |

### (a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 day (2013: 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.

## 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 | |
|---|---|---|
| | 2014 RM'000 | 2013 RM'000 |
| Neither past due nor impaired | 188,662 | 179,178 |
| 1 to 30 days past due not impaired | 26,171 | 21,578 |
| 31 to 60 days past due not impaired | 8,408 | 12,746 |
| 61 to 90 days past due not impaired | 11,244 | 4,773 |
| 91 to 120 days past due not impaired | 4,852 | 4,834 |
| More than 121 days past due not impaired | 25,352 | 19,567 |
| | 76,027 | 63,498 |
| Impaired | 5,993 | 9,428 |
| | 270,682 | 252,104 |

**Receivables that are neither past due nor impaired**

Trade 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 RM76,027,035 (2013: RM63,497,951) 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.

## 24. TRADE AND OTHER RECEIVABLES (CONT'D.)

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

**Receivables that are impaired**

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

| | 2014 RM'000 | 2013 RM'000 |
|---|---|---|
| Trade receivables | 5,993 | 9,428 |
| Less: Allowance for impairment | (4,083) | (3,140) |
| | 1,910 | 6,288 |
| Movement in allowance accounts: | | |
| **At 1 January** | 3,140 | 5,980 |
| Charges for the year (Note 8) | 4,092 | 428 |
| Bad debts recovered (Note 6) | (2,721) | - |
| Reversal of impairment loss (Note 6) | (360) | (3,144) |
| Unwinding of discount (Note 5) | (68) | (124) |
| **At 31 December** | 4,083 | 3,140 |

Trade receivables that were individually determined to be impaired at the reporting date relate to debtors that are in significant financial 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 4.84% to 5.23% (2013: 4.75% 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 39.

### (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 39.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 25. OTHER CURRENT ASSETS

| | Group | |
|---|---|---|
| | 2014<br>RM'000 | 2013<br>RM'000 |
| Prepaid operating expenses | 3,905 | 2,498 |
| Amount due from customers for contract work (Note 26) | 42,275 | 18,659 |
| Accrued billings in respect of property development costs | - | 4,205 |
| | 46,180 | 25,362 |

## 26. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

| | Group | |
|---|---|---|
| | 2014<br>RM'000 | 2013<br>RM'000 |
| Construction contract costs incurred to-date | 384,158 | 189,569 |
| Attributable profits less recognised losses | 27,885 | 15,104 |
| | 412,043 | 204,673 |
| Less: Progress billings | (387,311) | (199,397) |
| | 24,732 | 5,276 |
| Presented as: | | |
| Amount due from customers for contracts work (Note 25) | 42,275 | 18,659 |
| Amount due to customers for contracts work (Note 32) | (17,543) | (13,383) |
| | 24,732 | 5,276 |
| Retention sums on construction contracts included in: | | |
| Trade receivables (Note 24) | 7,237 | 3,246 |
| Trade payables (Note 31) | 8,289 | 4,224 |
| Advance on construction contracts included in: | | |
| Trade receivables (Note 24) | - | 1,511 |
| Trade payables (Note 31) | - | 1,736 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 26. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS (CONT'D.)

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

| | Group | |
|---|---|---|
| | 2014 RM'000 | 2013 RM'000 |
| Depreciation of property, plant and equipment (Note 13) | 44 | 51 |
| Operating leases: | | |
| - minimum lease payments on land and buildings | 88 | 59 |
| - minimum lease payments on equipment | 904 | - |

## 27. INVESTMENT SECURITIES

| | Group | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Carrying amount RM'000 | Market value of investments RM'000 | Carrying amount RM'000 | Market value of investments RM'000 |
| **Current** | | | | |
| **Fair value through profit or loss** | | | | |
| Income debt securities fund (unquoted in Malaysia) | 61,523 | 61,523 | 58,904 | 58,904 |
| Equity instruments (quoted in Malaysia) | 37,826 | 37,826 | 38,413 | 38,413 |
| Unit trust funds (quoted in Malaysia) | 27,951 | 27,951 | 28,695 | 28,695 |
| Wholesale fund (unquoted in Malaysia) | 1,386 | 1,386 | 1,056 | 1,056 |
| Total current investment securities | 128,686 | 128,686 | 127,068 | 127,068 |
| **Non-current** | | | | |
| **Available-for-sale financial assets** | | | | |
| Equity instruments (unquoted in Malaysia), at cost | 300 | - | 300 | - |
| Redeemable participatory shares (unquoted in Malaysia), at cost | 9,161 | - | 6,869 | - |
| Total non-current investment securities | 9,461 | - | 7,169 | - |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 27. INVESTMENT SECURITIES (CONT'D.)

| | Company | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Carrying amount RM'000 | Market value of investments RM'000 | Carrying amount RM'000 | Market value of investments RM'000 |
| **Current** | | | | |
| **Fair value through profit or loss** | | | | |
| Income debt securities fund (unquoted in Malaysia) | 61,523 | 61,523 | 58,904 | 58,904 |
| Equity instruments (quoted in Malaysia) | 37,825 | 37,825 | 38,413 | 38,413 |
| Unit trust funds (quoted in Malaysia) | 27,951 | 27,951 | 28,695 | 28,695 |
| Total current investment securities | 127,299 | 127,299 | 126,012 | 126,012 |

## 28. CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Cash in hand and at banks | 93,058 | 37,459 | 3,790 | 6,026 |
| Short-term deposits with licensed banks | 103,290 | 76,767 | 37,568 | 73,884 |
| Wholesale fund | 633,242 | 499,482 | 633,242 | 499,482 |
| Total cash and bank balances | 829,590 | 613,708 | 674,600 | 579,392 |

(a) Included in cash at bank of the Group and Company is an amount of RM3,608,088 (2013: RM5,610,922) 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 2014 for the Group and the Company were 1.38% (2013: 3.25%) and 3.72% (2013: 3.34%), respectively.

Included in short-term deposits with licensed banks of the Group and Company is an amount of RM15,000,000 (2013: RM5,000,000) being deposits placed with a banking subsidiary of an associate.

Short-term deposits of the Group and Company amounting to RM1,913,312 (2013: RM1,762,908) and RM210,000 (2013: RM210,000), 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 licensed banks.

The Company pledged its units amounting to RM23,000,000 (2013: RM23,000,000) held under wholesale fund to a licensed bank as security for a banking facility granted to a subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 28. CASH AND BANK BALANCES (CONT'D.)

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Cash and short-term deposits | 829,590 | 613,708 | 674,600 | 579,392 |
| Less: Deposit pledged to licensed banks | (1,914) | (1,763) | (210) | (210) |
| Less: Wholesale fund pledged to a licensed bank | (23,000) | (23,000) | (23,000) | (23,000) |
| Cash and cash equivalents | 804,676 | 588,945 | 651,390 | 556,182 |

## 29. ASSET CLASSIFIED AS HELD FOR SALE

In December 2013, an asset within the Samalaju Development operating segment was classified as an asset held for sale following the decision of its Board of Directors to enter into a sale and purchase agreement for its disposal. The completion date for the transaction was supposed to be by December 2014. However, due to an unfulfilled condition which is beyond the subsidiary's control, the period to complete the disposal is extended beyond one year. Nevertheless the subsidiary is committed to its plan and it is highly probable that the disposal will be completed by December 2015. As such, no reclassification is required.

## 30. LOANS AND BORROWINGS

| | Group | |
|---|---|---|
| | 2014 RM'000 | 2013 RM'000 |
| **Current** | | |
| **Secured:** | | |
| Revolving credits | 14,000 | 15,000 |
| Hire purchase and finance lease liabilities (Note 37(d)) | - | 16 |
| | 14,000 | 15,016 |
| **Unsecured:** | | |
| Shareholders' loan | 551 | 551 |
| Bankers' acceptances | 38,708 | 36,006 |
| Term loans | 21,360 | 21,440 |
| | 60,619 | 57,997 |
| | 74,619 | 73,013 |
| **Non-current** | | |
| **Unsecured:** | | |
| Shareholders' loan | 5,177 | 5,729 |
| Term loans | 25,000 | 21,360 |
| | 30,177 | 27,089 |
| Total loans and borrowings | 104,796 | 100,102 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 30. LOANS AND BORROWINGS (CONT'D.)

