cms tribal run 2015

IN IT FOR

THE LONG RUN

ANNUAL REPORT 2015

CAHYA MATA SARAWAK

i-nova

OUR VISION

TO BE THE
PRIDE
OF SARAWAK
& BEYOND

OUR STAKEHOLDERS

OUR SHAREHOLDERS, STAFF,
CUSTOMERS & COMMUNITY

OUR MISSION

P R I D E

PRODUCING QUALITY, ON SPEC & ON TIME

RESPECT & INTEGRITY

IMPROVING, INNOVATING & INVESTING IN PEOPLE

DELIVERING SUSTAINABLE GROWTH

ENVIRONMENTALLY CONSCIOUS, SAFE & CONDUCIVE WORKPLACE

CONTENTS

COVER STORY

CMS' FIRST PUBLIC RUN DREW MASSIVE SUPPORT WITH OVER RM100,000 DONATED TO CHARITY

Carrying the theme 'In It for the Long Run', Cahya Mata Sarawak Berhad's 2015 Annual Report pays tribute to the over 2,200 Kuchingites who came together to lend a helping hand to the less fortunate through their participation in the inaugural CMS Tribal Run. The first of CMS' annual runs to be opened to the public, the CMS Tribal Run 2015 saw the entire entry fee collection of RM103,104.00 donated to eight local charitable organisations.

Our Annual Report theme also neatly sums up CMS' aspiration to deliver solid and sustainable value to our four stakeholders, namely our shareholders, customers, staff and the community, for the long run. Today, as one of the best listed proxy investments for Sarawak's accelerating economic growth, CMS is being driven forward by a combination of factors that are securing its own long-term growth. These include the Group's focus on proven and sustainable core businesses that leverage on the wealth of opportunities arising from the infrastructure and related services requirements across the State, as well as the energy intensive industries under the Sarawak Corridor of Renewable Energy (SCORE). Through our continued reinvestment into our core competencies and expansion into related infrastructure facilitation activities, we are creating a long-term, sustainable growth pathway for CMS and Sarawak as well as continued value creation for our four stakeholders.

OUR VISION

TO BE THE
PRIDE
OF SARAWAK
& BEYOND

OUR STAKEHOLDERS

OUR SHAREHOLDERS, STAFF,
CUSTOMERS & COMMUNITY

OUR MISSION

P R I D E

PRODUCING QUALITY, ON SPEC & ON TIME

RESPECT & INTEGRITY

IMPROVING, INNOVATING & INVESTING IN PEOPLE

DELIVERING SUSTAINABLE GROWTH

ENVIRONMENTALLY CONSCIOUS, SAFE & CONDUCIVE WORKPLACE

CONTENTS

OUR NEW FEATURES IN THIS ANNUAL REPORT

This annual report is available at www.cmsb.com.my.

i-nova

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.

Six easy steps to view more information from Cahya Mata Sarawak (CMS) Annual Report 2015:

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 buttons to explore additional contents.

OUR BUSINESS

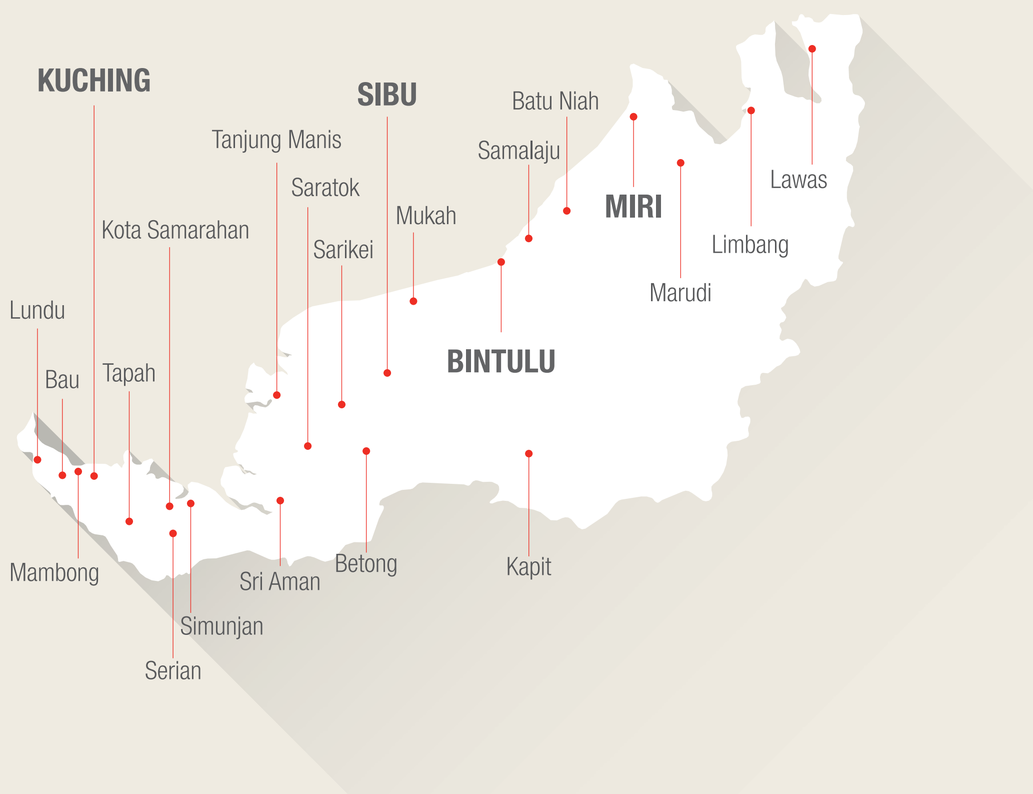
WITH SOME 41 YEARS TO ITS NAME, CAHYA MATA SARAWAK BERHAD (CMS) CONTINUES TO REINFORCE ITS POSITION AS SARAWAK'S LEADING INFRASTRUCTURE FACILITATOR AND A PRIME MOVER IN SARAWAK'S GROWTH STORY. YEAR AFTER YEAR, CMS HAS STEADFASTLY GROWN ITS REVENUE AND PROFITS – ITS SOLID PROGRESS A REFLECTION OF SARAWAK'S OWN DYNAMIC PROGRESS.

Tracing its humble origins back to cement manufacturing, CMS has successfully diversified into the manufacturing and trading of Cement and Construction Materials; Construction; Road Maintenance; Township, Property and Infrastructure Development; Education; and Financial Services. Recently, CMS expanded its core capabilities as an infrastructure facilitator by venturing into the telecommunications infrastructure arena.

As Sarawak moves into a new era of growth with the Sarawak Corridor of Renewable Energy (SCORE), CMS' expansion path too is moving into a new trajectory to take advantage of the business investment opportunities in energy-intensive industries and their infrastructure and related needs. Given the vast business potential within SCORE and throughout the state of Sarawak, CMS is in an ideal position to leverage on its healthy balance sheet, local knowledge, experienced management team and synergised portfolio of Sarawak-based businesses to maximise its participation in the Sarawak growth story.

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

- 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
- Telecommunications Infrastructure
- Township & Property Development
- Wire Mesh
- Worker's 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 D H Dato' Richard Alexander John Curtis
Y Bhg General (Retired) Dato' Seri DiRaja
Tan Sri Mohd Zahidi bin Hj Zainuddin
Y Bhg Datu Hubert Thian Chong Hui
Y Bhg Datuk Kevin How Kow
Y Bhg Datuk Seri Yam Kong Choy
Mr Chin Mui Khiong

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

Bank Muamalat Malaysia Berhad
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 14 MARCH 2016

CAHYA MATA SARAWAK*

CORE BUSINESS DIVISIONS

CEMENT DIVISION

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

PROPERTY DEVELOPMENT DIVISION

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

SAMALAJU DEVELOPMENT DIVISION

- Samalaju Industries Sdn Bhd 100%

INFORMATION & COMMUNICATION TECHNOLOGY DIVISION

CONSTRUCTION MATERIALS & TRADING DIVISION

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

CONSTRUCTION & ROAD MAINTENANCE DIVISION

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

* Listed on Main Market of Bursa Malaysia

CORPORATE STRUCTURE

AS AT 14 MARCH 2016

STRATEGIC INVESTMENTS

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

- OM Materials (Sarawak) Sdn Bhd 25%
- OM Materials (Samalaju) Sdn Bhd 25%
- Malaysian Phosphate Additives (Sarawak) Sdn Bhd 40%

- Sacofa Sdn Bhd 50%

SERVICES/ DORMANT/ INACTIVE COMPANIES

- Cahya Mata Sarawak Management Services Sdn Bhd (*formerly known as CMS Modular Housing Sdn Bhd*) 100%
- CMS I-Systems Bhd 100%
  - CMS I-Systems (India) Pte Ltd 100%

CORPORATE MILESTONES

STRENGTHENING OUR GROUP FOR SUSTAINABLE GROWTH

26 MAR

Samalaju Industries Sdn Bhd entered into a Share Sale Agreement with OM Materials (S) Pte Ltd for the purchase of an additional 5% equity interest in the Ferrosilicon and Manganese alloys smelting project in Samalaju Industrial Park, Bintulu.

30 MAR

CMS Opus Private Equity Sdn Bhd signed a Share Subscription Agreement with Damini Corporation Sdn Bhd. Under its COPE Opportunities 2, it purchased a 30% stake in Damini.

2 APR

A Conditional Share Purchase Agreement was signed between CMS and the State Financial Secretary, on behalf of the Sarawak State Government, to acquire a 50% stake in a Sarawak-based telecommunications infrastructure and services company, Sacofa Sdn Bhd.

14 APR

PPES Works (Sarawak) Sdn Bhd signed a Design & Build and Negotiated Contract with the Sarawak State Government for the proposed Sarawak Museum Campus and Heritage Trail in Kuching.

7 MAY

CMS Cement Sdn Bhd celebrated a major milestone in the construction of its third cement grinding plant at Mambong, Kuching with the casting of concrete for the 60 meter-high silo project.

11 MAY

Tunku Putra School's RM6 million Tun Taib Hall was officially opened by His Excellency the Governor of Sarawak, Tun Pehin Sri Haji Abdul Taib bin Mahmud.

9 JUL

CMS Land Sdn Bhd handed over the new temporary 200-bay carpark for Menara Sarawak Energy, under a 5-year lease to Sarawak Energy Berhad.

23 OCT

CMS completed its acquisition from the State Financial Secretary Inc. of both a 50% stake and warrants of Sacofa Sdn Bhd.

16 NOV

CMS Property Development Sdn Bhd signed the Memorandum of Understanding with Sarawak Economic Development Corporation to develop approximately 1 acre of riverfront land adjacent to Menara SEDC and KTS Wharf in Kuching.

CORPORATE MILESTONES

OUR BUSINESS HIGHLIGHTS

26 OCT CMS received The Edge Billion Ringgit Club Award for the 'Best Performing Stock - Industrial Products Sector' for the highest returns to shareholders over three years.

25 FEB CMS recorded a revenue of RM1.67 billion with a pre-tax profit of RM341.45 million for the year ended 31 December 2014.

26 AUG CMS Board of Directors declared an interim tax exempt (single-tier) dividend of 1.5 sen per share for the financial year ending 31 December 2015. The entitlement date and dividend payment date for the interim dividend were on 23 September 2015 and 22 October 2015.

CMS recorded a revenue of RM867.84 million with a pre-tax profit of RM161.72 million for 1H 2015.

23 NOV CMS posted a revenue of RM1.28 billion for PE 2015, a growth of 9% compared to the same period in 2014. Its pre-tax profit for the 9 months ended 30 September 2015 remained stable at RM266.28 million compared to the corresponding period in 2014.

14 NOV CMS Land Sdn Bhd clinched the Commendation Award for The Isthmus masterplan in Kuching at the Sarawak Housing and Real Estate Developers' Association (SHEDA) Excellence Awards 2015.

8 DEC CMS Cement Sdn Bhd annouced an increase of cement price by an average of 4.6% effective 1 January 2016, due to the depreciation of the Ringgit.

CORPORATE MILESTONES

ENGAGING WITH OUR STAKEHOLDERS

6 MAR

CMS Cement Sdn Bhd's management team went to Anhui, China for a clinker plant assessment visit.

12 MAR

CMS Board of Directors and Senior Management toured the Samalaju Industrial Park (SIP), followed by a briefing on the development of the various CMS projects in SIP as well as of the planned Samalaju Port.

15 APR

CMS Cement Sdn Bhd's plant in Bintulu won the Silver Award for the Malaysian Productivity Corporation (MPC) Team Excellence, Sarawak Region.

30 APR

CMS 40th Annual General Meeting was held for the financial year ended 31 December 2014.

6-7 MAY

CMS Group Managing Director, Dato' Richard Curtis and Sarawak's Minister of Housing & Tourism, Datuk Amar Abang Johari toured Bukit Gambang Resort City (BGRC) in Pahang. The purpose of the tour was to view the available facilities of BGRC and the developments of the Sentoria Group's planned Borneo Samariang Resort City at Bandar Samariang in Kuching.

13 JUNE

CMS Friendly Games are held to build good rapport and great team spirit amongst employees of CMS and the various government and private sectors. To kick off the Games for 2015, a football match was held between CMS and the Department of Occupational Safety and Health, Kuching. Other games held were bowling, badminton and futsal. In total, over 23 friendly games were held during 2015 throughout Sarawak.

CORPORATE MILESTONES

25 AUG

Head of Samalaju Development Division, Dato Isaac Lugun was a panel speaker for Edelman Trust Barometer 2015, held in Kuching. He highlighted that Samalaju Industries Sdn Bhd is constantly engaging and working closely with the local authorities and Sarawak State Government for projects in the Samalaju Industrial Park, to gain the trust of our stakeholders.

6 SEP

CMS Tribal Run 2015 first opened its registration to the public, attracting over 2,700 participants throughout Sarawak. 100% of the entry fees collected were donated to eight local charitable organisations amounting to RM103,104.00.

23 SEP

CMS held a briefing for 12 Kenanga interns on its business operations.

29 SEP

Samalaju Hotel Management Sdn Bhd held a briefing with the local media on its newly-opened Samalaju Resort Hotel which included an introduction to the hotel by Dato Isaac Lugun, followed by a tour.

22-25 OCT

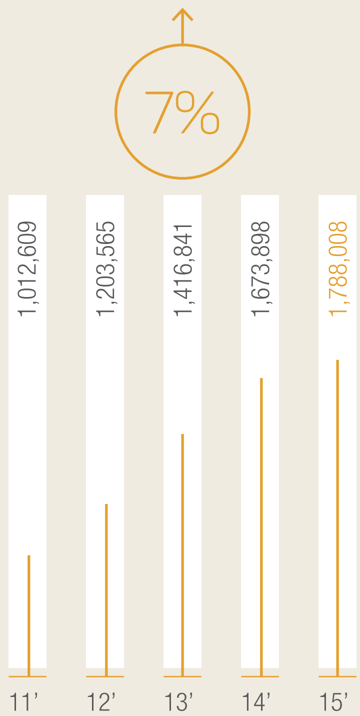
CMS Property Development Sdn Bhd participated in a 4-day International Investment & Property Expo in Negara Brunei Darussalam.