The remaining maturities of the loans and borrowings were as follows:

| | Group | |
|---|---|---|
| | **2014 RM'000** | **2013 RM'000** |
| On demand or within 1 year | 74,619 | 73,013 |
| More than 1 year and less than 5 years | 16,490 | 21,911 |
| 5 years or more | 13,687 | 5,178 |
| | 104,796 | 100,102 |

(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:

| | **2014 %** | **2013 %** |
|---|---|---|
| Bankers' acceptances | 3.68 to 5.30 | 3.37 to 5.10 |
| Revolving credits | 5.02 | 4.76 |
| Term loans | 3.68 to 5.30 | 3.37 to 5.10 |

(c) The shareholders' loan is charged interest at 5% (2013: 5%) per annum and is repayable from June 2010 to June 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 31. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| **Current** | | | | |
| **Trade payables** | | | | |
| Third parties | 343,833 | 226,505 | - | - |
| Deposits payable | 5,123 | 5,377 | - | - |
| Retention sums on construction contracts (Note 26) | 8,289 | 4,224 | - | - |
| Advance on construction contracts (Note 26) | - | 1,736 | - | - |
| | 357,245 | 237,842 | - | - |
| **Other payables** | | | | |
| Other payables | 134,123 | 72,851 | 10,335 | 2,953 |
| Accrued operating expenses | 22,741 | 20,346 | 705 | 913 |
| Amount due to subsidiaries under central cash management accounts | - | - | 718,429 | 616,329 |
| Amount due to corporate shareholder | - | 1,607 | - | - |
| Deposits payable | 2,728 | 5,212 | - | - |
| Interest payable | 398 | 670 | - | - |
| Retention monies | 3,129 | 1,578 | - | - |
| | 163,119 | 102,264 | 729,469 | 620,195 |
| | 520,364 | 340,106 | 729,469 | 620,195 |
| **Non-current** | | | | |
| Other payables | 15,959 | 24,072 | - | - |
| Deposit payable | 930 | - | - | - |
| | 16,889 | 24,072 | - | - |
| **Total trade and other payables (current and non-current)** | 537,253 | 364,178 | 729,469 | 620,195 |
| Add: Loans and borrowings (Note 30) | 104,796 | 100,102 | - | - |
| **Total financial liabilities carried at amortised cost** | 642,049 | 464,280 | 729,469 | 620,195 |

**(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 (2013: one month to four months).

**(b) Other payables**

Included in non-current other payables is an amount of RM15,958,564 (2013: RM24,072,207) 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.

## 31. TRADE AND OTHER PAYABLES (CONT'D.)

### (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 2.96% to 3.45% (2013: 3.01% to 3.09%) per annum.

Further details on related party transactions are disclosed in Note 39.

### (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 39.

## 32. OTHER CURRENT LIABILITIES

| | Group | |
|---|---|---|
| | 2014<br>RM'000 | 2013<br>RM'000 |
| Progress billings in respect of property development costs | 5,712 | 1,416 |
| Amount due to customers for contract work (Note 26) | 17,543 | 13,383 |
| | 23,255 | 14,799 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 33. SHARE CAPITAL AND TREASURY SHARES

| | Number of ordinary shares | | | Amount | |
|---|---|---|---|---|---|
| **Group/Company** | **Share capital (Issued and fully paid) '000** | **Treasury shares '000** | **Par value RM** | **Share capital (Issued and fully paid) RM'000** | **Treasury shares RM'000** |
| **At 1 January 2013** | 332,436 | (7,577) | 1.00 | 332,436 | (23,319) |
| Exercise of employees' share options (Note 36(a)) | 7,268 | - | 1.00 | 7,268 | - |
| Acquisition of treasury shares | - | (5,704) | 1.00 | - | (19,102) |
| Disposal of treasury shares | - | 12,480 | 1.00 | - | 38,792 |
| **At 31 December 2013 and 1 January 2014** | 339,704 | (801) | 1.00 | 339,704 | (3,629) |
| Exercise of employees' share options (Note 36(a)) | 5,716 | - | 1.00 | 5,716 | - |
| Disposal of treasury shares | - | 801 | 1.00 | - | 3,629 |
| Share split | 345,420 | - | - | - | - |
| Bonus issue | 345,420 | - | 0.50 | 172,710 | - |
| Exercise of employees' share options (Note 36(a)) | 3,244 | - | 0.50 | 1,622 | - |
| **At 31 December 2014** | 1,039,504 | - | 0.50 | 519,752 | - |

| | Number of ordinary shares | | Amount |
|---|---|---|---|
| | **Authorised '000** | **Par value RM** | **RM'000** |
| **At 1 January 2013 and 31 December 2013** | 1,000,000 | 1.00 | 1,000,000 |
| Share split | 1,000,000 | - | - |
| **At 31 December 2014** | 2,000,000 | 0.50 | 1,000,000 |

| | Number of Non-Convertible Redeemable Preference Shares | | Amount |
|---|---|---|---|
| | **Authorised** | **Par value RM** | **RM** |
| **At 1 January 2013 and 31 December 2013** | 400 | 1.00 | 400 |
| Share split | 400 | - | - |
| **At 31 December 2014** | 800 | 0.50 | 400 |

## 33. SHARE CAPITAL AND TREASURY SHARES (CONT'D.)

### (a) Share capital

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

The Company has an employees' 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 801,000 shares in the Company through purchases from the open market in the previous financial year. The total amount paid to acquire the shares was RM3,628,907 and this was presented as a component within shareholders' equity. The average cost paid for the shares repurchased in the previous financial year was RM4.53 per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares. Treasury shares have no rights to voting, dividends and participation in other distribution.

On 10 January 2014, the Company re-sold 801,000 treasury shares in the market for a total consideration of RM5,742,916, net of commission. After the re-sale of the treasury shares, the Company no longer holds any treasury share in its books.

### (c) Non-Convertible Redeemable Preferences Shares

Non-Convertible redeemable preferences shares do not have the right to participate in dividends declared to ordinary shareholders and the rights to vote.

## 34. SHARE PREMIUM

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| At 1 January | 448,663 | 433,821 | 448,660 | 433,818 |
| Bonus issue | (172,710) | - | (172,710) | - |
| Arising from ordinary shares issued under ESOS | 13,351 | 14,842 | 13,351 | 14,842 |
| At 31 December | 289,304 | 448,663 | 289,301 | 448,660 |

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

## 35. 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 |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2013** | 25,067 | (66) | (12,000) | 16,071 | 1,188 | (22,986) | 12,028 | 19,302 |
| **Other comprehensive income/(expense):** | | | | | | | | |
| Foreign currency translation | - | 17 | - | - | - | - | - | 17 |
| Share of other comprehensive income/ (expense) of associates | - | 1,182 | - | - | (5,759) | - | - | (4,577) |
| | - | 1,199 | - | - | (5,759) | - | - | (4,560) |
| **Transactions with owners:** | | | | | | | | |
| Grant of equity-settled share options to employees | - | - | - | - | - | - | 3,322 | 3,322 |
| Exercise of employees' share options | - | - | - | - | - | - | (6,070) | (6,070) |
| Share of an associate's reserves | - | - | - | 2,061 | - | - | - | 2,061 |
| Acquisition of non-controlling interests | - | 62 | - | - | - | 169 | - | 231 |
| | - | 62 | - | 2,061 | - | 169 | (2,748) | (456) |
| **At 31 December 2013** | 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 2014

## 35. 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 | Cash flow hedge reserve RM'000 | Premium paid on acquisition of non-controlling interests RM'000 | Employees' share option reserve RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2014** | 25,067 | 1,195 | (12,000) | 18,132 | (4,571) | - | (22,817) | 9,280 | 14,286 |
| **Other comprehensive income/(expense):** | | | | | | | | | |
| Foreign currency translation | - | (145) | - | - | - | - | - | - | (145) |
| Share of other comprehensive income/(expense) of associates | - | 4,801 | - | - | 2,585 | (25,679) | - | - | (18,293) |
| | - | 4,656 | - | - | 2,585 | (25,679) | - | - | (18,438) |
| **Transactions with owners:** | | | | | | | | | |
| Grant of equity-settled share options to employees | - | - | - | - | - | - | - | 7,293 | 7,293 |
| Exercise of employees' share options | - | - | - | - | - | - | - | (5,657) | (5,657) |
| Share of an associate's reserves | - | - | - | 3,241 | - | - | - | - | 3,241 |
| Liquidation of subsidiaries | (15,458) | - | - | - | - | - | 275 | - | (15,183) |
| Acquisition of non-controlling interests | - | - | - | - | - | - | (871) | - | (871) |
| | (15,458) | - | - | 3,241 | - | - | (596) | 1,636 | (11,177) |
| **At 31 December 2014** | 9,609 | 5,851 | (12,000) | 21,373 | (1,986) | (25,679) | (23,413) | 10,916 | (15,329) |

## 35. OTHER RESERVES (CONT'D.)

| Company | Merger reserve RM'000 | Employees' share option reserve RM'000 | Total RM'000 |
|---|---|---|---|
| **At 1 January 2013** | 168,000 | 12,028 | 180,028 |
| Grant of equity-settled share options to employees | - | 3,322 | 3,322 |
| Exercise of employees' share options | - | (6,070) | (6,070) |
| **At 31 December 2013 and 1 January 2014** | 168,000 | 9,280 | 177,280 |
| Grant of equity-settled share options to employees | - | 7,293 | 7,293 |
| Exercise of employees' share options | - | (5,657) | (5,657) |
| **At 31 December 2014** | 168,000 | 10,916 | 178,916 |

**(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 2014 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) Cash flow hedge reserve**

The cash flow hedge reserve is the Group's share of an associate's hedging reserve which comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

**(f) Employees' share option reserve**

Employees' share option reserve represents the equity-settled share options granted to employees (Note 36). 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 2014

## 36. EMPLOYEE BENEFITS

**Employees' share option scheme (cont'd)**

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:

(i) 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;

(ii) eligible persons are confirmed employees including full-time executive directors of the Group;

(iii) 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;

(iv) 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;

(v) 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;

(vi) 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

(vii) the exercise of the options is subjected to vesting conditions being met by respective grantees. These vesting conditions may be affected by, inter-alia, performance targets being achieved before the options can be exercised. The vesting conditions, if any, shall be determined by the ESOS Committee whose decision shall be final and binding.