27 NOV-2 DEC

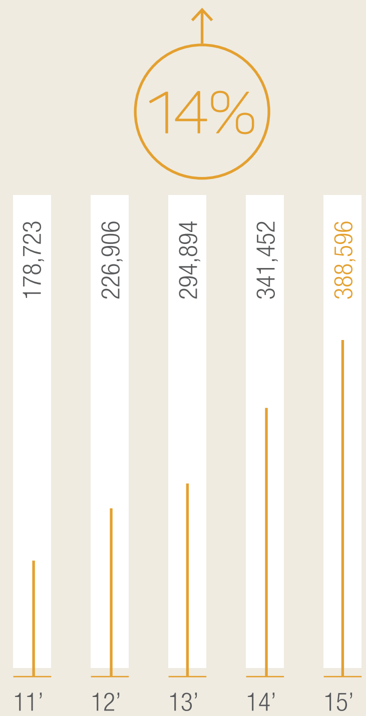
CMS annual Town Hall meetings were held in Kuching, Miri, Bintulu and Sibu. Employees were briefed on the performance of the Group for the year 2015 and its business operations and strategic plans going forward for 2016 as well as being given the opportunity to question Senior Management.

PERFORMANCE AT A GLANCE

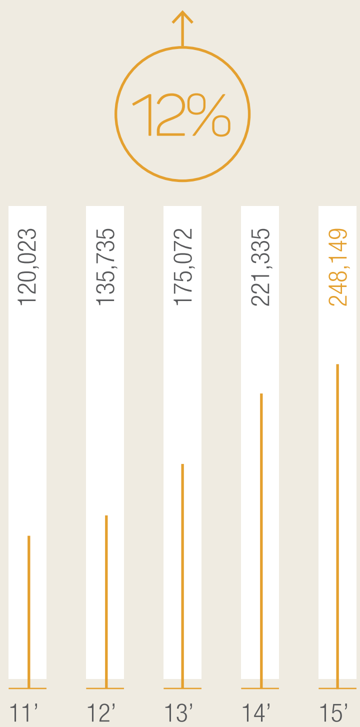
REVENUE
(RM'000)



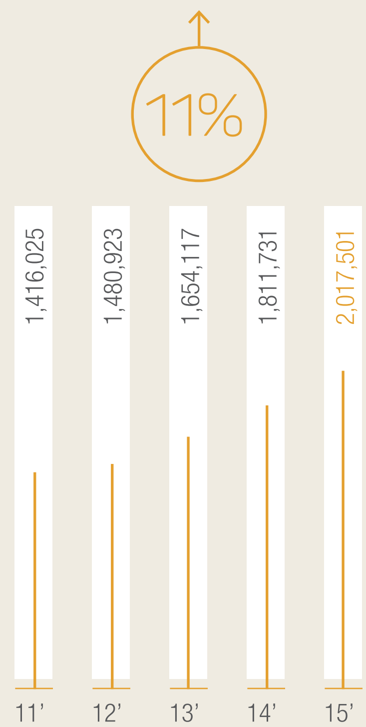
PROFIT BEFORE TAXATION
(RM'000)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RM'000)



TOTAL SHAREHOLDERS' FUNDS
(RM'000)



FINANCIAL HIGHLIGHTS

	2011	2012	2013	2014	**2015**
Revenue (RM'000)	1,012,609	1,203,565	1,416,841	1,673,898	**1,788,008**
Profit before taxation (RM'000)	178,723	226,906	294,894	341,452	**388,596**
Profit attributable to owners of the Company (RM'000)	120,023	135,735	175,072	221,335	**248,149**
Weighted average number of shares ('000)	329,469	327,928	999,276 *	1,033,352	**1,064,741**
Basic earnings per share (sen)	36.43	41.39	17.52 *	21.42	**23.31**
Gross dividends per share (sen)	15	17	17	8.5	**4.5**
Total shareholders' funds (RM'000)	1,416,025	1,480,923	1,654,117	1,811,731	**2,017,501**
Total assets (RM'000)	2,100,572	2,140,240	2,423,892	2,800,131	**3,231,079**
Net tangible assets per share (RM)	4.10	4.37	4.70	1.68	**1.82**
Net assets per share (RM)	4.30	4.56	4.88	1.74	**1.88**
Return on average shareholders' equity (%)	8.80	9.37	11.17	12.77	**12.96**
Return on total assets (after tax) (%)	5.71	6.34	7.22	7.90	**7.68**
Total borrowings (RM'000)	215,747	89,825	100,102	104,796	**163,678**
Gearings (times)	0.15	0.06	0.06	0.06	**0.08**
Current assets (RM'000)	1,182,117	1,141,742	1,349,054	1,602,401	**1,307,756**
Current liabilities (RM'000)	390,025	371,725	451,313	639,462	**611,112**
Current ratio (times)	3.03	3.07	2.99	2.51	**2.14**

* Adjusted for the share split and bonus issue.

2015 SHARE PRICE PERFORMANCE (RM)

	2011	2012	2013	2014		**2015**
				Before Split and Bonus Issue	After Split and Bonus Issue	
Low	1.70	2.06	2.99	6.55	3.30	**3.80**
High	2.90	3.50	6.99	11.46	4.72	**6.00**
Closing	2.09	3.33	6.89	10.50	3.96	**5.13**

CHAIRMAN'S STATEMENT

Y A M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Group Chairman

REVENUE

↑ 7%

FY 2015 REVENUE INCREASE TO

RM1.79 BILLION

FROM

RM1.67 BILLION

PROFIT BEFORE TAX

↑ 14%

FY 2015 PBT INCREASE TO

RM388.60 MILLION

FROM

RM341.45 MILLION

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

IN 2015, YOUR COMPANY, CAHYA MATA SARAWAK BERHAD (CMS OR THE GROUP) DELIVERED A COMMENDABLE PERFORMANCE ON ALL FRONTS, ONCE AGAIN REINFORCING ITS POSITION AS SARAWAK'S LEADING INFRASTRUCTURE FACILITATOR AND A PRIME MOVER IN SARAWAK'S GROWTH STORY. I AM DELIGHTED TO REPORT THAT OUR CORE BUSINESS DIVISIONS, ALL WEATHERED CHALLENGING OPERATING ENVIRONMENTS TO MAKE STRONG STRIDES FORWARD IN THE YEAR UNDER REVIEW – THEIR SOLID PROGRESS IS A REFLECTION OF SARAWAK'S OWN DYNAMIC PROGRESS.

This year's Annual Report carries the theme, 'In It for the Long Run', and pays tribute to the inaugural CMS Tribal Run which was opened to the public for the first time in 2015. It also aptly reflects the Group's mandate to deliver solid and sustainable, long-term value to our four stakeholders, namely our shareholders, customers/suppliers, staff and the community. Today, CMS is being driven forward by a combination of factors that are ensuring the Group's long-term growth. These include the Group's focus on proven and sustainable core businesses that revolve around, firstly, infrastructure and related services businesses, and secondly, the energy-intensive industry. Our continued focus on investing back into our core businesses too is ensuring we create a sustainable growth pathway for the long-run.

On top of this, the unswerving dedication of our Board of Directors (Board), professional management team and committed workforce, coupled with a solid balance sheet, sustainable profits and strong corporate governance measures, are all helping ensure CMS grows in a sustainable manner. Add to this, Sarawak's accelerating economic growth, 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, and CMS' ambition of solid and long-term sustainable profits is well within reach. CMS, without a doubt, remains one of the best proxy-listed investments for Sarawak's dynamic growth.

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 2015.

A CHALLENGING OPERATING ENVIRONMENT

According to the International Monetary Fund (IMF), the global economy grew by just 3.1% in 2015, its weakest pace since the 2009 recession. On the home front, Malaysia's real gross domestic product (GDP) dropped to 4.7% in 2015 from 6.0% in 2014. Being a major producer and exporter of hydrocarbons and other commodities, Malaysia's economy was pounded by nosediving demand and prices on these fronts. GDP growth was also affected by the economic slowdown in China, the nation's leading trade partner.

Despite the external headwinds buffeting Malaysia's overall economy, Sarawak remained relatively insulated due to the long-term nature of its economic drivers in SCORE which have begun to take off. With Sarawak's GDP continuing to soar in 2015, the State is on course to achieve its economic ambitions on the back of strong domestic demand and increased investment in projects under SCORE, the Eleventh Malaysia Plan (11MP) and other growth strategies.

COMMENDABLE FINANCIAL PERFORMANCE

Amidst this backdrop, I am pleased to announce that CMS turned its sixth consecutive year of record revenue and profits growth in the financial year ended 31 December 2015 (FY 2015). We bettered our year-on-year performance, with Group revenue rising 7% to RM1.79 billion in FY 2015 from RM1.67 billion previously, while profit before tax (PBT) grew by 14% to RM388.6 million from RM341.45 million previously. Year-on-year, the Group registered profit after tax and non-controlling interests (PATNCI) of RM248.15 million for FY 2015, which was 12% higher than the PATNCI of RM221.34 million reported previously.

The main contributors to the Group's revenue were the Construction Materials & Trading, Cement as well as Construction & Road Maintenance Divisions. These three Divisions made a combined contribution of 92% (FY 2014: 90%) to Group revenue.

The 14% rise in Group PBT was due to the higher earnings from the Construction & Road Maintenance and Construction Materials & Trading Divisions. Together with the Cement Division, these three Divisions contributed 89% (FY 2014: 82%) of the Group's PBT.

The Board is satisfied with the good progress made by all our core business Divisions. Their success comes on the back of steadfast focus on identifying and taking advantage of opportunities whilst optimising cost structures. 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 in the long-run.

KEY CORPORATE DEVELOPMENTS

Over the course of FY 2015, CMS acquired a 50% equity interest of the issued and paid-up capital in Sacofa Sdn Bhd, a Sarawak State-controlled telecommunications infrastructure and services company for a total of some RM186.79 million. At the same time, CMS also acquired warrants of Sacofa for RM35.41 million. Our investment in Sacofa is an exciting move for us as it is enabling us to extend our core capabilities as an infrastructure facilitator and support the State as an ally on the telecommunications infrastructure

CHAIRMAN'S STATEMENT

development front. As we embark on this private-public partnership, we are honoured to be given the responsibility and the privilege to work together with the State to expand telecommunications coverage throughout Sarawak, particularly underserved areas in the interior. Our aim is to help facilitate the strengthening of economic activity in these areas and make Sarawak a regional hub for telecommunications-related activities.

Today, Sacofa has strong earnings visibility as it is the State's only provider of telecommunication towers. This bodes well for the Company's growth and will provide income stability to CMS. A new Information & Communication Technology (ICT) Division has been set up within the Group to look after our interests in Sacofa as well as to explore other ICT-related business opportunities arising in the future linked to or as a consequence of our stake in Sacofa.

SHAREHOLDER VALUE CREATION

In FY 2015, the Group's basic earnings per share (EPS) stood at 23.31 sen in comparison to EPS of 21.42 sen in FY 2014. For the year in review, the Group turned in a Return on Equity (ROE) of 12.96% as compared to a ROE of 12.77% in FY 2014. This is the third consecutive year in which CMS has turned in a double digit ROE.

CMS' dividend policy provides for a net pay-out ratio of 40% of its annual consolidated PATNCI to shareholders subject to a minimum of 2.0 sen per share. This is subject to the level of available cash and cash equivalents, Return on Equity and retained earnings, projected levels of capital expenditure (CAPEX) and other investment plans.

In FY 2015, we undertook several transactions that lowered the Group's level of cash and cash equivalents. These included our acquisition of Sacofa, our investments in OM Materials (Sarawak) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd for additional 5% equity interests, plus higher than normal CAPEX for the new cement grinding plant and the Samalaju Resort Hotel. Due to these various factors, our level of cash and cash equivalents reduced to RM323.0 million as at 31 December 2015 (end FY 2014: RM804.68 million). For 2016 and 2017, we expect to incur a considerable sum (in equity terms) to finance our 40% stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd's integrated phosphate complex at a projected cost of approximately RM2.0 billion.

In light of the aforementioned factors and despite CMS turning in a stronger performance in FY 2015, the Board is proposing a final dividend of 3.0 sen per share tax exempt (single-tier) in respect of FY 2015, subject to shareholders' approval at the forthcoming Annual General Meeting. Together with the interim (single-tier) dividend of 1.5 sen per share paid on 22 October 2015, this represents a pay-out ratio of 19% and brings the total dividend pay-out for FY 2015 to 4.5 sen or an amount of RM48.35 million payable to shareholders (FY 2014: RM90.42 million).

Your Board and Management strongly believe that we are doing the right thing by prudently conserving our level of cash. This is by no means a reflection of a lack of confidence in the Company's cash-generating abilities nor do we feel that the Company is unable to address any operational issues. In our view, by ensuring an adequate level of cash, this will allow CMS to keep its growth trajectory intact as these investments will drive the next phase of our growth.

Today, your Company continues to maintain a healthy balance sheet and a comfortable level of gearing. Our low gearing these last four years is a deliberate one which will enable us to utilise our cash or cash equivalent reserves for future investments.

Going forward, we expect to undertake a proposed Sukuk Programme of up to RM1.0 billion in nominal value for a period of up to 20 years. This proposed Sukuk Programme will help fund CMS' working capital and capital expenditure requirements as well as offset general corporate expenses. By having substantial cash reserves, strong positive cash flows and access to long-term debt funding through the planned Sukuk in this challenging economic climate, CMS has the flexibility to more easily capitalise on attractive investment opportunities which may from time to time arise.

I am delighted to report that CMS continues to create value for our shareholders in other ways and make Sarawak proud through the accolades that we receive. In 2015, CMS bagged The EDGE Billion Ringgit Club (EDGE BRC) award for the 'Best Performing Stock - Industrial Products Sector' for the highest compound returns to shareholders over three years. Each year, the EDGE BRC applauds top businesses for their excellence in delivering quality results and returns and we are humbled that we rank among the many excellent companies out there.

People investment impacts the value we create for our shareholders and we are continually developing our talent through various succession development and training plans. In 2015, potential successors who had been identified for top management positions, underwent tailored leadership training to address specific skill gaps that would enable them to meet the demands of their roles in the future. At the management level, we focused on engagement and people management programmes to enable our line managers to operate more efficiently and to add value over and above their technical knowledge base. Following the success of our past two Management Trainee Development Programmes which saw an injection of talented young graduates into the Group, the third Programme is to take place in 2016.

UPHOLDING RESPONSIBLE PRACTICES

Here at CMS, we believe good governance translates into good business. Your 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. As integral components of our business, these elements are helping ensure the sustainable, long-term growth of our businesses, bolstering investor confidence, preserving our corporate reputation and ensuring continued shareholder value creation.

In our efforts to uphold the highest corporate governance standards, we continue to subscribe to the principles, guidelines and recommendations set out in the Second Edition of the Corporate Governance Guide issued by Bursa Malaysia Berhad and the Malaysian Code of Corporate Governance (MCCG) 2012.

On the risk management front, we continue to undertake the necessary measures to strengthen our risk profile and practices. In 2015, we rolled out a new in-house developed risk management tool to mitigate project risk. We also continued to reinforce our bottom-up approach to embed a more robust risk management process and culture at all levels of our organisation. We continue to undertake the necessary due diligence on any new investments that come our way, and are maintaining a very conservative and prudent evaluation criteria, particularly amidst this current economic climate.

CHAIRMAN'S STATEMENT

The Board recognises the importance that business sustainability plays in creating sustainable stakeholder value and ensuring CMS' long-term success. As a conscientious corporate citizen, we are genuinely committed to balancing out our strong economic performance with responsible environmental and social considerations to ensure we deliver a sustainable performance. This year, we are introducing our inaugural standalone Sustainability Report which ties in nicely with Bursa Malaysia's sustainability requirements for FY 2016. This report is expected to reduce our perceived non-financial risk profile by positioning us as a company that is upholding a sustainability-based (and thus safer) business model which will ultimately draw more investors in.