Details of share options under ESOS are as follows:

**(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:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Number of options '000 | WAEP RM | Number of options '000 | WAEP RM |
| Outstanding at 1 January | 15,281 | 2.21 | 23,184 | 2.21 |
| Granted | 3,926 | 6.85 | - | - |
| Exercised | (5,716) | 2.21 | (7,268) | 2.20 |
| Cancelled | (375) | 2.41 | (635) | 2.21 |
| Before share split and bonus issue | 13,116 | 1.21 | 15,281 | 2.21 |
| Arising from share split and bonus issue | 26,232 | 1.21 | - | - |
| Exercised | (3,244) | 0.74 | - | - |
| Cancelled | (327) | 1.20 | - | - |
| Outstanding at 31 December | 35,777 | 1.25 | 15,281 | 2.21 |
| Exercisable at 31 December | 3,154 | 0.74 | 2,626 | 2.20 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

**36. EMPLOYEE BENEFITS (CONT'D.)**

**Employees' share option scheme (cont'd)**

**(a) Movement of share options during the financial year (cont'd.)**

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

| | Exercise price RM/Share of RM 1 each | Adjusted exercise price RM/Share* of RM0.50 each | Exercise period |
|---|---|---|---|
| **31.12.2014/31.12.2013** | | | |
| First offer | 2.20 | 0.74 | 15.4.2011 to 22.6.2015 |
| Second offer | 2.23 | 0.75 | 1.4.2013 to 22.6.2015 |
| Third offer | 6.85 | 2.29 | 1.4.2015 to 22.6.2015 |

* Adjusted for share split and bonus issue in June 2014.

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 2014 was 16.0% (2013: 16.0%).

The weighted average fair value of options granted for the first, second and third offers were RM0.93, RM0.55 and RM2.43, respectively.

**(b) Share options exercised during the financial year**

| | 2014 | 2013 |
|---|---|---|
| Weighted average share price at the date of exercise of the options exercised (RM) | | |
| - First offer | 3.42* | 5.52 |
| - Second offer | 3.35* | - |
| Proceeds received on exercise of options over ordinary shares (RM'000) | 15,032 | 16,040 |

* Adjusted for share split and bonus issue in June 2014.

**(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 | Third offer |
|---|---|---|---|
| Dividend yield (%) | 1.51 | 4.65 | 1.38 |
| Expected volatility (%) | 39.77 | 35.97 | 36.29 |
| Risk-free interest rate (% p.a.) | 3.30 | 3.30 | 3.33 |
| Expected life of option (years) | 4.86 | 2.95 | 1.25 |
| Weighted average share price (RM) | 2.49 | 2.42 | 8.68 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 37. COMMITMENTS

### (a) Capital commitments

Capital expenditures as at the reporting date were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Approved and contracted for: | | | | |
| - Property, plant and equipment | 151,359 | 49,517 | - | - |
| - Intangible assets | 670 | - | - | - |
| - Investment properties | - | - | 720 | - |
| - Others | 5,727 | 8,942 | - | - |
| | 157,756 | 58,459 | 720 | - |
| Approved but not contracted for: | | | | |
| - Property, plant and equipment | 232,138 | 330,412 | 1,509 | 662 |
| - Intangible assets | 2,024 | 2,000 | - | - |
| - Investment properties | 37,500 | 37,500 | - | 6,916 |
| - Investment in associates | 114,608 | 143,968 | - | - |
| - Others | 6,667 | 6,667 | - | - |
| | 392,937 | 520,547 | 1,509 | 7,578 |
| | 550,693 | 579,006 | 2,229 | 7,578 |

### (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 20 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 | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Not later than 1 year | 5,884 | 4,957 | 1,789 | 1,587 |
| Later than 1 year and not later than 5 years | 14,978 | 10,768 | 1,482 | 1,604 |
| Later than 5 years | 26,425 | 22,587 | - | - |
| | 47,287 | 38,312 | 3,271 | 3,191 |

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

## 37. COMMITMENTS (CONT'D.)

### (c) Operating lease commitments - as lessor

The Group has entered into an operating lease agreement on its investment property. This lease has a remaining lease term of more than 5 years.

The future minimum lease payments receivable under the operating lease contracted for at the reporting date were as follows:

| | Group | |
|---|---|---|
| | 2014 RM'000 | 2013 RM'000 |
| Not later than 1 year | 1,637 | 616 |
| Later than 1 year and not later than 5 years | 5,156 | 2,138 |
| Later than 5 years | 5,400 | - |
| | 12,193 | 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.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | Group | |
|---|---|---|
| | 2014 RM'000 | 2013 RM'000 |
| **Minimum lease payments:** | | |
| Not later than 1 year, representing total minimum lease payments | - | 17 |
| Less: Amounts representing finance charges | - | (1) |
| Present value of minimum lease payments | - | 16 |
| **Present value of payments:** | | |
| Not later than 1 year, representing present value of minimum lease payments | - | 16 |
| Less: Amount due within 12 months (Note 30) | - | (16) |
| Amount due after 12 months (Note 30) | - | - |

## 38. CONTINGENCIES

(a)

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Share of contingent liabilities of an associate | 2,421 | 2,689 | 397 | 441 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 38. CONTINGENCIES (CONT'D.)

(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.

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.

## 39. 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 | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Sale of goods to: | | | | |
| - Titanium Construction Sdn Bhd (i) | 162 | 205 | - | - |
| - Vanadium Land Sdn Bhd (ii) | 3,802 | - | - | - |
| - Laku Management Sdn Bhd(iii) | 6,672 | 4,503 | - | - |
| Sale of materials to an associate | 61 | - | - | - |
| Contract revenue from Laku Management Sdn Bhd (iii) | 28,113 | 10,809 | - | - |
| Dividend income from funds managed by an associate | 16,110 | 13,297 | 16,110 | 13,297 |
| Interest income received from: | | | | |
| - Associates | 487 | 185 | 487 | 185 |
| - Subsidiaries | - | - | 5,727 | 4,854 |
| Fee received from subsidiaries | - | - | 6,127 | 5,493 |
| Management fees received from: | | | | |
| - Subsidiaries | - | - | 255 | 207 |
| - An associate | 1,658 | 1,982 | - | - |
| - COPE Opportunities 2 Sdn Bhd (iv) | 1,129 | 1,129 | - | - |
| - COPE Opportunities 3 Sdn Bhd (iv) | 1,600 | 1,156 | - | - |
| Rental received from: | | | | |
| - A subsidiary | - | - | 600 | 600 |
| - Joint ventures | 124 | - | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 39. RELATED PARTY TRANSACTIONS (CONT'D.)

### (a) Sales of goods and services (cont'd.)

(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.

(ii) The Group supplied construction materials to Vanadium Land Sdn Bhd, a company in which Datu Michael Ting Kuok Ngie is a director.

(iii) The Group was awarded a construction project and supplied goods to Laku Management Sdn Bhd, a company in which Datu Hubert Thian Chong Hui is a director.

(iv) 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 | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Purchase of goods from associates | 170,110 | 39,245 | - | - |
| Interest expense paid to subsidiaries | - | - | 17,508 | 16,195 |
| Payment for services to: | | | | |
| - Associates | 946 | 1,171 | 946 | 1,145 |
| - Achi Jaya Communications Sdn Bhd (i) | 38 | 43 | 2 | 2 |
| - Impetus Alliance Advisors Sdn Bhd (ii) | 312 | 312 | - | - |
| - KTA (Sarawak) Sdn Bhd (iii) | 292 | - | - | - |
| - Opus Asset Management Sdn Bhd (iv) | 1 | 170 | 1 | 170 |
| - Opus Capital Sdn Bhd (v) | 127 | 127 | - | - |
| - Satria Realty Sdn Bhd (vi) | 1,681 | 1,853 | 1,397 | 1,565 |

(i) Dato Sri Mahmud Abu Bekir Taib has 15.65% (2013: 15.65%) equity interest in Achi Jaya Communications Sdn Bhd which the Group purchased telecommunication equipment and received services from.

(ii) Datuk Seri Micheal Yam Kong Choy is a director and a substantial shareholder of Impetus Alliance Advisors Sdn Bhd who is also a director of a subsidiary of the Company. Impetus Alliance Advisors Sdn Bhd provided advisory services to the Group.

(iii) 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.

(iv) Azam bin Azman is a director of Opus Asset Management Sdn Bhd, which provided investment management services to the Group.

(v) Azam bin Azman is a director of Opus Capital Sdn Bhd, which provided advisory services to the Group.

(vi) The Group had transacted with Satria Realty Sdn Bhd, a company controlled by Majaharta Sdn Bhd (a major shareholder of the Company) which in turn is controlled by 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 2014

## 39. RELATED PARTY TRANSACTIONS (CONT'D.)

### (c) Year-end balances arising from sales/purchases of goods/services

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Receivable from a related company: | | | | |
| - Titanium Construction Sdn Bhd | 30 | - | - | - |
| Payable to related parties: | | | | |
| - An associate | 36,442 | 18,429 | - | - |
| - Achi Jaya Communications Sdn Bhd | 5 | 7 | - | - |
| - Laku Management Sdn Bhd | 4,563 | 5,469 | - | - |
| - Opus Asset Management Sdn Bhd | - | 12 | - | 12 |
| - Satria Realty Sdn Bhd | 3 | 2 | - | - |
| - Vanadium Land Sdn Bhd | 432 | - | - | - |

### (d) Compensation of key management personnel

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Short-term employee benefits | 11,067 | 8,711 | 7,183 | 5,140 |
| Defined contribution plan | 1,347 | 1,012 | 880 | 617 |
| Share-based payments | 895 | 539 | 173 | 327 |
| | 13,309 | 10,262 | 8,236 | 6,084 |

Key management personnel comprise persons other than directors of the Group, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

In 2014, 475,000 share options were granted to the Group's key management personnel at an exercise price of RM6.85 each (before share split and bonus issue).

## 40. 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.

## 40. FAIR VALUE MEASUREMENTS (CONT'D.)

### (a) Determination of fair value and the fair value hierarchy (cont'd.)

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 market 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.

### (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<br>RM'000 | Level 2<br>RM'000 | Level 3<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **31 December 2014** | | | | |
| **Financial assets** | | | | |
| Income debt securities fund | - | 61,523 | - | 61,523 |
| Equity instruments | 37,826 | - | - | 37,826 |
| Unit trust funds | 27,951 | - | - | 27,951 |
| Wholesale fund | - | 1,386 | - | 1,386 |
| | 65,777 | 62,909 | - | 128,686 |
| **31 December 2013** | | | | |
| **Financial assets** | | | | |
| Fixed income debt securities | - | 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 |

## 40. FAIR VALUE MEASUREMENTS (CONT'D.)

### (b) Financial instruments and non-financial assets carried at fair value (cont'd.)

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: (cont'd.)

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **31 December 2014** | | | | |
| **Financial assets** | | | | |
| Income debt securities fund | - | 61,523 | - | 61,523 |
| Equity instruments | 37,825 | - | - | 37,825 |
| Unit trust funds | 27,951 | - | - | 27,951 |
| | 65,776 | 61,523 | - | 127,299 |
| **31 December 2013** | | | | |
| **Financial assets** | | | | |
| 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 |

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 (2013: Nil).

As there was no financial assets or financial liabilities measured at level 3, no reconciliation is presented.

## 40. 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 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 2014 | | 31 December 2013 | |
|---|---|---|---|---|
| | Carrying Amount RM'000 | Fair Value RM'000 | Carrying Amount RM'000 | Fair Value RM'000 |
| **Group** | | | | |
| **Financial assets:** | | | | |
| Available-for-sale financial assets | | | | |
| - Equity instruments | 300 | 300 | 300 | 300 |
| - Redeemable participating shares | 9,161 | 9,161 | 6,869 | 6,869 |
| | 9,461 | 9,461 | 7,169 | 7,169 |
| **Financial liabilities:** | | | | |
| Interest-bearing loans and borrowings | | | | |
| - Bankers' acceptances | 38,708 | 38,708 | 36,006 | 36,006 |
| - Term loan | 46,360 | 49,599 | 42,800 | 43,340 |
| - Finance lease liabilities | - | - | 16 | 16 |
| - Revolving credits | 14,000 | 14,000 | 15,000 | 15,000 |
| - Loans from corporate shareholders | 5,728 | 6,606 | 6,280 | 7,532 |
| | 104,796 | 108,913 | 100,102 | 101,894 |

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.

## 40. FAIR VALUE MEASUREMENTS (CONT'D.)

### (c) Fair values of financial instruments not carried at fair value (cont'd.)

#### (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.

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) | 31 |
| Other payables (current) | 31 |

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.

## 41. 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 except for one of its associate 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 2014

## 41. 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.

| | | Cash Flows | | | |
|---|---|---|---|---|---|
| **Group** | **Carrying amount RM'000** | **On demand or within 1 year RM'000** | **1 to 5 years RM'000** | **Over 5 years RM'000** | **Total RM'000** |
| **At 31 December 2014** | | | | | |
| Financial liabilities: | | | | | |
| Trade and other payables, excluding financial guarantees* | 537,253 | 520,364 | 16,889 | - | 537,253 |
| Loans and borrowings | 104,796 | 77,286 | 23,345 | 18,083 | 118,714 |
| Total undiscounted financial liabilities | | 597,650 | 40,234 | 18,083 | 655,967 |
| **At 31 December 2013** | | | | | |
| 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 |

**41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**

**(b) Liquidity risk (cont'd.)**

| | | Cash Flows | | | |
|---|---|---|---|---|---|
| **Company** | **Carrying amount RM'000** | **On demand or within 1 year RM'000** | **1 to 5 years RM'000** | **Over 5 years RM'000** | **Total RM'000** |
| **At 31 December 2014** | | | | | |
| Financial liabilities: | | | | | |
| Trade and other payables, excluding financial guarantees* | 729,469 | 729,469 | - | - | 729,469 |
| Total undiscounted financial liabilities | | 729,469 | - | - | 729,469 |
| **At 31 December 2013** | | | | | |
| Financial liabilities: | | | | | |
| Trade and other payables, excluding financial guarantees* | 620,195 | 620,195 | - | - | 620,195 |
| Total undiscounted financial liabilities | | 620,195 | - | - | 620,195 |

* 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 (2013: 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 RM270,683 (2013: RM391,928), arising mainly as a result of higher interest expense on net floating borrowing position. A decrease in interest rate would have had the equal but opposite effect on the aforesaid amount, on the basis that all other variables remain constant.

**(d) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. It is the Group's policy to hedge these risks where the exposures are certain and cost-efficient.

The currencies giving rise to this risk are primarily United States Dollar (USD) and Euro. Exposure to foreign currency risk is monitored on an ongoing basis to ensure that the exposure is at an acceptable level. At 31 December 2014, the Group and the Company have not entered into any forward foreign currency contracts.

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

### (d) Foreign currency risk (cont'd.)

**Sensitivity analysis for foreign currency risk**

The following table demonstrates the sensitivity of the Group's profit for the year 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.

| | Profit for the year | |
|---|---|---|
| **Group** | **2014 RM'000** | **2013 RM'000** |
| United States Dollars | 1,112 | 1,867 |
| Euro | - | 20 |

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, 48% (2013: 46%) of the Group's and the Company's investment securities consist of income debt securities fund, 30% (2013: 30%) 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 RM3,367,542 (2013: RM3,341,337) 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.

## 42. 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 2014 and 2013.

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.

## 42. CAPITAL MANAGEMENT (CONT'D.)

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 2014 and 2013.

| | Group | |
|---|---|---|
| | 2014 RM'000 | 2013 RM'000 |
| Loans and borrowings (Note 30) | 104,796 | 100,102 |
| Equity attributable to the owners of the Company | 1,811,731 | 1,654,117 |
| Gearing ratio (times) | 0.06 | 0.06 |

As the Company has no loans and borrowings, accordingly no gearing ratio is presented.

## 43. 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, development, project management and related services;
(v) Samalaju development - lodging and catering services;
(vi) Strategic investments - financial services and education; and
(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.

43. SEGMENT INFORMATION (CONT'D.)

| | Cement RM'000 | Construction materials and trading RM'000 | Construction and road maintenance RM'000 | Property development and related services RM'000 | Samalaju development RM'000 | Strategic investments RM'000 | Others RM'000 | Adjustments and elimination RM'000 | Notes | Per consolidated financial statements RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **31 December 2014** | | | | | | | | | | |
| **Revenue:** | | | | | | | | | | |
| External customers | 548,227 | 599,347 | 364,298 | 113,583 | 14,896 | 11,392 | 22,155 | - | | 1,673,898 |
| Inter-segment | 37,595 | 66,617 | 2,177 | 260 | - | - | 6,763 | (113,412) | A | - |
| Total revenue | 585,822 | 665,964 | 366,475 | 113,843 | 14,896 | 11,392 | 28,918 | (113,412) | | 1,673,898 |
| **Results:** | | | | | | | | | | |
| Interest income | 186 | 1 | 659 | 59 | 928 | 2 | - | - | | 1,835 |
| Depreciation and amortisation | 34,233 | 4,474 | 5,034 | 388 | (3,638) | 338 | 1,883 | (61) | | 42,651 |
| Share of results of associates | - | - | - | - | 4,126 | 7,054 | 5,406 | - | | 16,586 |
| Share of results of joint ventures | - | - | 1,259 | - | - | - | - | - | | 1,259 |
| Other non-cash expenses | 4,242 | 4,285 | 1,984 | 511 | 723 | 570 | 1,181 | - | B | 13,496 |
| Segment profit/(loss) before tax | 120,483 | 76,477 | 82,974 | 45,628 | 9,460 | (3,228) | 15,300 | (5,642) | C | 341,452 |
| **Assets:** | | | | | | | | | | |
| Investments in associates | - | - | - | - | 95,998 | 307,947 | - | - | | 403,945 |
| Investments in joint ventures | - | - | 1,395 | - | - | - | - | - | | 1,395 |
| Additions to non-current assets | 62,480 | 10,214 | 23,018 | 11,623 | 40,264 | 455 | 1,073 | 6,164 | D | 155,291 |
| **Segment assets** | 795,246 | 521,511 | 495,049 | 340,029 | 152,002 | 23,520 | 938,885 | (466,111) | E | 2,800,131 |
| **Segment liabilities** | 82,794 | 305,230 | 125,158 | 86,649 | 106,746 | 29,824 | 716,069 | (726,872) | F | 725,598 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 43. SEGMENT INFORMATION (CONT'D.)