OUTLOOK AND PROSPECTS

The IMF predicts that global growth will progressively increase to 3.4% in 2016 and 3.6% in 2017. The slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies, will continue to weigh heavily on growth prospects between 2016 and 2017. Malaysia's economy is expected to expand at a slower pace in 2016 and continue to moderate in 2017 due to a slowdown in domestic demand.

Amidst this background, 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. The State is on course to achieve economic growth of between 6%-7% per annum during the Eleventh Malaysia Plan (2016-2020) while its nominal GDP is expected to increase from RM122.5 billion in 2015 to RM171.3 billion in 2020. Strategies such as the Sarawak Socio-Economic Transformation Plan (SETP) which underscores the State Government's aim to transform Sarawak into a high-income and developed state by 2030, as well as the promotion of energy-intensive industries under SCORE, will help stimulate growth.

As Sarawak's largest and most integrated listed 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 25% equity stake in OM Materials (Sarawak) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd to develop a ferrosilicon and manganese alloys smelter, as well as our 40% equity stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd, 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 increase shareholder value. We will also continue to focus on our core businesses which are major earners for our Group. Future earnings for these businesses look promising, especially with projects such as the Pan Borneo Highway coming up. Our investment in the telecommunications infrastructure segment too bodes well for us.

These elements, coupled with our cash reserves and 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 growth trajectory and we are proud to have come thus far. Being a passionate, people-led organisation, we will endeavour to exceed the expectations and uphold the responsibilities placed on us, taking a lead on the big issues, while maintaining our legacy of financial success and sustainable growth. Going forward, your Board is confident that the Group will deliver a satisfactory performance in FY 2016.

ACKNOWLEDGEMENTS

As the CMS Group readies itself to embrace the next stage of our transformation journey, we want to acknowledge the many parties who have helped get us where we are today.

On behalf of the Board of CMS, I wish to convey my heartfelt appreciation to you, our shareholders, for your unwavering trust and confidence in CMS. Our utmost gratitude also goes to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and all others who have lent us their steadfast support and cooperation.

Our sincere appreciation goes to the many external partners that work with or alongside us whose support and reliability has been critical to our success. We want to acknowledge and sincerely thank the Sarawak State Government and its agencies for having the vision to develop Sarawak as well as design and implement SCORE in such an innovative manner. Not forgetting our joint venture partner, Sarawak Economic Development Corporation, and our co-shareholders in our Strategic Investments, particularly our new associate, Sacofa – we truly appreciate your kind support and cooperation and look forward to maintaining a mutually beneficial relationship with you for many years to come.

To the Group's more than 2,300 direct employees, as well as the management teams of all the Group's companies, I wish to express my deep gratitude for your hard work, dedication and resilience, especially amidst the challenges of 2015. To my colleagues on the Boards of all the Group's companies, thank you for your guidance and counsel that has helped steer CMS and its subsidiaries forward amidst opportunistic and challenging times.

At this time, I wish to take this opportunity to express our deepest appreciation to Y Bhg Datuk Kevin How Kow who will be stepping down as an Independent, Non-Executive Director of CMS at our upcoming AGM. We thank him for his invaluable contributions during his 13-year tenure with us and wish him every success in his future endeavours.

Last but not least, please join me in welcoming on board Y Bhg Datuk Seri Yam Kong Choy and Mr Chin Mui Khiong who both joined us as Independent Non-Executive Directors in May and August 2015 respectively. Datuk Seri Yam has had an illustrious career spanning more than 35 years in the construction, real estate and corporate sectors, while Mr Chin brings to the table more than 35 years of professional experience in the areas of audit and business advisory services. We certainly look forward to these gentlemen's contributions.

As we venture forth, we ask that all our stakeholders continue to lend us their invaluable support as we work hard to move the Group up to new heights of success and truly establish CMS as the 'PRIDE of Sarawak and Beyond'. Thank you.

Yours sincerely,

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

14 March 2016

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

DEAR SHAREHOLDERS,

I AM DELIGHTED TO REPORT THAT CMS' CORE BUSINESS DIVISIONS MADE SOLID STRIDES FORWARD IN FY 2015 TO ONCE AGAIN DELIVER COMMENDABLE RESULTS ON THE FINANCIAL AND OPERATIONAL FRONTS. THE YEAR'S GOOD PERFORMANCE, THE GROUP'S SIXTH CONSECUTIVE YEAR OF RECORD GROWTH, IS ALL THE MORE HEARTENING GIVEN THE CHALLENGES THAT EACH BUSINESS OVERCAME IN THE COURSE OF THE YEAR.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

TOTAL GROUP REVENUE

RM1.8 BILLION

FY 2015

INCREASE IN PBT TO

RM388.60 MILLION

14%

Our performance attests to the fact that our robust business model, astute and professional management approach, as well as our steadfast focus on delivering long-term sustainable growth, all continue to work together for our good. I applaud the resilience of our staff who under the guidance of our Board of Directors (Board), stood their ground and rose above the year's challenges to turn in another commendable performance.

CMS achieved several milestones in FY 2015. The year saw us commencing commercial production of our new cement grinding plant at Mambong, commissioning a capacity upgrade at Sibanyis Quarry, and making a modest investment to update and upgrade equipment across the board in our Construction & Road Maintenance Division. We continued to strongly support the private-public partnership model and play a key role in infrastructure development within the state of Sarawak (the State) via our acquisition of a 50% stake in Sacofa Sdn Bhd, a Sarawak-based telecommunications infrastructure and services company. This acquisition, which ties in nicely with our strategy of supporting Sarawak as an ally in infrastructure development, has cemented our position as the State's leading infrastructure facilitator.

While some of the Group's Divisions faced a difficult operating environment over FY 2015, I am pleased to report that our strong, unified management teams rose to the fore to deal with all challenges head on. This reflects the growing maturity of the Company and the depth of our management. As a result of the worthy efforts of our people, CMS turned in an admirable performance for the financial year ended 31 December 2015.

The Group's revenue rose 7% to a record RM1.79 billion in FY 2015 (FY 2014: RM1.67 billion). The main contributors to Group revenue were the Construction Materials & Trading Division (contributing 36% of Group revenue), followed by the Cement Division (31% of Group revenue) and Construction & Road Maintenance Division (25% of Group revenue). Together, these three Divisions contributed 92% of the Group's total revenue. The remainder of FY 2015's revenue mostly came from our Property Development Division which contributed 5% of our Group's revenue.

The year saw CMS' profit before tax (PBT) rising 14% to touch an all-time high of RM388.6 million in FY 2015 (FY 2014: RM341.45 million). The main contributors to the Group's PBT were the Construction & Road Maintenance Division (contributing 35% of PBT), followed by contributions from the Construction Materials & Trading Division (28% of PBT) and Cement Division (26% of PBT). These three Divisions made a combined contribution of 89% to the Group's PBT (FY 2014: 82%), while the remainder came primarily from the Property Development Division which contributed 5% of the Group's PBT respectively. Our unwavering focus on optimising sales opportunities led to better cost efficiencies within our core businesses.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

CEMENT DIVISION

PBT

RM103 MILLION

FY 2015

2.75

MILLION MT PER ANNUM RATED CEMENT GRINDING CAPACITY

THE NEW

RM190 MILLION

GRINDING PLANT BEGAN COMMERCIAL CEMENT PRODUCTION IN DECEMBER 2015

THE GROUP'S CEMENT DIVISION, WHICH COMPRISES OUR CEMENT, CLINKER AND CONCRETE PRODUCTS OPERATIONS, REMAINS ONE OF CMS' LARGEST PBT CONTRIBUTORS. AS THE SOLE CEMENT AND CLINKER MANUFACTURER IN SARAWAK, THE DIVISION'S GROWTH CONTINUES TO BE DRIVEN BY INCREASED INFRASTRUCTURE AND CONSTRUCTION ACTIVITIES WITHIN THE STATE.

In FY 2015, despite good demand growth, the Cement Division's profitability was hit hard by currency fluctuations that offset the higher cement sales volume. Given that cement imports (to meet production shortfalls pending the commissioning in late 2015 of additional capacity), plus that over 60% of all raw material purchases such as clinker and gypsum are conducted in US dollars, the Division's profitability was affected as the US dollar surged by some 26% from RM3.30 to RM4.40 over the course of FY 2015. As a result, the Division's PBT dropped by 14% to RM103.17 million (FY 2014: RM120.48 million) despite a 2% rise in revenue to RM559.77 million in FY 2015 (FY 2014: RM548.23 million). Being a responsible company, we chose not to increase cement prices at that time but instead absorbed the higher costs. Cement prices were eventually adjusted to reflect market realities at the start of January 2016.

CEMENT OPERATIONS

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

The Division's cement operations continue to be fuelled by strong market demand. For the period 2011 to 2015, the Kuching and Bintulu plants registered a combined average Utilisation Factor (UF) of 95%. With the growing local demand, the Group's cement mills ran above their historic average production levels through continuous mill optimisation initiatives, while the shortfall was met by imported cement.

To meet the anticipated increase in cement demand, the Cement Division has developed a new 1.00 million MT per annum grinding plant adjacent to the Mambong clinker plant. The new RM190.0 million plant began commercial cement production in December 2015 and will be fully operational by the first half of 2016. With this third plant, CMS Cement's total production capacity will increase by almost 60% with an annual combined rated production capacity of 2.75 million MT per annum. This will enable the Group to meet growing cement demand in Sarawak, have significant reserve production capacity, as well as potentially extend our supply into nearby countries. The year also saw CMS Cement upgrade its jetty in Kuching to improve imported raw material handling.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

CLINKER OPERATIONS

Within the Cement Division's stable is 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 clinker production capacity of 0.84 million MT per annum. This plant is able to meet up to 85% of the clinker demand of 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. Measures continue to be undertaken to stabilise and improve plant performance while lowering power consumption to optimise costs.

CMS CONCRETE PRODUCTS

CMS Concrete Products Sdn Bhd continues to grow from strength to strength and build a reputation for itself as a highly reliable manufacturer of pre-formed concrete products. Today, the Company's range of offerings includes reinforced concrete square piles, bridge beams, culverts, ready-mix concrete 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 a 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.

Our concrete products arm continues to offer a complete package to its customers. Its solutions include 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. CMS Concrete Products continues to explore the development of new concrete and IBS products as well as an expansion of its service offering. The Company has commenced ready-mix concrete (RMC) operations in Samalaju and plans are underway to set up a manufacturing plant in Bintulu.

CLINKER OPERATIONS

0.84 MILLION MT

PER ANNUM RATED PRODUCTION CAPACITY

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

THE GROUP'S CONSTRUCTION MATERIALS & TRADING DIVISION IS INVOLVED IN QUARRYING, PREMIX MANUFACTURING, WIRES PRODUCTION AND TRADING. IN FY 2015, THE DIVISION EXPERIENCED AN OUTSTANDING YEAR EVEN AS IT CAPITALISED ON A HOST OF BUSINESS OPPORTUNITIES THAT AROSE, PARTICULARLY BY WAY OF CONSTRUCTION MATERIALS.

CONSTRUCTION MATERIALS & TRADING DIVISION

PBT

RM108 MILLION

FY 2015

3.45

MILLION MT PER ANNUM COMBINED RATED QUARRY PRODUCTION CAPACITY

The Division faced with additional demand rose to the challenge and delivered on its promises. The year saw the Division's PBT rising by a stellar 41% to cross the RM100.0 million work at RM108.0 million from RM76.48 million previously. This solid performance came on the back of an 8% rise in revenue to RM645.32 million in comparison to RM599.35 million in FY 2014.

Both our quarry and premix companies recorded steep increases in revenue from higher sales volume and a higher amount of contract services. The trading business continued to register strong revenue from secured sales of mild steel polyurethane (MSPU) pipes and other related products and services.

At this juncture, any positive contributions to CMS from the Pan Borneo Highway, where there is anticipated extensive demand for a wide range of construction materials, cannot yet be quantified as the project is still in its early stages of award and construction.

QUARRYING OPERATIONS

CMS' quarry operations are undertaken by CMS Quarries Sdn Bhd and CMS Penkuari Sdn Bhd, companies that are involved in the production of crushed aggregates of granite, microtonalite and limestone types of stone. The Group's quarrying operations encompass five quarries, namely Stabar, Penkuari, Akud, Sebuyau and Sibanyis, that have a combined annual rated capacity of 3.45 million MT per annum.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

In June 2015, the production capacity at Sibanyis was increased from 600,000 MT to 900,000 MT per annum. The Division plans to further increase its production capacity by installing a second production line at Sibanyis with a crushing plant capacity of 1.30 million MT per annum. This will enable CMS Quarries to continue providing a steady supply of quality crushed aggregates at competitive prices to meet growing market demand throughout Sarawak.

A planned wharf facility at Samarahan has received approvals from all relevant authorities and infrastructure works and ramp construction will be completed by Q3 2016. This will increase our loading ability and speed up deliveries of crushed aggregates by barge to the areas outside Kuching.

PREMIX OPERATIONS

Via CMS Premix Sdn Bhd and CMS Premix (Miri) Sdn Bhd, CMS owns 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. The two companies account for approximately 60% of the asphaltic concrete (premix) and bitumen emulsion markets in Sarawak.

In FY 2015, the Division purchased two mobile premix plants with a capacity of 150 MT per hour and 100 MT per hour respectively. These mobile premix plants will be set up at Limbang and Samalaju to meet increasing demand within these regions. In FY 2016, the existing 50 MT per hour mobile premix plant at Limbang will be relocated to Kapit.

WIRE OPERATIONS

CMS Wires Sdn Bhd manufactures steel drawn wires and wire mesh for the local construction industry. In FY 2015, its sole 5,500 MT per annum plant produced 4,200 MT of steel wires and mesh. Today, the Company continues to operate in a very competitive environment with approximately 20% market share.

TRADING OPERATIONS

CMS Infra Trading Sdn Bhd, acts as an agent/distributor of a varied range of products and services related to water management. This includes a variety of water pipes such as high density polyethylene pipes (HDPE), ductile iron, mild steel cement lined (MSCL) pipes, mild steel polyurethane (MSPU) lined pipes and fittings, diverse water treatment chemicals as well as water pipe installation and reservoir cleaning systems.

The Company is also an agent in the distribution of construction materials namely, cement and steel bars, road management products, building protection systems, petroleum products and other safety products.

In FY 2015, CMS Infra Trading registered strong sales for its water management products, namely its water treatment chemicals, ductile iron pipes, MSCL and MSPU pipes and fittings. Strong sales were also recorded on the construction materials (cement and steel bars) front as well as on the road management and petroleum products fronts. The Company secured several sizeable new supply contracts through competitive bidding for various tenders and will continue to explore long-term opportunities to expand its product range and customer base.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

THE GROUP'S CONSTRUCTION & ROAD MAINTENANCE DIVISION CONTINUES TO ROLL OUT A WIDE RANGE OF INFRASTRUCTURE CONSTRUCTION PROJECTS AND ROAD MAINTENANCE PROJECTS ACROSS SARAWAK.