| | Cement RM'000 | Construction materials and trading RM'000 | Construction and road maintenance RM'000 | Property development and related services RM'000 | Samalaju development RM'000 | Strategic investments RM'000 | Others RM'000 | Adjustments and elimination RM'000 | Notes | Per consolidated financial statements RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **31 December 2013** | | | | | | | | | | |
| **Revenue:** | | | | | | | | | | |
| 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 |
| **Results:** | | | | | | | | | | |
| 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 | 911 | 1,066 | 1,293 | 70 | 323 | 3,243 | 791 | - | B | 7,697 |
| Segment profit/(loss) before tax | 96,663 | 55,083 | 95,013 | 31,272 | 26,719 | (4,297) | 975 | (6,534) | C | 294,894 |
| **Assets:** | | | | | | | | | | |
| 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 |
| **Segment assets** | 758,889 | 337,022 | 407,775 | 291,734 | 132,219 | 21,728 | 874,734 | (400,209) | E | 2,423,892 |
| **Segment liabilities** | 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 2014

## 43. 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 | 2014 RM'000 | 2013 RM'000 |
|---|---|---|---|
| Impairment loss on trade and other receivables | 8 | 4,092 | 428 |
| Impairment loss on investment in an associate | 8 | - | 3,125 |
| Impairment loss on property, plant and equipment | 8 | 533 | - |
| Inventories written down | 8 | 387 | 30 |
| Inventories written off | 8 | 34 | 764 |
| Property, plant and equipment written off | 8 | 1,157 | 28 |
| Share options granted under ESOS | 9 | 7,293 | 3,322 |
| | | 13,496 | 7,697 |

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 profit or loss and other comprehensive income:

| | 2014 RM'000 | 2013 RM'000 |
|---|---|---|
| Share of results of associates | 16,586 | 6,628 |
| Share of results of joint ventures | 1,259 | 228 |
| Unallocated corporate expense | (23,487) | (13,390) |
| | (5,642) | (6,534) |

D Additions to non-current assets consist of:

| | 2014 RM'000 | 2013 RM'000 |
|---|---|---|
| Property, plant and equipment | 141,660 | 94,139 |
| Prepaid land lease payments | - | 466 |
| Land held for property development | 11,441 | 3,946 |
| Intangible assets | 2,190 | 20 |
| | 155,291 | 98,571 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 43. 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 statements of financial position:

| | 2014 RM'000 | 2013 RM'000 |
|---|---|---|
| Investments in associates | 403,945 | 380,528 |
| Investments in joint ventures | 1,395 | 3,945 |
| Deferred tax assets | 27,075 | 23,007 |
| Inter-segment assets | (898,526) | (807,689) |
| | (466,111) | (400,209) |

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

| | 2014 RM'000 | 2013 RM'000 |
|---|---|---|
| Deferred tax liabilities | 39,070 | 33,712 |
| Income tax payable | 21,225 | 23,395 |
| Loans and borrowings | 104,796 | 100,102 |
| Inter-segment liabilities | (891,963) | (800,822) |
| | (726,872) | (643,613) |

## 44. DIVIDENDS

### (a) Recognised during the financial year:

| | Sen per share | Total amount RM'000 |
|---|---|---|
| **2014** | | |
| Interim tax exempt 2014 ordinary (single-tier) | 1.50 | 15,589 |
| Final tax exempt 2013 ordinary (single-tier) | 12.00 | 41,433 |
| | | 57,022 |
| **2013** | | |
| Interim 2013 ordinary (less 25% taxation) | 5.00 | 12,692 |
| Final 2012 ordinary (less 25% taxation) | 12.00 | 30,278 |
| | | 42,970 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 44. DIVIDENDS (CONT'D.)

### (b) Proposed but not recognised as a liability:

The following dividend will be proposed for shareholders' approval at the forthcoming Annual General Meeting. 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 2015.

| | Sen per share | Total amount RM'000 |
|---|---|---|
| Final tax exempt 2014 ordinary (single-tier) | 7.00 | 72,765 |

## 45. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 13 March 2015.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 46. 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 2014 and 2013 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2011 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RM'000 | 2013 RM'000 | 2014 RM'000 | 2013 RM'000 |
| Total retained profits of the Company and its subsidiaries: | | | | |
| - Realised | 1,086,361 | 826,620 | 101,420 | 131,680 |
| - Unrealised | (13,731) | (7,724) | (817) | 3,708 |
| Total share of retained profits from associates: | | | | |
| - Realised | (585) | 10,184 | - | - |
| - Unrealised | 6,020 | (597) | - | - |
| Total share of retained profits from joint ventures | | | | |
| - Realised | 1,395 | 3,945 | - | - |
| | 1,079,460 | 832,428 | 100,603 | 135,388 |
| Consolidation adjustments | (61,456) | 22,665 | - | - |
| Retained profits as per financial statements | 1,018,004 | 855,093 | 100,603 | 135,388 |

# ANALYSIS OF SHAREHOLDINGS

AS AT 10 MARCH 2015

| | | |
|---|---|---|
| Authorised Share Capital | : | 2,000,000,000 ordinary shares of RM0.50 per share<br>800 non-cumulative redeemable preference shares of RM0.50 per share |
| Issued and Paid-up Share Capital | : | 1,039,865,520 ordinary shares of RM0.50 per share |
| Voting Rights | : | One voting right for one ordinary share |

**Directors' Shareholdings**

| | Name of Director | Direct Shareholding | % of Issued Capital | Indirect Shareholding | % of Issued Capital |
|---|---|---|---|---|---|
| 1. | Dato Sri Mahmud Abu Bekir Taib | 88,200,255 | 8.48 | - | - |
| 2. | Dato' Richard Alexander John Curtis | 1,210,000 | 0.12 | - | - |
| 3. | Datuk Syed Ahmad Alwee Alsree | 800,000 | 0.08 | 136,890,306[1] | 13.16 |

**Analysis by Size of Shareholdings**

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Ordinary Shares Held | % of Issued Capital |
|---|---|---|---|---|
| 1 to 99 shares | 39 | 0.90 | 1,619 | 0.00[#] |
| 100 to 1,000 shares | 503 | 11.59 | 398,218 | 0.04 |
| 1,001 to 10,000 shares | 2,406 | 55.45 | 10,878,884 | 1.05 |
| 10,001 to 100,000 shares | 1,055 | 24.31 | 31,043,356 | 2.99 |
| 100,001 to less than 5% of issued shares | 330 | 7.61 | 407,878,520 | 39.22 |
| 5% and above of issued shares | 6 | 0.14 | 589,664,923 | 56.70 |
| **Total** | **4,339** | **100.00** | **1,039,865,520** | **100.00** |

[#] negligible

**Analysis of Equity Structure**

| Category of Shareholders | No. of Shareholders | % of Shareholders | No. of Ordinary Shares Held | % of Issued Capital |
|---|---|---|---|---|
| Individual | 3,131 | 72.16 | 317,067,942 | 30.49 |
| Body Corporate | | | | |
| Banks/Finance Companies | 36 | 0.83 | 21,715,500 | 2.09 |
| Investment Trusts/Foundation/Charities | - | - | - | - |
| Other type of companies | 49 | 1.13 | 138,973,806 | 13.36 |
| Government Agencies/Institutions | 2 | 0.05 | 80,966,580 | 7.79 |
| Nominee Companies | 1,121 | 25.83 | 481,141,692 | 46.27 |
| **Total** | **4,339** | **100.00** | **1,039,865,520** | **100.00** |