CONSTRUCTION & ROAD MAINTENANCE DIVISION

PBT
RM135 MILLION
FY 2015

These projects, involving road maintenance, water infrastructure, buildings and pavement rehabilitation works, are executed primarily through subsidiaries PPES Works (Sarawak) Sdn Bhd, CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd. The Division also continues to derive stable recurring income from its two road concessionaries who are tasked with maintaining approximately 680 km of Federal roads and 5,660 km of State roads throughout Sarawak.

In FY 2015, the Division registered a 22% hike in revenue to RM444.35 million. Of this total, approximately RM208.32 million was derived from construction works, roads, water infrastructure projects and building works, while approximately RM236.03 million came from stable and improved recurring revenue from the two road maintenance concessions. The higher revenue contribution led to a higher PBT of RM135.40 million, a 61% increase in comparison to the preceding year's PBT.

The year saw the Division continuing to bolster its technical capabilities by investing in new machinery. It continued to roll out continuous employees' training to improve operational efficiencies and productivity as well as leveraged on division-wide staff teambuilding initiatives to build a more cohesive and committed workforce. The Division continued to place an emphasis on the quality of work it 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 trusted contractor within Sarawak.

The Construction & Road Maintenance Division will ensure it remains competitive in its bids for new projects. Income generation should remain stable given that the majority of the Division's income is derived from contractual earnings from or linked to its two road maintenance concessions or from ongoing longer-term construction projects. At this juncture, 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 RM513.01 million.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

PROPERTY DEVELOPMENT DIVISION

PBT
RM20 MILLION
FY 2015

CMS PROPERTY DEVELOPMENT DIVISION IS THE CUSTODIAN OF TWO LAND BANKS IN KUCHING, NAMELY THE 3,911 ACRE LAND BANK IN PETRA JAYA, NAMED BANDAR SAMARIANG, AND THE ISTHMUS, THE 246-ACRE LAND BANK AT MUARA TEBAS VESTED WITH CMS LAND.

Over the course of 2015, the Property Development Division continued to expand and develop these two major land banks. The Division posted revenue of RM89.78 million in FY 2015 (FY 2014: RM113.58 million), while its PBT declined by 56% to RM19.85 million in FY 2015 from RM45.63 million previously. The higher PBT posted in 2014 was largely attributed to the recognition of profit from the land sales. However, in 2015, the Division saw profit from higher construction activities.

Our property development arm's potential for long-term sustainable growth is underpinned by the large and undervalued land bank in its current holdings. The Division is also mindful of the timing of developments to suit market conditions.

BANDAR SAMARIANG

Bandar Samariang is situated some 7 km from the Kuching city centre and within easy reach of the resort areas of Damai and Santubong. Home to more than 25,000 residents, this integrated township encompasses a variety of residential homes, a commercial centre and schools, with the scenic Santubong Mountain as its backdrop. It has an estimated gross development value (GDV) of RM497.0 million (for development between 2015 and 2021).

With its improved road access, an increase in critical mass, affordability of properties and CMS' superior build quality, this township continues to attract interest. The Federal Administrative Centre road, linking Bandar Samariang to Matang will provide a positive pull effect for the residential and commercial properties from a larger population base. Bearing this in mind, the Division has sought planning approval for 154 units of affordable apartments with amenities.

Under Phase 1 of Bandar Samariang comprising some 600 acres, a total of 577 acres have been fully developed. The development of the second phase comprising 350 acres began in 2015 and is expected to be completed by 2021. The added attraction of the Mydin Hypermarket, which is scheduled to open in Q2 or Q3 2016 has seen increased levels of interest that will further increase the project's desirability and encourage the setting up of complementary businesses in the vicinity. To complement the hypermarket, 20 shop lots are under construction while there are plans to launch another 17 units between 2016 and 2017. On top of this, plans to develop other parcels of land for schools, shops, industrial lots and housing are being developed and finalised.

THE ISTHMUS

Work on the 246-acre development called The Isthmus continues in earnest even as the project accelerates forward towards fulfilling its vision of becoming the strategic up-and-coming Central Business District (CBD) extension of Kuching. This development has an estimated GDV of RM736.0 million (for development between 2015 and 2021). In FY 2015, the development received a boost when it received a Commendation Award for its masterplan at the Sarawak Housing and Real Estate Developers Association (SHEDA) Excellence Awards 2015.

As at end 2015, construction on the two signature Green Building Index or GBI-certified buildings, namely Pelita Holdings Berhad and the Sarawak Economic Development Corporation headquarters, called The Gateway Towers had been 75% and 66% completed respectively. To-date, some 96 acres of The Isthmus 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. The year also saw 14 units of semi-detached commercial showrooms being brought to completion, while piling works began on 54

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

units of the three-storey strata-titled Raintree Square shop offices. The UCSI Education Group's hotel-cum-school of hospitality development project, which had its ground-breaking in February 2014, is targeted to be operational in Q2 2016.

Adjacent to this development, is the Hub, a 33-acre site which also serves as the central core of The Isthmus. Envisaged to be the heart of The Isthmus, the Hub will 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. Land clearing and earthworks for the Hub were completed in 2015. The development of the Hub in the coming years will seek to take advantage of the growing Kuching City limits with its expanding commercial and residential needs.

OTHER DEVELOPMENTS

The Property Development Division also possesses several other land parcels that represent significant future development opportunities to be unlocked, some immediately and others once development in and around Kuching ramps up. The Division continues to actively explore various joint venture and collaboration opportunities within its area of expertise which will make a positive contribution to the development of Kuching city aside from strengthening the Group's profitability.

On 16 November 2015, a Memorandum of Understanding was signed between CMS Property Development Sdn Bhd and Sarawak Economic Development Corporation to jointly explore the development and revitalisation of a site at the Kuching Waterfront.

The Division continues to hold several other land banks in Kuching with a view to commencing development at an opportune time to realise the full potential of these lands. The Rivervale Residences is a niche residential development nestled amidst 19 acres of prime land in the Stutong area of Kuching. It consists of 76 exclusive semi-detached houses and two 14-storey condominium blocks with built-up areas ranging from 750 sq. ft. to 3,800 sq. ft. As per current estimates, the development has a GDV of approximately RM250.0 million. As at end FY 2015, some 50% of the construction works on the 76 units of exclusive semi-detached houses had been completed while 5% of construction works on the first of the two condominium blocks had been completed.

Meanwhile, the masterplan for a high-end residential development in North Kuching called Lane Park Residences has changed. Initially meant to incorporate up to 16 units of luxury semi-detached houses spanning four acres of land, the masterplan has been adjusted and the project will now offer seven detached lots nestled within a private communal garden in a gated community. The two previously completed units serving as show houses will now be offered for sale.

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.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

SAMALAJU DEVELOPMENT DIVISION

PBT

RM2.19 MILLION

FY 2015

THE SAMALAJU INDUSTRIAL PARK (SIP) IS ONE OF FIVE GROWTH NODES UNDER THE SARAWAK CORRIDOR OF RENEWABLE ENERGY (SCORE) INITIATIVE AND IS THE MOST SUCCESSFUL MAKING UP THE BULK OF THE INVESTMENT PROJECTS APPROVED UNDER SCORE THUS FAR.

To-date, SCORE has successfully attracted 20 projects and some RM30.6 billion in investments. SIP projects make up 15 of these projects and some RM25.19 billion of the total investments.

Built at the behest of the State, the SIP remains an attractive drawing card to investors. It is of particularly interest 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.

By undertaking the development of the township adjoining the SIP, the CMS Group has capitalised on the opportunity to be a major local participant in SCORE. Our continued involvement in the SIP is expected to propel the Samalaju Development Division forward as a major engine of growth for CMS. We have 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, CMS has taken up a 25% 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 873,000 MT per annum ferrosilicon and manganese alloys smelter, while another investment involves taking up a 40% stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd which is developing a phosphate additives (and related products) plant with an annual production capacity of approximately 1.5 million tonnes.

Through our involvement in the second core area, that of accommodation and housing, the Division is 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 for industries at Samalaju, both during construction and pending completion of the adjoining township, when it is operational. More recently, the Samalaju Lodges are providing mid to long-term lodging for construction workers and their supervisors while the new township is under construction.

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 was launched in 2015.

In FY 2015, the Samalaju Development Division registered a sharp 77% drop in PBT (excluding associates) to RM2.19 million from RM9.46 million in the preceding year, mainly on the back of lower revenue stemming from lower occupancy and rates within Samalaju Lodges as well as losses suffered by the new hotel company.

SAMALAJU LODGES

Until recently, occupancy at the Samalaju Lodges declined following the completion of construction works at the SIP, but it has since picked up due to the commissioning of industrial projects at the same. However things are not as good as they could be due to competition from illegal camps and the reduced capacity of the lodges (by almost half) to cater to the longer-term and more generous space requirements of supervisors and factory workers (as opposed to the previously short-term and less sophisticated needs of construction workers).

In FY 2015, the capacity of the lodges was reconfigured to a 5,950-bed space and rooms were renovated to meet the different needs of clients, most of whom were after less dense room configurations and a higher standard of accommodation. On the whole, the occupancy rate for FY 2015 showed an improvement as compared to FY 2014 due to ongoing support from existing industry players in the SIP and their respective contractors who were seeking medium to long-term accommodation within the vicinity. The Division continues to proactively explore accommodation opportunities with prospective new tenants and to provide tailor-made accommodation according to their needs as the sole Government-approved provider of accommodation in the SIP.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

SAMALAJU ECO PARK

Designed and developed with the future in mind, Samalaju Eco Park was conceptualised out of a vision to provide a balanced, healthy and sustainable lifestyle to the thousands working at the SIP. Nestled on 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, community gardens and a golf course will dot the Township and provide living spaces for the community. Construction of the first residential phase comprising 256 units of apartment blocks is scheduled for completion in 2016.

Land clearing and earthworks are currently underway for the commercial centre of the Township, which will comprise a blend of shop-houses, mixed-use complexes, markets and a shopping centre. This phase of the project is expected to be completed by 2018. 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.

SAMALAJU CENTRAL

Located in the heart of the SIP and surrounded by OM Materials, Pertama Ferroalloys, Press Metal and Tokuyama, is the 81.4-acre Samalaju Central, Samalaju's first commercial/service centre. 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-planned commercial/service hub comprising commercial shop lots, semi-detached light industrial buildings and vacant industrial lots. Phase 1 comprising 34 units of three-storey commercial shop lots was launched for sale in August 2015 and construction is targeted for completion by the end of December 2016. The remaining shop lots will be launched in phases so as to ensure that every completed shop lot will have adequate time to start a business and turn Samalaju Central into a vibrant service centre before more commercial shop lots are constructed.

SAMALAJU RESORT HOTEL

The Samalaju Resort Hotel development is perched on a 23-acre site along Tanjung Similajau, offering stunning views of both the South China Sea and the Similajau National Park. The idea of developing transit homes with all the modern trappings and facilities that come with today's lifestyle has always been in the plan for Samalaju, but it was only at the end of 2013 that the idea took root and construction on the Samalaju Resort Hotel commenced.

Designed to be an oasis of calm amidst the hustle and bustle of the ever growing SIP, the hotel encompasses 148 rooms and suites as well as nine chalets (each housing three rooms each). The 175-room hotel is equipped with the necessary amenities for both business travellers, and those looking for a comfortable getaway. Its amenities include swimming pools, a gym and games room, meeting and function rooms, a coffee house, a lounge, and a business centre. The hotel is also equipped to organise corporate events, trainings, meetings, and team building exercises making it an excellent training venue for both the private and public sectors.

Its location, within short driving distance from the global industries that have established themselves in the SIP, makes it an accommodation of choice for employees of these industries as well as employees of their subcontractors and consultants coming to Samalaju.

The soft opening of the hotel was held in December 2014, and it became fully operational in March 2015. The Samalaju Resort Hotel was officially introduced to the public via a press conference on 29 September 2015.

SAMALAJU LIGHT INDUSTRIAL PARK

Spread across 206 acres adjacent to the Township and comprising semi-detached industrial units, the Samalaju Light Industrial Estate is designed to cater to both small and medium-sized companies and other supporting industries looking to gain a foothold in the area. This proposed development will help create the critical mass of industries necessary for a vibrant industrial park. Planning and designing of the masterplan and the units are currently underway.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

FERROSILICON AND MANGANESE ALLOYS SMELTING PLANT

The Group has a 25% 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 75% is owned by a wholly-owned subsidiary of 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 an 873,000 MT capacity smelter in two phases at an approximate total project cost of USD592.0 million.

In September 2014, commercial production of the first phase of the ferrosilicon production facility began with a total of 113,157 tonnes of ferrosilicon produced up to end 2015. The production output of ferrosilicon continues to move towards meeting the nameplate production capacity of 308,000 tonnes of ferrosilicon alloy per annum. For FY 2015, a total of 12 out of 16 furnaces were commissioned with all 12 going into operation. OM Materials Sarawak continues to improve the operating efficiency and cost effectiveness of each furnace currently in production.

In FY 2015, OM Materials Sarawak recorded a loss mainly as a result of the depressed commodity market and delay in its ramp up schedule. In the short-term, record low commodity prices continued to affect profitability and studies are underway to see if the mix of furnaces needs to be re-configured which may involve a partial shutdown. With very strong technical teams who understand how to optimise competencies and resources and operating costs firmly in the first quartile, management is confident of returning back to profitability.

Going forward, it is envisaged that market demand for both ferrosilicon and manganese alloys from the smelter will be improved due to long-term growth prospects for steel production in the East Asian region. The smelter is also expected to reap the benefits of competitive energy costs; a 10-year 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.

INTEGRATED PHOSPHATE COMPLEX

Back in December 2013, CMS joined forces with several parties to construct Southeast Asia's first integrated phosphate complex in Samalaju at a projected cost of approximately RM2.0 billion. Then, 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 (MPAS). Under the shareholders' agreement, SISB and MPV have a 40% equity stake each in MPAS with the remaining 20% held by AESB.

Today, MPAS is focusing its efforts on the development, construction and commissioning of an integrated phosphate complex that will have an annual production capacity by 2020 of approximately 500,000 MT of food, feed and fertiliser phosphate additives, 100,000 MT of ammonia and 900,000 MT of coke. The project, which calls for nine integrated plants to be built on 350 acres of land near the Samalaju deep-water port, will tap into the competitive power rates from Sarawak's hydro-power 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.

Following ground clearing and earthworks for the project which began in Q1 2014, the complex is scheduled to be operational in phases beginning FY 2018. The first Yellow Phosphorus (YP) and Food Grade Acid (FGA) plant and Coke Plant, will commence production in Q3 2018. The remaining plants are expected to be fully commissioned by Q4 2018. The Power Purchase Agreement (PPA) for the supply of 150 MV of power was formalised between Sarawak Energy Bhd and MPAS in February 2016. Negotiations for the Engineering, Procurement and Construction (EPC) agreement as well as financing contracts are currently underway and MPAS has applied for a Public-Private Partnership UKAS grant incentive from the Malaysian Government because of its significant GNI contribution and its role in strengthening the nation's food security.

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 RM2.0 billion and promotes the development of local intellectual property and the sharing of technology through a mutually beneficial joint venture. Being the first non-metal or alloy-based plant in SCORE's SIP, it takes SCORE and CMS into a dynamic new industrial sector that offers long-term sustainable demand growth. It also offers opportunities for investment in downstream manufacturing in the animal feed, fertiliser, cleaning and detergent sectors. It is envisaged that businesses in these sectors will be drawn to the SIP themselves 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.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

INFORMATION & COMMUNICATION TECHNOLOGY DIVISION

SACOFA OPERATES MORE THAN

600

TELECOMUNICATION TOWERS THROUGHOUT SARAWAK

IN 2015, WE SET UP A NEW INFORMATION & COMMUNICATION TECHNOLOGY (ICT) DIVISION. THIS DIVISION IS DEDICATED TO EXPLORING ICT-RELATED BUSINESSES AND TO LOOK AFTER OUR INTERESTS IN OUR NEW ASSOCIATE COMPANY, SACOFA SDN BHD, IN WHICH WE HAVE A 50% EQUITY STAKE.

SACOFA SDN BHD

Back in March 2002, this Sarawak-based telecommunications infrastructure and services provider was granted a 20-year exclusive right to build, manage, lease and maintain telecommunication towers in Sarawak. Sacofa was also given "deemed native status" allowing it to acquire native lands in the State for the construction of telecommunication facilities. To-date, Sacofa's asset portfolio has grown and it now operates more than 600 telecommunication towers throughout Sarawak.

CMS' acquisition of Sacofa ties in with our strategy of supporting the State as an ally in infrastructure development, in this instance, via a private-public partnership arrangement. We are honoured by the responsibility bestowed upon us by the State to help strengthen development on the telecommunications infrastructure front and see this as an extension of our core infrastructure capabilities. Within the scope of responsibility and operating power that we have been granted, we aim to make Sarawak a regional hub for telecommunications-related activities and to help strengthen its economy.

Sacofa was equity accounted into CMS' books beginning 1 November 2015. Being the State's only provider of telecommunication towers, Sacofa has strong earnings. For FY 2015, the Company posted revenue of RM181.61 million in comparison to revenue of RM172.45 million in FY 2014. It turned in a PBT of RM118.66 million in comparison to PBT of RM80.20 million in FY 2014.

Sacofa achieved several milestones in FY 2015, among which were the successful collaboration with Darrussalam Telecommunication Sdn Bhd of Brunei for the TransBorneo Super Highway; and the construction of 53 towers under the Universal Service Provider T3 Extension Phase 1 Programme, a project awarded by the Ministry of Communication and Multimedia Malaysia. Sacofa also successfully completed the Sarawak Electricity Supply Corporation wide area network (SESCO WAN) project and provisioned a new service, Direct Internet Access (DIA), which is expected to register exponential growth going forward. Over the course of the year, Sacofa also successfully secured several contracts. These included contracts with respected industrial players such as Celcom, Maxis and Digi to either build small cell project sites or to deliver packet transmission network (PTN) nodes and other related works.

Moving forward, Sacofa is expecting organic revenue growth on the back of the aggressive roll out of long-term evolution (LTE) sites (based on 4G wireless broadband technology) by service providers and will build some 100 commercial structures in support of this. The Company is also expecting bandwidth to continuously grow with the emergence of new players who will need to provide their respective services within Sarawak. This is also expected to increase the tenancy ratio for Sacofa's existing towers. Sacofa will also launch new products and services with proof of concept being conducted on certain sites as part of its diversification programme. For the immediate term, Sacofa will look to increase the fiberisation of the State's fibre optic cable network and expand coverage into newly opened economic areas such as Samalaju and the rural hinterland. All these bode well for its growth and its future financial contribution to CMS' profitability.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

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 Group consists of 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 has extensive experience in equity broking, investment banking, futures broking, treasury, corporate advisory, Islamic banking, wealth management and investment management.

In FY 2015, Kenanga registered revenue of RM562.99 million, while it registered a PBT of RM18.22 million. In a bid to expand its footprint and explore more business opportunities outside Malaysia, Kenanga formed strategic alliances with several foreign investment banking groups including Tokai Tokyo Financial and Yue Xiu Securities Holdings Limited, China.

At the annual Bursa Malaysia Brokers' Awards 2014 ceremony in March 2015, Kenanga Investment Bank Berhad (KIBB) retained its top three position in the Best Retail Equities Broker and Best Online Broker categories for the second consecutive year. KIBB was also ranked No. 3 in trading value on Bursa Malaysia's Broker Ranking List for its contribution and performance in FY 2014 (up from its No. 5 ranking in FY 2014). In terms of trading volume, KIBB was ranked second.

The Equity Broking division registered a PBT of RM16.7 million in comparison to RM17.2 million the year before. Being 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 2015, KIBB launched the KenTrade Trading Challenge II as part of its efforts to continuously create awareness and demystify share trading and the market. This online simulated trading game drew more than 18,000 participants.

Kenanga's Investment Banking division registered a PBT of RM14.1 million in FY 2015 (FY 2014: PBT of RM31.5 million) mainly due to lower trading and investment banking fees income as a result of soft capital market activities in FY 2015. KIBB also took the opportunity to introduce its Islamic Stockbroking Window, thereby further expanding its range of Islamic offerings in the marketplace.

Kenanga Investors Group, comprising Kenanga Investors Berhad (KIB) and its subsidiary Kenanga Islamic Investors Berhad (KIIB), ended FY 2015 on a positive note with Assets under Management (AUM) of RM6.4 billion compared to RM5.5 billion in 2014.

KIB continued to deliver strong and consistent funds' performance in FY 2015 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). This is the third consecutive year that Kenanga Growth Fund has been recognised for its performance specifically for the 5-year category. For the fifth consecutive year, KIB's Kenanga Growth Fund, was honoured at Fundsupermart.com's annual Recommended Unit Trusts Awards for the period 2015/16 under the Core Equity – Malaysia category. At the 13th Asia Asset Management Annual Awards, KIB's Chief Information Officer was hailed the CIO of the Year & Malaysia's Rising Star.

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 as well as the manufacture of steel pipes and pipe specials. For FY 2015, KKB turned in consolidated revenue of RM127.9 million as well as posted PBT of RM37.6 million and net profit of RM29.1 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 and 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 FY 2015, OMSB successfully completed two projects ahead of schedule with a zero lost time injury (LTI) rate for both. These included the provision of fabrication, hook-up and commissioning services for the Tanjong Baram Wellhead Platform and the provision of services, fabrication and new helideck assembly for the Baram B-Revisit 4 Project. OMSB also secured a major project from Talisman Malaysia Limited for engineering, procurement and construction works relating to the wellhead platforms for the Kinabalu Redevelopment Project which is scheduled to be completed by mid-2017. The combined value of these three projects contributed approximately RM199.0 million to the Company's order book.

Moving forward, KKB and the companies within its stable will focus their efforts in increasing their order book amidst the highly competitive landscape. Even as KKB continues to win Oil and Gas fabrication orders despite the industry slowdown, we remain confident and supportive of KKB's future long-term potential.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

STRATEGIC INVESTMENTS - UNLISTED ASSOCIATES

CMS OPUS CURRENT FUND UNDER MANAGEMENT (FUM) IS

RM291.00 MILLION

EDUCATION

We continue to play a role in the development of our nation's future leaders through our wholly-owned subsidiary, CMS Education Sdn Bhd, which operates the Tunku Putra School. Located in Kuching's Petra Jaya on an 18.51-acre campus, the school first opened its doors in January 1997. The years have seen it grow from strength to strength and today it provides kindergarten, primary and secondary-level classes for national and international streams.

The 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 its Cambridge IGCSE results are in the top echelon worldwide.

Tunku Putra School is playing a key role as a strategic asset that is contributing towards the State's development. It is enabling this by ensuring that the employees 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 2015, Tunku Putra generated a gross revenue of RM8.96 million, with 606 students on roll at the end of the academic year. During the year, there were 127 new applications, comparable to the number of the previous year.

CMS OPUS PRIVATE EQUITY

CMS Opus Private Equity Sdn Bhd (CMS Opus) is a private equity firm whose main objective 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, with its current Fund under Management (FuM) of RM291.0 million, is one of a few private equity firms that has adopted Shariah-compliant investment principles.

For FY 2015, CMS Opus returned investment capital amounting to RM17,000,010.00 including a gain of RM3,791,510.00 to its investors. CMS Opus also successfully exited and monetised one of its investee companies in the Oil and Gas engineering services sector with an exceptional return of 30% IRR for a cash gain of RM13,212,688.00 representing a money multiple return of 2.47 times.

Moving forward, the Company will continue to identify appropriate investments while strengthening and retaining its pool of expert talents. CMS Opus will also look at achieving profitable exits from its investee companies where it makes sense to do so.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

MOVING FORWARD

More than four decades on, the CMS Group continues to build upon the strong foundations laid as it embraces a new era of transformational and sustainable growth. Hailed as one of the best proxy-listed investments for Sarawak's accelerating economic growth, we continue to leverage on two key economic drivers to reinforce our position of strength. The first driver being the State's promotion of energy-intensive industries under SCORE; and the second, the array of noteworthy infrastructure developments as well as related services and supply needs that are arising across the State. Given their predominantly long-term outlooks, these drivers are not affected by the low oil price environment but are set to propel the State's economy and CMS forward along new pathways of prosperity.

Despite the external headwinds that are buffeting Malaysia's economy, Sarawak with its strong underlying fundamentals, remains relatively insulated and is on course to achieve its economic ambitions. Over the past two decades, the State's gross domestic product (GDP) has soared and it is now contributing around 10% of Malaysia's total GDP. Sarawak continues to capitalise on its relative political and economic stability with its economy projected to grow at 6.5% per annum to achieve high income status by 2030.

To ensure Sarawak maintains its good growth momentum, the State Government has rolled out the Sarawak Socio-Economic Transformation Plan or SETP (2016-2030), a comprehensive, integrated and balanced plan, which aims to accelerate income growth and reduce income disparity across all sectors of the economy. The SETP will focus on creating high-income opportunities in new potential sources rather than diluting attention by focusing on marginal improvements in old industries. Private investment will be the main driver for the new sources of growth that will leverage on non-oil segments with the State Government acting as facilitator to tap this potential.

Under the SETP, a total allocation of some RM180.0 billion is required to transform the State from all angles. The first phase of SETP will be carried out under the Eleventh Malaysia Plan (11MP) from 2016 to 2020 with the State projecting economic growth of between 6%-7% per annum. In line with this, Sarawak's nominal GDP is expected to increase from RM122.5 billion in 2015 to RM171.3 billion in 2020. During the same period, nominal GDP per capita is also expected to increase from RM46,489.00 to RM61,406.00.

With the 11MP's focus on creating growth opportunities outside of the cities and across Sarawak and the rural areas, plans are underway to ensure fast track development in areas where progress has not kept pace with the rest of the country. The development of Sarawak's rural areas will see a dramatic rise in the number of miles of paved roads, more hospitals, schools and better employment opportunities for young Sarawakians. In the offing are initiatives to extend broadband coverage to urban and suburban areas within the State. On top of this, the Federal Government has allocated RM450.0 million for the construction of telecommunication towers in Sarawak. All these developments bode well for the future of Sarawak and SCORE.

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 RM334.0 billion expected to be injected into Sarawak's economy by 2030 (approximately 20% from the government and 80% from the private sector), we are quietly confident that both investment opportunities and demand for CMS' construction materials, our construction and road maintenance services, and our property and township developments, will increase.

Seven years on, SCORE is on track with its aspiration of strengthening the State's economy and elevating the per capita income and quality of life of the people of Sarawak. Domestic and foreign equity investment and joint venture projects are on the rise within SCORE, attesting to its draw as an attractive investor value proposition. In view of CMS' early involvement as a major local private sector participant in multiple areas of SCORE, the Group is in an ideal position to add real value to potential energy-intensive industrial investors looking for a local co-investing partner in SCORE. Given our commendable track record, 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 our 25% equity stake in OM Materials Sarawak & OM Materials Samalaju 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 Government having identified long-term initiatives such as the RM27.0 billion 1,663 km-long Pan Borneo Highway as a key step towards boosting investment in the State. 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. CMS aims to ride the Sarawak growth story through our involvement in the energy-intensive industry investments in SCORE as well as through the provision of infrastructure, construction materials and related services across the State. Our investment in Sacofa which also ties in with all this too, bodes well for us.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2015

OUR 9-POINT SCORECARD

- SOLID & SUSTAINABLE PROFITS
- SUPPORTIVE SHAREHOLDERS & BANKERS
- PRIVATE SECTOR DRIVEN PROFITABILITY
- STRONG BALANCE SHEET & FINANCIALLY PRUDENT
- GROWING COMMUNITY RESPECT
- SCORE PLAY
- EXPERIENCED MANAGEMENT TEAM
- CCORPORATE GOVERNANCE
- GROWING OF EXPORTABLE EXPERTISE

As the Group ventures forth, we will continue to leverage on the strategic growth initiatives that we have set out to secure sustainable business growth. The strategies under our Nine-Point Scorecard have helped us maintain our good growth momentum and we will continue to look to them to stimulate growth and ensure we deliver a consistent, robust performance. These nine 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 in 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.

Our ROAR V.2 Strategy, which we introduced in 2012, following the success of the first ROAR strategy that was introduced in late 2006, continues to play a key role in ensuring we deliver 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 set of challenging milestones and timelines for CMS to advance to even greater heights based on our current strategies and strengths from 2012 through to 2016. Even as 2016 marks the start of the final phase of our ROAR V.2 Strategy, we are confident that as we stick to our proven strategies while adapting to market conditions, we will continue to deliver significant sustainable and transformational profits growth. Our aspiration in all this is to become a Top 30 Company in Malaysia with RM10.0 billion in market capitalisation.

To ensure we retain the support of our stakeholders, CMS has set its sights on becoming an *Extraordinary Organisation*. To this end, there are four criteria that we need to achieve to set ourselves apart from others in the business world. These include demonstrating sustainable high performance; building up a unified workforce where our engaged employees outperform; making sure we work for and are respected by multiple stakeholders; and last but not least, to ensure that we are home to a "Moral Community". The last criteria involves inculcating a workplace environment with an abundance of moral values, loyalty, common purpose, empathy, team spirit and a sense of fairness. We will look to our PRIDE Mission Statement to keep us on track.

As we move forward, we will leverage on several other proven elements to make solid progress. These include tapping the good synergies between our core Business Divisions, which are generating the bulk of the Group's revenue and earnings and are all set to grow in tandem with Sarawak's own growth story. At the same time, we will ensure we maintain a diversified earnings base so that we have a wider spread of income and profits outside of our cement business, thereby significantly reducing our risks. Helming all these efforts 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 we will continue to strengthen this relationship going forward.

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

A NOTE OF APPRECIATION

CMS' success as Sarawak's leading infrastructure facilitator and our record of accomplishment these past 41 years is owing to the support of many parties. I wish to convey our heartfelt appreciation to our valued customers, suppliers, business partners, the Federal and State Governments and agencies, as well as our joint venture partners and associate companies, for their unwavering trust and confidence in us as well as for extending us their untiring support and cooperation.

My utmost gratitude goes to our Board of Directors for their guidance and wise counsel which helped us keep a resolute focus on our priorities and meet the year's challenges head on. To the CMS family of employees, I wish to express my deep appreciation for their loyalty, dedication, hard work and commitment to excellence. These worthy traits have certainly helped propel us forward on our journey of transformational growth and I am confident they will continue to stand us in good stead in the next phase of our journey.

As we venture forth and set our sights on truly being the 'PRIDE of Sarawak and Beyond', we look to all four of our stakeholders to continue lending us their steadfast support. Thank you.