# ANALYSIS OF SHAREHOLDINGS

AS AT 10 MARCH 2015

**Thirty Largest Securities Account Holders as per Record of Depositors**

| | Name of Shareholder | No. of Ordinary Shares Held | % of Issued Capital |
|---|---|---|---|
| 1. | Majaharta Sdn Bhd | 134,775,306 | 12.96 |
| 2. | Lejla Taib | 111,000,000 | 10.67 |
| 3. | Dato Sri Sulaiman Abdul Rahman Abdul Taib | 88,395,255 | 8.50 |
| 4. | Sarawak Economic Development Corporation | 80,896,080 | 7.78 |
| 5. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Employees Provident Fund Board* | 56,725,627 | 5.46 |
| 6. | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt AN for Bank Julius Baer & Co Ltd (Singapore BCH)* | 51,108,700 | 4.91 |
| 7. | Pui Cheng Wui | 49,453,515 | 4.76 |
| 8. | DB (Malaysia) Nominee (Asing) Sdn Bhd<br>*Exempt AN for Deutsche Bank AG Singapore (PWM Asing)* | 35,457,300 | 3.41 |
| 9. | RHB Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Dato Sri Mahmud Abu Bekir Taib* | 27,590,000 | 2.65 |
| 10. | RHB Capital Nominees (Tempatan) Sdn Bhd<br>*Pledged securities account for Dato Sri Mahmud Abu Bekir Taib (2641017)* | 25,200,255 | 2.42 |
| 11. | MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd<br>*Amanah International Finance Sdn Bhd for Dato Sri Mahmud Abu Bekir Taib* | 17,860,000 | 1.72 |
| 12. | Dato Sri Mahmud Abu Bekir Taib | 17,550,000 | 1.69 |
| 13. | AMSEC Nominees (Tempatan) Sdn Bhd<br>*AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)* | 16,736,700 | 1.61 |
| 14. | Cartaban Nominees (Tempatan) Sdn Bhd<br>*Exempt AN for Eastspring Investments Berhad* | 15,545,000 | 1.49 |
| 15. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Employees Provident Fund Board (CIMB PRIN)* | 10,403,200 | 1.00 |
| 16. | Maybank Nominees (Tempatan) Sdn Bhd<br>*Etiqa Takaful Berhad (Family PRF EQ)* | 10,310,500 | 0.99 |
| 17. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Employees Provident Fund Board (Nomura)* | 10,303,400 | 0.99 |
| 18. | Citigroup Nominees (Asing) Sdn Bhd<br>*CBNY for Dimensional Emerging Markets Value Fund* | 6,401,400 | 0.62 |
| 19. | Citigroup Nominees (Asing) Sdn Bhd<br>*Exempt AN for Citibank New York (Norges Bank 1)* | 5,921,200 | 0.57 |
| 20. | Citigroup Nominees (Asing) Sdn Bhd<br>*Exempt AN for Citibank New York (Norges Bank 9)* | 5,871,800 | 0.56 |
| 21. | CIMB Group Nominees (Tempatan) Sdn Bhd<br>*AmTrustee Berhad for CIMB Islamic Dali Equity Theme Fund* | 5,370,300 | 0.52 |
| 22. | AmanahRaya Trustees Berhad<br>*Public Islamic Select Enterprises Fund* | 5,151,200 | 0.50 |

# ANALYSIS OF SHAREHOLDINGS

AS AT 10 MARCH 2015

| | Name of Shareholder | No. of Ordinary Shares Held | % of Issued Capital |
|---|---|---|---|
| 23. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Universal Trustee (Malaysia) Berhad for CIMB Islamic Small Cap Fund* | 5,075,500 | 0.49 |
| 24. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)* | 4,960,800 | 0.48 |
| 25. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Exempt AN for AIA Bhd* | 4,949,800 | 0.48 |
| 26. | HSBC Nominees (Asing) Sdn Bhd<br>*Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)* | 4,764,900 | 0.46 |
| 27. | AmanahRaya Trustees Berhad<br>*Public Islamic Select Treasures Fund* | 4,419,400 | 0.42 |
| 28. | Citigroup Nominees (Asing) Sdn Bhd<br>*CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc* | 4,244,400 | 0.41 |
| 29. | HSBC Nominees (Asing) Sdn Bhd<br>*HSBC BK Plc for Saudi Arabian Monetary Agency* | 4,238,000 | 0.41 |
| 30. | Citigroup Nominees (Tempatan) Sdn Bhd<br>*Employees Provident Fund Board (F Templeton)* | 4,139,800 | 0.39 |
| | **Total** | **824,819,338** | **79.32** |

**Substantial Shareholders as per Register of Substantial Shareholders (excluding nominee companies)**

| | Name of Substantial Shareholder | Direct Shareholding | Indirect Shareholding | % of Issued Capital |
|---|---|---|---|---|
| 1. | Dato Hajjah Hanifah Hajar Taib-Alsree | 2,115,000 | 135,575,306 [2] | 13.24 |
| 2. | Datuk Syed Ahmad Alwee Alsree | 800,000 | 136,890,306 [1] | 13.24 |
| 3. | Majaharta Sdn Bhd | 134,775,306 | - | 12.96 |
| 4. | Jamilah Hamidah Taib | - | 134,775,306 [2] | 12.96 |
| 5. | Lejla Taib @ Datuk Patinggi Dr. Hajjah Lejla Taib (deceased) | 111,000,000 | - | 10.67 |
| 6. | Dato Sri Sulaiman Abdul Rahman Taib | 88,395,255 | - | 8.50 |
| 7. | Dato Sri Mahmud Abu Bekir Taib | 88,200,255 | - | 8.48 |
| 8. | Sarawak Economic Development Corporation | 80,896,080 | - | 7.78 |

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

# LIST OF PROPERTIES

AS AT 31 DECEMBER 2014

| Location | Date of acquisition | Description | Usage | Tenure | Remaining lease period (expiry date) | Land area/ Built up area (hectare/ $m^2$) | Age of buildings | Net book value (RM'000) |
|---|---|---|---|---|---|---|---|---|
| Lot 4747, Block 18, Salak Land District, Kuching. | 2009 | Mixed zone land | Vacant land | Leasehold | 42 years (2056) | 0.23/ N/A | - | 376 |
| Lot 449, Block 15, Salak Land District, Kuching. | 2007 | Mixed zone land | Land & school | Leasehold | 53 years (2068) | 7.49/ 5,322 | 8 years | 26,922 |
| Lot 678, Section 66, Kuching Town Land District, Kuching. | 2010 | Mixed zone land | Vacant land | Leasehold | 24 years (2038) | 3.20/ N/A | - | 9,763 |
| Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate, Kuching. | 1996 | Land & cement mill | Office & factory | Leasehold | 22 years (2036) | 6.25/ 15,223 | 37 years | 23,619 |
| Lot 766, Block 20, Kemena Land District, Bintulu. | 1997 | Land & cement mill | Office & factory | Leasehold | 48 years (2062) | 6.88/ 68,797 | 18 years | 14,260 |
| Lot 767, Block 20, Kemena Land District, Bintulu. | 1997 | Land | Vacant land | Leasehold | 48 years (2062) | 10.13/ N/A | - | 7,900 |
| Lot 571, Block 4, Sentah Segu Land District, Kuching. | 1992/2002 | Land & clinker mill | Office & factory | Leasehold | 28 years (2042) | 18.27/ 58,595 | 17 years | 66,590 |
| Lot 528, Block 4, Sentah Segu Land District, Kuching. | 1996 | Land | Vacant | Leasehold | 58 years (2072) | 0.11/ N/A | - | 0 |
| Lot 872, Block 4, Sentah Segu Land District, Kuching. | 1996 | Land | Vacant | Leasehold | 57 years (2071) | 0.22/ N/A | - | 112 |
| Lot 70, Block 9, Sentah Segu Land District, Kuching. | 2013 | Land | Vacant land | Leasehold | 10 years (2024) | 1.30/ N/A | - | 255 |
| Lot 73, Block 9, Sentah Segu Land District, Kuching. | 2013 | Land | Vacant land | Leasehold | 12 years (2026) | 0.75/ N/A | - | 151 |
| Lot 145, Block 8, Sentah Segu Land District, Kuching. | 2014 | Land | Vacant land | Leasehold | 98 years (2113) | 3.77/ N/A | - | 1,173 |
| Lot 151, Block 8, Sentah Segu Land District, Kuching. | 2014 | Land | Vacant land | Leasehold | 55 years (2070) | 1.66/ N/A | - | 514 |
| Lot 71, 74 & 79, Block 9 Sentah Segu Land District, Kuching. | 2014 | Land | Vacant land | Leasehold | 98 years (2113) | 6.46/ N/A | - | 2,013 |