Yours sincerely,

DATO' RICHARD CURTIS
Group Managing Director

14 March 2016

BOARD OF DIRECTORS' PROFILE

Malaysian
64 years

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

Y A M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Tan Sri Dato' Seri Syed Anwar Jamalullail has been the Chairman of the Board of Directors since 1 July 2006. Having served the Company for over nine (9) years, Tan Sri Syed Anwar was re-appointed as an Independent Non-Executive Director at the Company's 40th Annual General Meeting held last year. He is also the Chairman of the Nomination & Remuneration Committee and Member of the Group Audit Committee. He was the Chairman of the ESOS Committee before the committee was disbanded in August 2015. Tan Sri Syed Anwar was first appointed to the Board on 10 May 2006 as an Independent Non-Executive Director and was subsequently re-designated as Chairman of the Board on 1 July 2006.

Tan Sri Syed Anwar commenced his career with Malaysian 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 Berhad. He is the former Chairman of the Lembaga Tabung Haji Investment Panel. Tan Sri Syed Anwar was also the former Chairman of Media Prima Berhad, MRCB Berhad, DRB-Hicom Berhad, EON Bank Berhad, Uni Asia Life Assurance Berhad, Uni Asia General Insurance Berhad and the 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 the Chairman of Nestle (M) Berhad, Lembaga Zakat Selangor, Pulau Indah Ventures Sdn Bhd (a joint venture company between Khazanah Nasional Berhad and Temasek Holdings of Singapore) 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, having qualified in 1974. He is also a Chartered Accountant and a Certified Practising Accountant (Australia). 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 six (6) meetings of the Board of Directors in the financial year ended 31 December 2015.

Malaysian
52 years

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

Y BHG DATO SRI MAHMUD ABU BEKIR TAIB

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 a director of Majaharta Sdn Bhd (a major shareholder of CMS).

Dato Sri Mahmud has attended all six (6) meetings of the Board of Directors in the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

Singaporean, Permanent Resident of Malaysia
50 years

Group Executive Director
Chairman – Group Risk Committee

Y BHG DATUK SYED AHMAD ALWEE ALSREE

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 the 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 and Sacofa Sdn Bhd.

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 the spouse of Dato Hajjah Hanifah Hajar Taib-Alsree (a major shareholder of CMS).

Datuk Syed Ahmad has attended all six (6) meetings of the Board of Directors in the financial year ended 31 December 2015.

British, Permanent Resident of Malaysia
64 years

Group Managing Director
Member – Group Risk Committee

Y D H DATO' RICHARD ALEXANDER JOHN CURTIS

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 five (5) out of six (6) meetings of the Board of Directors in the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

Malaysian
67 years

Non-Independent, Non-Executive Director

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

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 the 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 Mohd 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 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.

General (R) Dato' Seri DiRaja Tan Sri Zahidi has attended all six (6) meetings of the Board of Directors in the financial year ended 31 December 2015.

Malaysian
68 years

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

Y BHG DATU HUBERT THIAN CHONG HUI

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 the 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 several 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 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.

Datu Hubert has attended all six (6) meetings of the Board of Directors in the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

Malaysian
67 years

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

Y BHG DATUK KEVIN HOW KOW

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, M3nergy Berhad and Sabah Development 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 and does not have any shareholding in CMS.

Datuk Kevin has attended all six (6) meetings of the Board of Directors in the financial year ended 31 December 2015.

Malaysian
62 years

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

Y BHG DATUK SERI YAM KONG CHOY

Datuk Seri Yam Kong Choy was appointed to the Board of CMS on 5 May 2015. Datuk Seri Yam graduated in Building and Management Studies from the University of Westminster, United Kingdom in 1979. He is a Fellow of the Chartered Institute of Building and the Royal Institution of Chartered Surveyors.

Datuk Seri Yam had an illustrious career spanning more than 35 years in construction, real estate and corporate sectors. He was the former Chief Executive Officer of Country Heights Holdings Berhad in 1996 and Chief Executive Officer/ Managing Director of Sunrise Berhad from 1997 to 2008 and was actively involved in the development and management of hotels, resorts, shopping malls, golf courses, international schools, residential and mix-use developments in Malaysia, South Africa, UK and Australia.

Datuk Seri Yam is the current Chairman of InvestKL Corporation, a director of the British Malaysian Chamber of Commerce, Malaysia Property Incorporated and also EPF subsidiary, Kwasa Land Sdn Bhd. He is the Immediate Past President of the Real Estate and Housing Developers Association of Malaysia and until recently a member of the Advisory Board to the Mayor and City of Kuala Lumpur. Qualified as a Chartered Construction Manager, he was the only Malaysian ever elected onto the Board of Trustees of the 180 year old Chartered Institute of Building.

Datuk Seri Yam also sits on the boards of Malaysia Airports Holdings Berhad, Paramount Corporation Berhad, Sunway Berhad, Standard Chartered Bank Malaysia Berhad, Standard Chartered Saadiq Berhad and Standard Chartered Foundation and several CMS subsidiary companies. He has no family relationship with any director and/or major shareholder of the Company.

Since his appointment, he has attended all four (4) meetings of the Board of Directors in the financial year ended 31 December 2015.

BOARD OF DIRECTORS' PROFILE

Malaysian
61 years

Independent, Non-Executive Director
Member – Group Audit Committee

CHIN MUI KHIONG

Mr Chin Mui Khiong was appointed to the Board of CMS on 3 August 2015. Mr Chin is a Fellow of Association of Chartered Certified Accountants and a Member of the Malaysian Institute of Accountants. Mr Chin started his career with Hanafiah Raslan & Mohamad, Kuching which subsequently merged with Arthur Andersen which in turn merged with Ernst & Young. He was a Partner of Ernst & Young from 1997 until his retirement in June 2015 and also served as the Partner-in-charge of a number of companies listed on Bursa Malaysia as well as private and quasi-government corporations, which include industries such as manufacturing, plantation, banking, construction, transportation, hotel, hospital, education, stockbroking, unit trust and government agencies. He has more than 35 years of professional experience in the areas of audit and business advisory services.

Mr Chin 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.

Since his appointment, he has attended all three (3) meetings of the Board of Directors in the financial year ended 31 December 2015.

None of the Directors have any conviction for offences within the past ten (10) years others than traffic offences.

SENIOR MANAGEMENT TEAM

2

Y D H DATO' RICHARD CURTIS

Group Managing Director

1

Y BHG DATUK SYED AHMAD ALWEE ALSREE

Group Executive Director

3

SYED HIZAM ALSAGOFF

Group Chief Financial Officer

SENIOR MANAGEMENT TEAM

4


6


5


7


4	5	6	7
Y BHG DATO ISAAC LUGUN	**MOHD ZAID ZAINI**	**DAVID LING KOAH WI**	**DANNY SIM WEI MIN**
Head, Samalaju Development Division	Chief Information Officer/ Head, ICT Division	Group General Counsel	Senior General Manager, Group Procurement

SENIOR MANAGEMENT TEAM

8


9


10


11


8	9	10	11
TAN MEI FUNG	**ABDUL NASSER MOHD SANUSI**	**WENDY YONG SAN SAN**	**FRANCIS LOU**
General Manager, Group Finance	Senior General Manager, Special Projects	Senior General Manager, Group Human Resources	Group Internal Auditor

SENIOR MANAGEMENT TEAM

12


13


14


15


12

LIM JIT YAW

Head, Construction & Road Maintenance Division

13

GOH CHII BING

Head, Cement Division

14

VINCENT KUEH HOI CHUANG

Head, Property Development Division

15

CHONG SWEE SIN

Head, Construction Materials & Trading Division

SUSTAINABILITY STATEMENT

CMS' COMMITMENT TO SUSTAINABILITY

At CMS, we are committed to prioritising responsible management and sustainable development on the Economic, Environmental and Social (EES) fronts to secure the future of the Group and create long-term shared value for our stakeholders. Value is created by making the most of top-line growth opportunities, bottom-line improvements and risk mitigation activities. As we continue to embed sustainability within every level of our organisation, we continue to uphold a spirit of excellence and drive innovation throughout our operations to enhance business efficiency and bolster our competitive edge.

The year 2015 saw the Group strengthening its sustainability initiatives on the EES fronts while rolling out new ones. All these efforts are doing much to reinforce CMS' position as a model for responsible corporate behaviour while propelling us closer towards achieving our ambition of becoming the 'PRIDE of Sarawak and Beyond'. The following is a summary of the sustainability initiatives undertaken throughout the Group for the financial year ended 31 December 2015. For more details of the Group's activities, please refer to CMS' maiden standalone Sustainability Report 2015 which is available on the Company's website at www.cmsb.com.my.

STRENGTHENING OUR MARKETPLACE ECOSYSTEM

Here at CMS, while our financial performance is crucial to the Group's own sustainability, we have also set our sights on elevating the economic well-being of our four main stakeholders, namely our shareholders, customers/suppliers, staff and the community. Aside from this, we continue to look beyond the boundaries of our immediate businesses to strengthen the total marketplace ecosystem and our economic contributions to the state of Sarawak.

CMS Contributes to State Development through Employment

We believe in prioritising the hiring of Sarawakians to boost local economic growth and create jobs. If we are unable to recruit locally, other Malaysians are considered before we look further afield. In this manner, we are able create opportunities for Sarawakians to develop their skills and enjoy a rewarding career.

Sustainable Procurement

CMS is committed to leading with integrity and conducting all business relationships with the highest ethical standards. Our contractors, suppliers and consultants are all integral to our success. We insist that directors, owners, employees and agents abide by the terms stated in our Code of Ethics and Business Conduct at all times. Stakeholders must conduct their business dealings with us in accordance with this Code.

CONSERVING THE ENVIRONMENT

We understand the importance of mitigating any impact of our business activities on the environment and have introduced policies that conserve and maintain ecosystems for future generations to enjoy.

Many of our Business Divisions have the potential to impact the environment if their activities are not managed properly. As such, the environmental initiatives for each of these businesses are customised for each specific industry to ensure our business activities lower their impact on the environment.

The way we work also impacts our future. Recognising that a sustainable business approach secures a better future for us and our stakeholders, we have introduced sustainability key performance indicators (SKPIs) that cover individually applicable environmental and workplace practices for all relevant staff as one of their compulsory performance targets under the Group's KPI system upon which merit bonuses are assessed and paid.

CMS has also launched the 'Sustainability at Our Workplace' campaign. Our aim is to reduce our carbon foot print and utility bills and our staff are guided by the various guidelines illustrated below.

These guidelines are printed on our annual CMS desktop calendar and we encourage all employees to place it on their desks. It serves as a constant reminder for all employees to adopt sustainable work practices.

SUSTAINABILITY AT OUR WORKPLACE

Use natural light more	Turn off computers & lights when away from your desk	Unplug chargers, appliances & devices when not in use
Ionise offices with greenery	Take stairs not lifts especially for 1-2 floors	Switch to eco-friendly low wattage or LED light bulbs
Recycle paper & plastics	Minimise printing by working online	Be more productive, generate value daily in your work

SUSTAINABILITY STATEMENT

ENERGY MANAGEMENT

Minimising energy consumption is important to us as it saves us money, improves our corporate reputation and mitigates climate change. Our aim is to achieve optimum energy utilisation throughout all the Group's Business Divisions.

Our Commitment to Reducing Energy

The processes throughout our operations are analysed in order to reduce and fully optimise energy usage. In 2015, we began implementing the ISO 50001:2011 standard at our cement and clinker plants with the main objective of improving our energy management activities. Today, the new ISO 50001:2011 is providing us a framework that is enabling us to:

- Develop a policy for more efficient use of energy;
- Set targets and objectives to meet the policy;
- Use data to better understand and make decisions about energy use;
- Measure the results;
- Review how well the policy works; and
- Continually improve energy management.

MATERIALS MANAGEMENT

Upgrading of Coal Mill System

In 2013, we upgraded our coal mill system from one that was only able to grind a maximum of 15 MT per hour to one that today has the capacity to grind some 22 MT of coal per hour. The previous coal mill was a ball mill type that used an electrostatic precipitator (ESP) as its main dust collection system. This hindered plant optimisation efforts due to insufficient ground fuel for the process while emissions were also very high due to the low efficiency of coal captured by the ESP system. Today, the emissions control system for the new coal mill uses a bag filter which is resulting in lower specific power consumption and lower dust emissions.

UPHOLDING RESPONSIBLE SOCIAL PRACTICES

In line with our efforts to uphold responsible social practices, CMS is committed to implementing effective practices and programmes that seek to bolster the workplace, keep our stakeholders and businesses safe, as well as enrich the communities we operate in.

LABOUR RELATIONS

We are mindful that the way we work impacts our future. As such, we have adopted a sustainable approach to our business to secure a better future for us and our stakeholders.

Work-Life Balance

We organise annual work-life balance initiatives that are tailored to the needs of our employees. These initiatives include health talks, safety guides, awareness campaigns as well as a host of work-life balance benefits to improve our employees' well-being and their lifestyles.

Koffee Talk Initiative

The Koffee Talk initiative is a platform for CMS' non-executive employees who make up the largest category of workers. These employees can channel their work-related issues and general concerns directly to senior management and Group HR. The programme is held biennially and allows non-executive employees to communicate outside the confines of an office setting as well as raise questions and engage in a more informal atmosphere in the absence of their managers. The main issues raised during the Koffee Talk are summarised and highlighted during the year end Town Hall sessions. Senior Management explains how each issue is being addressed, which helps retain employees' faith in the process. This initiative is going a long way in promoting a better understanding of the organisation's directions, policies, rules, regulations as well as its challenges.

Town Hall Sessions

The CMS Town Hall sessions are annual engagement sessions between Senior Management and all employees of the Group. Each session serves as a platform for senior management to provide updates on CMS' annual performance and its future direction as well as engage in a two way open dialogue on important issues that affect the entire Group. Town Hall sessions are held annually in Kuching, Sibu, Bintulu and Miri and are open to all employees group-wide.

COMPETITIVE BENEFITS

Flexible Working

Flexible working is considered for employees:

- With a severe health condition, certified by a medical practitioner, that requires a change in working hours and/or environment;
- With an extenuating crisis that affects their well-being and work on a short or long-term basis;
- Attending to or supporting the medical care of an immediate family member; or
- Other reasons approved by CMS.

Educational Assistance

Qualified employees are eligible for educational assistance twice in the course of their employment. In order to qualify for this benefit, employees must:

- Be full-time and confirmed;
- Have been in continuous service for at least one year;
- Pursue a course directly related to their position or will improve job performance and their contribution to CMS; and
- Pursue a course approved by the Public Services Department (JPA) or accredited by the National Accreditation Board (LAN).

SUSTAINABILITY STATEMENT

Health Screening
We recognise the role we play in ensuring the health and wellbeing of our workforce. To this end, we offer employees ongoing health screening activities to help mitigate health-related issues and the risks of major or harmful illnesses. Employees aged 40 and below are subject to health screening biennially while employees above 40 years old are subject to it annually.

Improved Benefits
CMS aims to lead the market in the way we reward our employees. We pay competitive salaries and offer incentives for good performance. We review our benefit packages regularly to ensure they are at least on par with the industry. In 2015, we took the opportunity to enhance our Benefits Package which included increasing the range of benefits within each employee's entitlement to reflect the different needs for example of a young unmarried employee compared to a married one with a family.