# LIST OF PROPERTIES

AS AT 31 DECEMBER 2014

| Location | Date of acquisition | Description | Usage | Tenure | Remaining lease period (expiry date) | Land area/ Built up area (hectare/ $m^2$) | Age of buildings | Net book value (RM'000) |
|---|---|---|---|---|---|---|---|---|
| Lot 415, Block 32, Kemena Land District, Bintulu. | 1996 | Industrial land | Held for rental income | Leasehold | 30 years (2044) | 2.23/ 712 | 16 years | 2,582 |
| Lot 34 & 35, Section 15, Kuching Town Land District, Kuching. | 1994 | 4-storey shophouse | Held for rental income | Leasehold | 801 years (2815) | 0.41/ 1,400 | 18 years | 3,871 |
| Lot 9882, Section 64, Kuching Town Land District, Kuching. | 2010 | Mixed zone land | Vacant land | Leasehold | 84 years (2098) | 3.19 N/A | - | 22,374 |
| Lot 4717-4718, Block 18, Salak Land District, Kuching. | 2013 | Mixed zone land | Vacant land | Leasehold | 43 years (2057) | 0.80/ N/A | - | 1,935 |
| Lot 4719-4720, Block 18, Salak Land District, Kuching. | 2013 | Mixed zone land | Vacant land | Freehold | In perpetuity | 0.56/ N/A | - | 1,365 |
| Lot 90, Block 11, KM17, Miri-Bintulu Road, Lambir Land District, Miri. | 1994 | Mixed zone land | Premix operation | Leasehold | 40 years (2054) | 2.73/ 650 | 21 years | 97 |
| Lot 444, Block 11, 8th Mile, Sibu Ulu Oya Road, Seduan Land District, Sibu. | 1994 | Mixed zone land | Premix operation | Leasehold | 41 years (2055) | 2.76/ 1,265 | 22 years | 112 |
| Lot 71, Block 17, Kuching Central Land District, Kuching. | 1996 | Mixed zone land | Quarry operation | Leasehold | 42 years (2056) | 18.94/ N/A | - | 1,748 |
| Lot 294, Block 17, Kuching Central Land District, Kuching. | 1996 | Mixed zone land | Quarry operation | Leasehold | 42 years (2056) | 2.75/ N/A | - | 422 |
| Lot 212, Block 17, Kuching Central Land District, Kuching. | 1996 | Mixed zone land | Office & factory | Leasehold | 42 years (2056) | 5.04/ 1,700 | 17 years | 3,784 |
| Lot 353, Block 17, Kuching Central Land District, Kuching. | 1996 | Mixed zone land | Premix operation | Leasehold | 42 years (2056) | 2.24/ 1,877 | 6 years | 689 |
| Lot 338, 340-345, Block 10, Sentah Segu Land District, Kuching. | 1996 | Mixed zone land | Quarry operation | Leasehold | 24 years (2038) | 3.07/ N/A | - | 452 |
| Lot 302-304, 354-357, 362 and 363, Block 17, Kuching Central Land District, Kuching. | 1999 | Mixed zone land | Quarry operation | Leasehold | 810 years (2824) | 4.27/ N/A | - | 3,431 |

# LIST OF PROPERTIES

AS AT 31 DECEMBER 2014

| Location | Date of acquisition | Description | Usage | Tenure | Remaining lease period (expiry date) | Land area/ Built up area (hectare/ $m^2$) | Age of buildings | Net book value (RM'000) |
|---|---|---|---|---|---|---|---|---|
| Lot 342-343, Block 17, Kuching Central Land District, Kuching. | 1999 | Mixed zone land | Quarry operation | Leasehold | 10 years (2024) | 0.74/ N/A | - | 124 |
| Lot 134, Section 64, Kuching Town Land District, Kuching. | 1998 | Mixed zone land | Jetty and land | Leasehold | 44 years (2058) | 0.43/ N/A | - | 899 |
| Lot 358, Block 17, Kuching Central Land District, Kuching. | 2012 | Mixed zone land | Quarry operation | Leasehold | 810 years (2824) | 0.44/ N/A | - | 797 |
| Lot 355, Block 17, Kuching Central Land District, Kuching. | 2012 | Mixed zone land | Quarry operation | Leasehold | 810 years (2824) | 0.16/ N/A | - | 149 |
| 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 | 46 years (2060) | 0.01/ 334 | 17 years | 346 |
| Lot 2116, Sublot 2, Kuching Town Land District, Kuching. | 2003 | 3-Storey shophouse | Office | Leasehold | 46 years (2060) | 0.01/ 328 | 17 years | 432 |
| Lot 493, Block 5, Muara Tebas Land District, Sejingkat, Kuching. | 1996 | Mixed zone land | Vacant land | Freehold | In perpetuity | 1.22/ N/A | - | 255 |
| Lot 494, Block 5, Muara Tebas Land District, Sejingkat, Kuching. | 1998 | Mixed zone land | Vacant land | Leasehold | 23 years (2037) | 0.53/ N/A | - | 66 |
| Lot 488, Block 5, Muara Tebas Land District, Sejingkat, Kuching. | 1996 | Mixed zone land | Vacant land | Leasehold | 12 years (2026) | 2.70/ N/A | - | 219 |
| Lot 220-222, Section 63, Kuching Land District, Kuching. | 2007 | Intermediate 4-storey shophouses | Office | 860 years | 782 years (2797) | 0.04/ 4,452 | 6 years | 3,180 |
| Lot 1319, Block 7, Muara Tebas Land District, Sejingkat, Kuching. | 1997 | Mixed zone land | Land held for development | Leasehold | 82 years (2096) | 26.42/ N/A | - | 21,185 |
| Lot 2342, Block 7, Muara Tebas Land District, Sejingkat, Kuching. | 1997 | Mixed zone land | Land held for development | Leasehold | 82 years (2096) | 38.20/ N/A | - | 30,627 |
| Lot 2839, Block 7, Muara Tebas Land District, Sejingkat, Kuching. | 1997 | Mixed zone land | Land held for development | Leasehold | 95 years (2109) | 1.67/ N/A | - | 1,338 |

# LIST OF PROPERTIES
AS AT 31 DECEMBER 2014

| Location | Date of acquisition | Description | Usage | Tenure | Remaining lease period (expiry date) | Land area/ Built up area (hectare/ m²) | Age of buildings | Net book value (RM'000) |
|---|---|---|---|---|---|---|---|---|
| Lot 2850, Block 7, Muara Tebas Land District, Sejingkat, Kuching. | 1997 | Mixed zone land | Land held for development | Leasehold | 95 years (2109) | 3.49/ N/A | - | 2,802 |
| Lot 2852, Block 7, Muara Tebas Land District, Sejingkat, Kuching. | 1997 | Mixed zone land | Land held for development | Leasehold | 95 years (2109) | 2.59/ N/A | - | 2,080 |
| Lot 2855, Block 7, Muara Tebas Land District, Sejingkat, Kuching. | 1997 | Mixed zone land | Land held for development | Leasehold | 95 years (2109) | 16.67/ N/A | - | 13,365 |
| Lot 622, Section 66, Kuching Town Land District, Kuching. | 1998 | Mixed zone land | Land held for development | Leasehold | 44 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 | 59 years (2073) | 1.71/ N/A | - | 2,148 |
| Lot 2521, Section 66, Kuching Town Land District, Kuching. | 1998 | Mixed zone land | Land held for development | Leasehold | 44 years (2058) | 11.66/ N/A | - | 14,694 |
| Lot 9244, Block 11, Muara Tebas Land District, Stutong, Kuching. | 2011 | Mixed zone land | Land held for development | Leasehold | 57 years (2071) | 7.75/ N/A | - | 7,904 |
| Lot 846, Block 9, Salak Land District, Kuching. | 1999 | Mixed zone land | Land held for township development | Leasehold | 84 years (2098) | 1,138.20/ N/A | - | 8,835 |
| Lot 3284, 3765, 3986-3990, 3992-3994 & 3541, Block 9, Salak Land District, Kuching. | 1999 | Mixed zone land | Land held for township development | Leasehold | 84 years (2098) | 32.37/ N/A | - | 408 |
| Lot 1, Block 13, Salak Land District, Kuching. | 1999 | Mixed zone land | Land held for township development | Leasehold | 84 years (2098) | 349.70/ N/A | - | 2,711 |
| Lot 2082, Section 66, Kuching Town Land District, Kuching. | 1996 | Land & factory | Office & factory | Leasehold | 31 years (2045) | 0.85/ 3,936 | 31 years | 2,256 |
| Lot 117, Block 1, Kemena Land District, Bintulu. | 2013 | Industrial land | Vacant land | Leasehold | 59 years (2073) | 123.02/ N/A | - | 29,024 |
| Samalaju Industrial Park, Bintulu - Lot 132, Blk 1, Kemena Land District, Bintulu. | 2014 | Mixed zone land | Hotel | 99 years | 99 years (2113) | 9.35/ 14,460 | - | 44,951 |

# LIST OF PROPERTIES

AS AT 31 DECEMBER 2014

| Location | Date of acquisition | Description | Usage | Tenure | Remaining lease period (expiry date) | Land area/ Built up area (hectare/ m²) | Age of buildings | Net book value (RM'000) |
|---|---|---|---|---|---|---|---|---|
| Parcel 42, Block 71, Kuching Central Land District, Kuching. | - | ** | Quarry operation | - | - | N/A/ 1,262 | 22 years | 63 |
| G.N. No.100 Sebuyau, Kota Samarahan Division, Kuching. | - | ** | Jetty | - | - | N/A | - | 1,710 |
| Lot 360 & Lot 361, Block 17, Kuching Central Land District, Kuching. | - | ** | Temporary sheet pile storage | - | - | N/A | - | 179 |
| Lot 246, Block 5, Sentah Segu Land District, Kuching. | - | ** | Quarry operation | - | - | N/A/ 994.37 | 4 years | 6,774 |
| Jalan Bintulu-Miri (Coastal Road), Samalaju Industrial Park, Bintulu. | - | ** | Quarters, office, lodge | - | - | N/A/ 47,655 | 4 years | 1,645 |
| Lot 552-553, Upper Lanang Road, Sibu. | - | ** | Bulk terminal | - | - | N/A/ 2,841 | 4 years | 9,175 |
| Lot 239, Lorong 5, Block 4, Jalan Krokop Riverside, Miri. | - | ** | Bulk terminal | - | - | N/A/ 4,074 | 4 years | 8,991 |

** 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
W www.cmsb.com.my

Level 33 Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur
T +60 3 2078 9133
F +60 3 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 cement@cmsb.com.my
W 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
W 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
W 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

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

**CMS Premix Sdn Bhd** (117700-W)
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

**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

**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
E agrotech@cmsb.com.my
W www.cmsb.com.my/trading

## SAMALAJU DEVELOPMENT DIVISION

**Samalaju Industries Sdn Bhd** (783430-V)
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
W www.samalajuproperties.com

# 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

**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

**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

**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

## 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)
**CMS Hotels Sdn Bhd** (690299-T)
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

## 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

**Tunku Putra School**
Jalan Stadium
Petra Jaya
93050 Kuching
T +60 82 313 900
F +60 82 313 970
E info@ tps.edu.my
W www.tps.edu.my

**CMS Education Sdn Bhd** (392555-A)
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

## ASSOCIATES

**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 Ehsan
T +60 3 7958 7329
F +60 3 7958 6329

# NOTICE OF 40TH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 40th 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, 30 April 2015 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 2014 and the Reports of the Directors and Auditors thereon.