REVISIONS TO OUR EMPLOYEE BENEFITS PACKAGE IN 2015

Meal allowance upgraded from RM5 to RM7

Introduced a work-life balance payment of RM300 per annum

Subsistence allowance is accorded on lump sum basis

Employees' Share Option Scheme (ESOS)
The CMS ESOS scheme was first introduced in 2010 as part of the Company's strategy to incentivise good performers. The five-year ESOS scheme commenced on 23 June 2010 and expired on 22 June 2015. The ESOS scheme had benefited all the eligible employees and successfully aligned their interests with the long-term goals set by the Group during its implementation.

MEASURING EMPLOYEE SATISFACTION

Employee satisfaction surveys are conducted once in two years. These surveys examine employee-supervisor relationships and gauge employees' satisfaction with top, senior and performance management. It gauges employees' perception of their career growth, welfare, work environment and overall satisfaction as well as their internal and public perception of the Company. The survey results are tabled at board meetings and action plans are devised to address areas that need improvement.

Results of the Employee Satisfaction Survey 2014

93.7% of employees were satisfied in their jobs	• 30.8% strongly agreed scoring 6 • 45.9% agreed scoring 5 • 17% somewhat agreed scoring 4
6.3% of employees were disatisfied in their jobs	• 4.5% somewhat disagreed scoring 3 • 1.3% disagreed scoring 2 • 0.6% strongly disagreed scoring 1

OCCUPATIONAL, HEALTH AND SAFETY

CMS and its subsidiaries recognise the importance of ensuring the safety, health and well-being of employees and other business associates. Safety and Health programmes held over the course of 2015 included:

- Daily site walkabouts to ensure that workers comply with regulations;
- Daily mosquito prevention by clearing the water ponding and treating with larvicide;
- Weekly joint inspections by the site safety supervisor, safety and health officer and site supervisor;
- Weekly toolbox meetings; and
- Temporary dry riser testing by BOMBA Tabuan Jaya on 15 September 2015.

TRAINING AND EDUCATION

We provide each employee with training and career development opportunities. This approach produces a highly-skilled workforce for CMS to retain. Executives, managers and above must attend an average of 24 hours of training per year; non-executives, an average of 18 hours. A total of 2,442 employees attended training sessions in 2015, including teambuilding sessions.

In-House Training Capability (ITC)
Our ITC programme covers critical processes and procedures as per the Head Office's key functions. This role adds value to the corporate office's role as a policy maker and advisor and also removes uncertainties in procedures or processes. The ITC programme is managed by Group HR, which is responsible for selecting, coordinating and evaluating the training. Group HR also identifies the best trainers and monitors employee development.

Management Trainee Development Programme (MTDP)
The MTDP attracts and develops executive-level talent as part of the Group's succession plans. We provide trainees with 12 months of structured training in core corporate functions and specialised functions at various Business Divisions. The programme is supplemented with 'on-the-job' and in-house training provided by CMS.

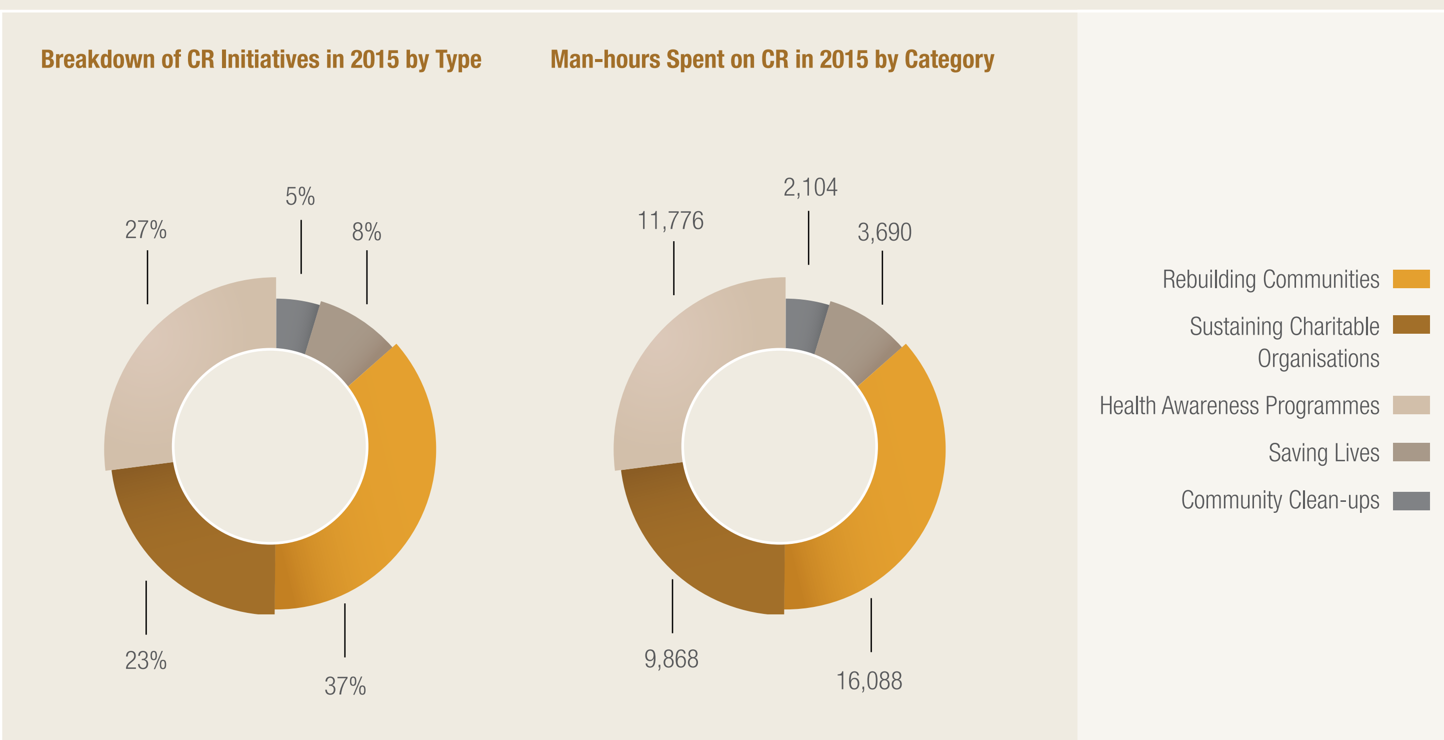
SUSTAINABILITY STATEMENT

CMS DOING GOOD

Employee Volunteerism
CMS initiated a 'Doing Good' culture in the mid-1990s and its corporate responsibility (CR) role has continued to expand and evolve. Since 2007, CMS has focused primarily on direct employee participation in CR activities and we continue to inculcate a sense of concern and a caring attitude among our employees as a matter of policy. Direct employee participation takes the form of multiple year-round staff volunteerism. These projects are often led by CMS employees who have been working closely with the local community. Our 'Doing Good' projects include a combination of financial aid, contributions in-kind and staff volunteerism.

CMS employees volunteered a total of 43,526 man-hours of their own time to 'Doing Good' activities for the community in 2015. A total of RM148,608.00 was also raised by CMS employees for the community through the various fundraising activities and 'Doing Good' programmes.

Our various 'Doing Good' programmes are highlighted under the following sections.



SUSTAINABILITY STATEMENT

Our Contribution to Society	Major Community Initiatives held in 2015
Rebuilding Communities	
	Habitat Home Build at Borneo Blitz site, Jalan Stephen Yong, Kuching Habitat Home Build at Kpg Beradau, Siburan, Kuching Construction of exit pathway and general cleaning works at PIBG SK Bintulu Construction of swing, slides, etc. at playground of Pre School SK Agama Bintulu Program Keceriaan Sekolah Anjuran PIBG SK Tanjung Batu Road Surfacing at St. Mark's Chapel, Peramas, Jalan Kuching-Serian Laying of gravel for parking lot at Masjid Nurul Jamek Batu Kitang Laying of gravel for parking lot at SK Goebilt, Bako Road resurfacing at Taska KEMAS PPAK Skim Penempatan Semula Kuala Lama, Mukah Rebuilding works at Masjid Kpg Seniawan, Kota Samarahan Road resurfacing at Masjid Kpg Seniawan, Kota Samarahan Resurfacing of parking lot at St. Bonventure's Catholic Church, Kpg Mundai, Padawan Backfill for parking and assembly area of SK Mubok Berawan, Jalan Mentong Merau, Serian Rebuilding works at Masjid Kpg Seniawan, Kota Samarahan Laying of culvert and gravel at St. Andrew Chapel's parking lot Laying of premix at access road leading to SK Selanjan, Sri Aman Laying of premix for the carpark at Surau Darul Salihin, Kpg Nanas, Simunjan Levelling, earth-filling and repairing works at Surau Al-Quddus, Kpg Pasir Putih Iran, Suai Niah Resurfacing of access road to Komplek Kebajikan Laila Taib, Kuching Painting of St. Anthony Chapel, Kpg Tellian, Mukah SK St. Barnabas Baru Mawang, Jalan Baki Riih, Serian Construction of new store for SK Lubok Kepayang, Saratok Laying of aggregates for parking area at St. Damien Church, Kampung Sarig, Jalan Mambong/Sikog Laying of premix for new carpark for Simunjan Methodist Church Levelling and laying of gravel at the parking lot of Sacred Heart Chapel, Mukah Road resurfacing at PPDK Cahaya Kasih Kpt Serasot, Bau Resurfacing of parking lot at Hall of Chapel, Kpg Sg Pinang Ulu, Bau Resurfacing of parking lot of the community hall and chapel of SK Garland, Bt. Kawa, Kuching
Sustaining Charitable Organisations	
	PERKATA Charity Sales Go Bald for Sarawak Children's Cancer Society Sarawak Cheshire Home Charity Sales Kuching Autistic Association Charity Sales PIBAKAT Charity Sales Salvation Army Charity Sales Monster Dash Run Malaysian Red Crescent Society Charity Jogathon Book Donation Drive for St. Augustine School, Mambong CMS Tribal Run St. Francis Easter Sales, Kota Samarahan Recycling campaigns
Health Awareness Programmes	
	Fit Malaysia Super Rat Race Pertubuhan Insuran Sarawak Run The Spring Live Active Run Boulevard Fun Ride Kuching Marathon Rajah Charles Brooke Memorial Hospital Health Camp Hari Sukan Negara (Run & Ride) Tanglung Harmoni Ride Bintulu

SUSTAINABILITY STATEMENT

Our Contribution to Society	Major Community Initiatives held in 2015
Saving Lives	
	CMS Group Blood Donation Drive CMS Cement Bintulu Blood Donation Campaign CMS Cement Kuching Blood Donation Drive CMS Cement Bintulu Blood Donation Campaign Blood Donation - SIB Olive Garden, Kota Sentosa
Community Clean-ups	
	Surau Batu Kitang Jaya Alit Beach, Nyabor Komplek Kebajikan Laila Taib, Kuching Kpg Bijuray Mongag, Bau Padawan Raft Safari at Kpg Git, Jalan Puncak Borneo SK St. Patrick Tangga, Serian Cemetery at Kpg Seroban, Serian Pasir Pandak, Santubong Rumah Mangak, Sg Ranan Kanowit Sg Ranan Kanowit

Corporate Philanthropy

At CMS, we are 'Doing Good' for society by providing financial support for initiatives that have a positive impact on local communities. Priority is given to community and youth development programmes as well as initiatives relating to sports, health, education and culture. In 2015, we spent close to RM500,000.00 on donations and sponsorships including a contribution of RM154,000.00 to 68 suraus (mosques) across Sarawak under our CMS Adopt-a-Mosque programme. Introduced in 2002, the programme sees CMS paying the monthly utility (electricity and water) bills of mosques across Sarawak. This relieves the financial burden of these mosques and allows what little monies collected by these religious establishments to be used for other purposes such as funding more religious classes to benefit more people in local communities.

CUSTOMER SATISFACTION

As customer response is critical to gauging the performance of CMS Infra Trading Sdn Bhd, the responses from customer surveys are fully reviewed and analysed. Generally, the vast majority of customers rate CMS Infra Trading's products and services as excellent and we are happy to have achieved a rating of 100% in all aspects of our products and services.

CMS Quarries Sdn Bhd conducts a biannual customer satisfaction survey. Customers are asked to rate their satisfaction with quality, stock availability, price, delivery, visits and courtesy. We target 80% average satisfaction levels and are pleased to have surpassed our target for the last three years.

ENSURING QUALITY

Each one of the Group's Business Divisions aims to fulfil its contractual obligations by:

- Safely completing projects on time, within budget and to the required quality standards while conserving the environment and considering the community's best interests;
- Applying best project management practices through consistent monitoring and control over sub-contractors, vendors and agents including risk management, continual improvement and resources optimisation; and
- Delivering projects efficiently, economically, effectively and ethically.

ENSURING A SUSTAINABLE FUTURE

Sustainability is evolving to be a way of life at CMS and it is our aim that it becomes embedded in our working culture. While we have endeavoured to deliver true and sustainable value as well as establishing enduring ties with our stakeholders, we remain committed to advancing our sustainability activities to greater heights. As we explore new areas of opportunity, we remain committed to conducting our business in a responsible manner by upholding good Economic, Environmental and Societal performance. As we steadfastly implement our existing programmes and roll out new ones, we are confident of achieving meaningful long-term, sustainable growth and of becoming the 'PRIDE of Sarawak and Beyond'.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of CMS ("the Board") is committed to the highest standards of corporate governance which are important to business integrity, sustainability and performance and to safeguard the interests of shareholders and other stakeholders. The Board continues to evaluate the Group's corporate governance framework and practices in response to the evolving best practices as well as changing requirements.

The Board is pleased to present the Corporate Governance Statement for the financial year 2015 outlining the application of the principles and recommendations as set out in the following guides:

- Companies Act, 1965 ("the Act")
- Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities");
- Malaysian Code of Corporate Governance 2012 ("the Code")
- Second Edition of Corporate Governance Guide issued by Bursa Malaysia Berhad ("CG Guide")

In Bursa Securities' recent review and analysis of Corporate Governance Disclosures in Annual Reports for financial years 2013 and 2014, CMS scored in average 78.15% across six (6) Principles evaluated. This is above the average score of 72% for 91 Large Cap issuers out of 450 selected listed issuers.

The Board has noted the principles and recommendations of the abovementioned guides and evaluation by Bursa Malaysia Berhad and will further review its corporate governance practices to bring the same to be in line with the said recommendations.

BOARD OF DIRECTORS

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 act in the best interests of the Company and its shareholders by exercising due diligence and care in discharging its duties and responsibilities.

Board Charter
The Board Charter, adopted in 2014, 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 is reviewed periodically, is available on the Company's website at www.cmsb.com.my.

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 September of each financial year, the Board holds a dedicated session to carry out its long term strategic planning exercise with the Senior Management of the Group from the Head Office and Divisions. This annual Board retreat provides an opportunity for the Board to interact and engage in robust discussions with members of the Senior Management in a more informal setting. 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 Sessions in October each year. The final consolidated GMP is then tabled to the Board in the November session for approval.

  For 2015, the Board Strategic Retreat was held offsite in Kota Bahru in September. This was immediately followed by the Senior Management Retreat which was held offsite in Penang. The Board subsequently approved the Group's Management Plan 2016 – 2018 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 ("KPI") 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. This supplements the existing quarterly risk reports from each Division and Head Office department which are managed through an online system called Q-Radar, to ensure the risks faced by the Group are systematically identified, rated, mitigated and monitored with the top risks being reviewed by GRC.