2. To declare a final tax exempt (single-tier) dividend of 7 sen per ordinary share in respect of the financial year ended 31 December 2014. **Ordinary Resolution 1**

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

   a) YAM Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail **Ordinary Resolution 2**
   b) YBhg Dato' Richard Alexander John Curtis **Ordinary Resolution 3**

4. To approve the payment of Directors' fees amounting to RM127,500 per annum for the Non-Executive Chairman, RM127,500 per annum for the Non-Executive Deputy Chairman and RM85,000 per annum for each of the Non-Executive Directors for the financial year ended 31 December 2014. **Ordinary Resolution 4**

5. To re-appoint Messrs. Ernst & Young as Auditors of the Company for the financial year ending 31 December 2015 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

**AS SPECIAL BUSINESS**

To consider and if thought fit, pass the following Ordinary Resolutions:

6. **Proposed Retention of Independent Director**

   "THAT subject to the passing of Ordinary Resolution 2, approval be and is hereby given to YAM Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail who has served as an Independent Non-Executive Director of the Company to continue to act as an Independent Non-Executive Director of the Company upon expiry of his tenure of nine (9) years as Independent Director on 9 May 2015 pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012." **Ordinary Resolution 6**

7. **Proposed Retention of Independent Director**

   "THAT approval be and is hereby given to YBhg Datuk Kevin How Kow who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012." **Ordinary Resolution 7**

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." **Ordinary Resolution 8**

# NOTICE OF 40TH ANNUAL GENERAL MEETING

9. **Proposed Renewal of 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 8 April 2015 ("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;

(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.

AND THAT the estimated value given on the recurrent related party transactions specified in Section 2.1.4 of the Circular being provisional in nature, the Directors of the Company be hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.1.7 of the Circular." **Ordinary Resolution 9**

10. **Proposed Renewal of Shareholders' Mandate in respect of the Authority for Purchase by the Company of its Own Shares ("Proposed Shareholders' Mandate for 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-Ninth AGM of the Company held on 15 May 2014, authorising the Directors of the Company to exercise the power of the Company to purchase such amount of ordinary shares of RM0.50 each in the Company from time to time through Bursa Securities subject further to the following:

(a) 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;

(b) 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

# NOTICE OF 40TH ANNUAL GENERAL MEETING

(c) the authority conferred by this resolution will commence immediately upon passing of this resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company;

(ii) 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; or

(iii) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is earlier.

(d) 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:

(i) to cancel the Purchased Shares so purchased; or
(ii) 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
(iii) to retain part of the Purchased Shares so purchased as treasury shares and cancel the remainder; or
(iv) to deal in such other manner as Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary to implement, finalise and give full effect to the Proposed Shareholders' Mandate for Share Buy-Back with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with fullest power to do all such acts and things thereafter as the Directors may deem fit and expedient in the best interest of the Company." **Ordinary Resolution 10**

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a Member who shall be entitled to attend, speak and vote at the 40th 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 23 April 2015. Only a Depositor whose name appears in the Register of Members/ROD as at 23 April 2015 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 40th AGM of the Company to be held on 30 April 2015 for the payment of the final dividend under single-tier system in respect of the financial year ended 31 December 2014 ("Dividend") under Ordinary Resolution 1, the Dividend will be paid on 29 May 2015 to Depositors whose names appear in the ROD on 15 May 2015.

Depositors shall be only entitled to the Dividend in respect of:

a) securities transferred into the Depositor's Securities Account before 4.00 p.m. on 15 May 2015 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
8 April 2015

# NOTICE OF 40TH ANNUAL GENERAL MEETING

**Notes:**

**Proxy**

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.

**Audited Financial Statements for financial year ended 31 December 2014**

6. Agenda 1 is meant for discussion only as the provision of Section 169 (1) of the Companies Act, 1965 does not require the audited financial statements to be formally approved by the shareholders. Hence, it will not be put for voting.

**Re-election of Directors who retire by rotation in accordance with Article 110**

7. YAM Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail and YBhg Dato' Richard Alexander John Curtis 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 page 69 of the Statement on Corporate Governance in the 2014 Annual Report.

**Retirement of Director pursuant to Section 129(6) of the Companies Act 1965**

8. YBhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie, a Non-Independent Non-Executive Director who is over the age of 70 years, has informed the Board of Directors of the Company at its meeting held on 25 February 2015 that he does not wish to seek re-appointment pursuant to Section 129(6) of the Companies Act, 1965. Hence, he will retire at the conclusion of the 40th AGM in accordance with Section 129(2) of the Companies Act, 1965.

**Appointment of auditors**

9. The Board at its meeting held on 13 March 2015 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.

**Abstention from voting**

10. All the Non-Executive Directors (NEDs) who are shareholders of the Company will abstain from voting on Ordinary Resolution 4 concerning Directors' fees at the 40th AGM. Any Director referred to in Ordinary Resolutions 2, 3, 6 and 7 who is a shareholder of the Company will abstain from voting on the resolution in respect of his re-election or retention as a Director at the 40th AGM.

# NOTICE OF 40TH ANNUAL GENERAL MEETING

**Special Business**

**Retention of Directors as Independent NEDs**

11. The Board, through the annual assessment of the Independent NEDs, is satisfied with the skills, contribution and independent judgment that YAM Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail and YBhg Datuk Kevin How Kow bring to the Board. They have satisfactorily demonstrated that they are 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. In view thereof, the Board has approved the Nomination and Remuneration Committee's recommendation to support their retention as Independent NEDs at the 40th AGM of the Company in line with Recommendation 3.1 of the Malaysian Code on Corporate Governance 2012.

**Renewal of Authority to Allot and Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

12. The proposed Ordinary Resolution 8, 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 39th AGM held on 15 May 2014 and the said mandate will lapse at the conclusion of the forthcoming 40th 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.

**Proposed Shareholders' Mandate for RRPT**

13. The proposed Ordinary Resolution 9, if passed, will allow the CMS Group to enter into recurrent related party transactions of a revenue or trading nature pursuant to the provisions of the Main Market Listing Requirements. 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 8 April 2015 which is dispatched together with the Company's 2014 Annual Report.

**Proposed Shareholders' Mandate for Share Buy-Back**

14. The proposed Ordinary Resolution 10, 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 Shareholders' Mandate for Share Buy-Back is set out in the Circular to Shareholders dated 8 April 2015 which is dispatched together with the Company's 2014 Annual Report.

# STATEMENT ACCOMPANYING NOTICE OF 40TH ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

A. The profiles of the Directors who are standing for re-election as per Agenda 3 of the Notice of 40th AGM are stated on pages 42 and 45 of this Annual Report.

B. The profiles of the Directors who are 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 6 and Agenda 7 of the Notice of 40th AGM are stated on pages 42 and 49 of this Annual Report.

C. The profiles of the Directors are stated on pages 42 to 49 of this Annual Report. Their shareholdings in the Company are set out on page 197.

# FORM OF PROXY

| **Number of shares held:** |
| --- |
| CDS Account No.: |

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

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 40th 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, 30 April 2015 at 11:00 a.m. and at any adjournment thereof and to vote as indicated below:

| No. | Resolutions | For | Against |
| --- | --- | --- | --- |
| 1. | Declaration of final tax exempt (single-tier) dividend | | |
| 2. | Re-election of YAM Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail as Director | | |
| 3. | Re-election of YBhg Dato' Richard Alexander John Curtis as Director | | |
| 4. | Approval of Payment of Directors' fees 2014 | | |
| 5. | Re-appointment of Auditors | | |
| 6. | Proposed Retention of YAM Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail as Independent Non-Executive Director | | |
| 7. | Proposed Retention of YBhg Datuk Kevin How Kow as Independent Non-Executive Director | | |
| 8. | Authority to Directors to allot and issue shares | | |
| 9. | Proposed Shareholders' Mandate for RRPT | | |
| 10. | Proposed Shareholders' Mandate for Share Buy-Back | | |

Date: ......................................2015 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 40th 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 23 April 2015. Only a depositor whose name appears in the Register of Members/ROD as at 23 April 2015 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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