  In 2015, the Board implemented its Project Risk Scorecard framework on a Group-wide basis in assessing the risks of every business transaction to strengthen the Group's risk management. The roll out of a "bottom up" risk identification and assessment system across the Group commenced in 2015 whereby risk reports are produced by groups of the workforce themselves focusing on the risks they themselves have identified which risks are then brought to Senior Management's attention to address and mitigate. This was first trialled successfully in the Cement Division and will be refined and further rolled out in future years with the key risks which are identified to be reviewed and monitored by GRC.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

  The Board recognises the importance of a sound IR programme in its efforts to communicate effectively with the investing community and other stakeholders. Continuous engagement is made through a planned IR programme and by maintaining a dedicated and informative website focusing on providing the information required by the investing community.

Among the numerous initiatives studied and approved by the Board in 2015 were:

- Approved and completed the acquisition of 50% equity interest in Sacofa Sdn Bhd, a Sarawak-based telecommunications infrastructure and services company and subsequently approved the set up of new Information & Communication Technology ("ICT") Division.
- Approved an additional 5% equity interest in the ferrosilicon and manganese alloys smelting plant project in Samalaju Industrial Park, Bintulu.
- Implementation of succession planning for the Board.
- Approved the CMS Sustainability Initiative.
- Revisions to the Group Limits of Authority ("LOA") Manual to improve its effectiveness.

Remuneration Policy

The Board approves the NRC's recommendations 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 and Senior Management of good calibre and integrity with the appropriate qualifications, skills and experience needed to run the Group's operations effectively.

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 includes base salaries, allowances, performance contract payments, share options, 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 Company's ESOS had expired on 22 June 2015.

The Non-Executive Directors were 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.

In 2015, the Board engaged an independent external consultant to carry out a benchmarking analysis of the review of the Directors' fees against selected listed peer companies in Malaysia. A proposal is being submitted to shareholders for their approval at the forthcoming 41st AGM to increase the Directors' fees to be in line with market practice based on the outcome of the above benchmarking analysis. The proposed fee payable to Directors is as follows:

- RM100,000 per annum for Non-Executive Directors (increase of RM15,000 per annum).
- RM150,000 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 (increase of RM22,500 per annum).

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 their own remuneration package.

STATEMENT ON CORPORATE GOVERNANCE

Directors' remuneration for the financial year 2015 is broadly categorised into the following bands:

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	-	2
RM150,001 to RM200,000	-	2
RM250,001 to RM300,000	-	1
RM750,001 to RM800,000	-	1
RM850,001 to RM900,000	-	1
RM2,200,001 to RM2,250,000	1	-
RM4,150,001 to RM4,200,000	1	-

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

The Directors' aggregate remuneration for the financial year 2015 is as follows:

Remuneration (RM'000)	Executive	Non-Executive	Total
Salaries & other emoluments	5,699	1,641	7,340
Defined contribution plans	684	130	814
Fees	-	851	851
Share option granted under ESOS	37	-	37
Estimated money value of benefits-in-kind	7,036	115	7,151
Total	13,456	2,737	16,193

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.

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 in 2012. 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.

Role of the Group Company Secretary

The Directors have direct access to the advice and dedicated support services of the Group Company Secretary to facilitate the discharge of their duties. The Group Company Secretary is responsible for advising the Board and providing good information flow and comprehensive practical support to Directors, both as individuals and collectively.

The Group Company Secretary plays an advisory role and 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 works closely with the Chairman in raising all compliance and governance issues which warrant the attention of the Board. The Group Company Secretary is appointed as the company secretary of the Company and all the subsidiaries in the Group and as secretary to the Board Committees. The Group Company Secretary attends all Board, including Boards of subsidiary companies, and Board Committee meetings and ensures that accurate records of the proceedings of these meetings and the decisions made are properly minuted. The Group Company Secretary facilitates the communication of key decisions and policies between the Board, Board Committees, Boards of subsidiary companies in the Group and Senior Management.

The Group Company Secretary is an Associate Member of The Malaysian Institute of Chartered Secretaries and Administrators with more than nineteen (19) years of experience in company secretarial practice and a person qualified to act as a company secretary under Section 139A of the Act. The Group Company Secretary had and will constantly keep herself abreast of the regulatory changes and development in corporate governance and MMLR through continuous training.

Independent Professional Advice

The Board, whether as a group or individually, is entitled to seek independent professional advice at the Company's expense on specific issues to enable it to discharge its duties, if deemed necessary. The Company has in place guidelines allowing the Board to seek independent professional advice through the Group LOA Manual.

STRENGTHEN COMPOSITION

Board Composition and Balance

The Company continues to have a dynamic and committed Board with the right mix of skills and balance to contribute to the achievement of the Company's goals. The Directors of CMS are persons of high calibre and integrity and are qualified individuals with a diverse range of backgrounds and specialisations and/or industry knowledge in finance, management, legal, engineering, construction, property development, private sector and public service experience. Their knowledge and expertise in their respective fields bring perspectives from other businesses, thereby enhancing the effectiveness of the Board and Board Committees.

In 2015, two (2) Independent Non-Executive Directors were appointed and one (1) Non-Executive Director had retired as part of the Board succession plan and renewal programme. The Board currently comprises nine (9) members, which is within the maximum size of eighteen (18) as provided under the Company's Articles of Association. Five (5) of the Directors, including the Chairman of the Board, are independent, exceeding the minimum one-third (1/3) requirement as set out in the MMLR. There are two (2) Executive Directors (designated as Group MD and Group ED respectively) and two Non-Independent Non-Executive Directors. The Non-Executive Deputy Chairman and Group ED are major shareholders of the Company.

STATEMENT ON CORPORATE GOVERNANCE

Y A M 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 Independent Non-Executive Chairman together with the four (4) Independent Non-Executive Directors, by virtue of their roles and responsibilities, represent the minority shareholders' interests. 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 Board is of the view that given the size of the Group, the current number of 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 profiles of the Board members are presented on pages 33 to 37 of the Annual Report.

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 strong focus on governance and compliance and is responsible for ensuring the Board's effectiveness and conduct. The Chairman presides over meetings of Directors which are managed to ensure robust discussions and decision making. The Chairman takes a leading role in establishing an effective corporate governance system, arranges regular evaluation of the Board's performance and sets the direction for Board succession planning in order to build a high performing Board. The Chairman also presides over meetings of shareholders.

The Executive Directors have overall responsibilities for the execution and effective implementation of the Group's strategies and policies in line with the Board's direction, oversee the operations of the Group and drive the Group's businesses and performance towards its vision and goals. In addition, the Executive Directors are also appointed as spokespersons for the Group.

The Executive Directors act as the intermediaries between the Board and Senior Management across the Group and are also appointed as nominated board representatives on the subsidiaries and associates of 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.

Board Diversity

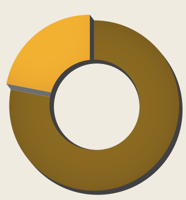
The Board recognises that diversity is one of the key drivers to enhance board effectiveness. This includes diversity in terms of skills, background, knowledge, international/local industry experience, culture, independence, age, ethnicity and gender among many other factors, which are all taken into consideration when seeking to appoint a new Director to the Board.

Whilst the Board is mindful of the Government's call for 30% of female board representation by the year 2016, the Company's focus, as guided by the outcome of a Board Evaluation Exercise in 2014, has been to refresh the Board to comply with the requirements of the Code on Directors' independence. The Board's view is that the leadership of the Board is critical and therefore even as it strives to comply with new regulations and/or principles, Board succession planning must be done properly in a smooth manner to ensure continuity and stability of the Board.

The Board, via the NRC, has deliberated on its diversity targets in 2015 in conjunction with the Board succession planning exercise and overall assessment of the Board composition. The NRC has initiated efforts in 2015 to recruit suitable lady director(s) to join the Board.

Board diversity as at March 2016

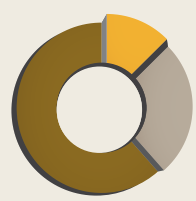
Balance of Executive and Non-Executive Directors



Non-Executive

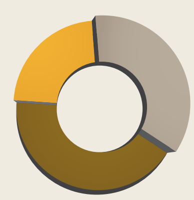
Executive

Board Age Diversity



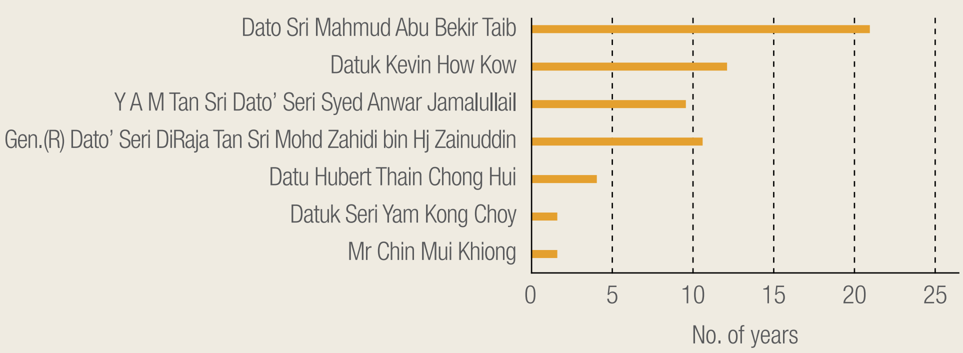
Age 40 - 50
Age 50 - 60
Age 60 - 70

Board Ethnicity



Bumiputra
Chinese
Foreigner

Length of service of Non-Executive Directors



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.

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 61 to 66 of this Annual Report. The Group AC meets at least four (4) times a year.

NRC

The Company has had a combined Nomination Committee and Remuneration Committee since 2007 where the 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 NRC meets at least twice a year. In 2015, NRC held four (4) meetings. Meetings of the NRC are attended by both the Executive Directors. Other members of Senior Management are invited to meetings of the NRC, when necessary, to support detailed discussions.

The composition of the NRC complies with both requirements of the MMLR and the Code. Membership of NRC is as follows:

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail (Independent, Non-Executive)	Chairman
Dato Sri Mahmud Abu Bekir Taib (Non-Independent, Non-Executive)	Member
Datu Hubert Thian Chong Hui (Independent, Non-Executive)	Member
Datuk Seri Yam Kong Choy @ (Independent, Non-Executive)	Member

@ Appointed on 6 May 2015

The key roles of the NRC are as follows:

- Determine the criteria and recommend the candidacy for Board membership.
- Develop an appropriate framework for Board succession planning and manage the Board nomination and selection process.
- Review and recommend the composition of the Board and Board Committees and Boards of subsidiary and associate companies in the Group.
- Review and recommend the policy and framework for the Directors' remuneration as well as the remuneration and other incentive plans as well as the terms of service of Group MD and Senior Management.
- Evaluate the performance and reward for Executive Directors and Senior Management.
- Assist the Board in continuously enhancing its effectiveness including carrying out assessment of Board and Board Committees, assessment of Independent Directors of the Board and recommending the re-appointment and/or re-election of Directors on the Board for approval of shareholders.
- Recommend appropriate training programmes for Directors.

The Board membership criteria considered by the NRC include factors which would contribute to the Board's collective skills such as skills, knowledge, expertise, professionalism, integrity and other capabilities, age, time commitment and independence for appointment as an Independent Non-Executive Director.

The Board's "Traffic Lights Dashboard" initiated in 2012 required the Board to review its composition in order to comply with evolving best practices as well as changing requirements on directorships. The Board has since undertaken a systematic approach to refresh its composition and adopted an action plan to improve and/or enhance the above key areas in its journey to drive a high performing Board.

In 2014, the Board approved the NRC's recommendation to carry out the Board Effectiveness Evaluation ("BEE") once every two (2) years instead of annually. 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.

An independent external consultant was engaged by the Board to carry out a BEE for the year 2014. The BEE was performed by a series of interview sessions between the Directors and the independent external consultant. The assessment criteria for the Board included the Board's contribution, composition, information/pre-reading materials, agenda and meetings, Board dynamics, Board and management relationship and Board processes. The assessment revealed that the Company had a good Board that has made major contributions to the Company. Key strengths identified from the evaluation included the strong leadership shown by the Chairman, open tenor of Board discussions with constructive interactions during Board engagements and the positive and healthy relationship within the Board and between the Board and Senior Management.

A summary of the observations and recommendations by the independent external consultant on the BEE are as follows:

- Re-assessment of Board composition with a strong focus on independence in order to meet the prescribed requirements.
- A set of comprehensive criteria, via a Board Competency Matrix, for the selection of Board members should be formally documented. The selection criteria should be comprehensive and well-balanced to address the Board's independence, competency needs and gender diversity.
- To establish a formal Directors' succession plan and renewal programme to be immediately carried out to ensure that the composition of the Board is systematically refreshed.
- Re-assessment of existing training and development programmes.
- To incorporate more dynamic KPIs i.e. qualitative attributes relevant to the business strategies and operations for Senior Management.

STATEMENT ON CORPORATE GOVERNANCE

The Company adopts a transparent and formal procedure for the selection, nomination and appointment process of new Directors as follows:

In 2015, the appointment of the two (2) new Independent Non-Executive Directors, Datuk Seri Yam Kong Choy and Mr Chin Mui Khiong, followed the above Board appointment process. The appointments were recommended by the NRC having reviewed their skill set, expertise and professional experience to fill the gaps.

The Group Company Secretary ensures that all appointments are properly made, that all necessary information is obtained from the Directors, both for the Company's own records and for the purposes of meeting statutory obligations, as well as obligations arising from the MMLR or other regulatory requirements. The recruitment process concludes with the Board Induction Programme and related training programme(s) to equip the Director with the required knowledge and understanding of the Group's businesses and operations. Datuk Seri Yam Kong Choy and Mr Chin Mui Khiong have attended the Board Induction Programme organised by the Group Company Secretary shortly after their respective appointments in 2015.

The key activities of the NRC carried out and/or fulfilled in 2015 are summarised as follows:

- Nominating Function

  In relation to the Board of the Company and its Group
  - Review of Board and Group AC Succession Planning.
  - Review and recommend the re-election of Directors and retention of Independent Non-Executive Directors at the 40th AGM.
  - Evaluate and recommend suitable candidates for appointment to the Boards and Board Committees of the Company and appointment to the Boards of subsidiary and/or associate companies of the Group.
  - Review and recommend the ESOS Committee to be disbanded following the expiry of the ESOS.
  - Review the terms of office and performance of the Group AC.
  - Oversee the assessment of independent directors.
  - Carried out a Board skills assessment matrix.
  - Review and recommend training for Directors.

  In relation to the Management
  - Review of Senior Management Succession Planning.
  - Review the organisational changes to be made at the Group and recommending to the Board.

- Remuneration Function

  In relation to the Board of the Company and its Group
  - Renewal of contract for Group Chairman and Group MD.
  - Review and recommend the revision in Directors' remuneration policy pursuant to a Board remuneration benchmarking exercise carried out by an independent external consultant.

  In relation to the Management
  - Evaluate the performance of the Group MD and Senior Management and recommend their performance contract payment and annual salary increment.
  - Recommend the guidelines on performance contract payment and annual salary increment for the Group after taking into consideration the Group's financial performance, individual employee performance and market data.
  - Review and recommend the extension of fixed term contracts of employment for Senior Management.

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.

The Directors due for retirement by rotation under Article 110 of the Company's Articles of Association at the forthcoming AGM are Datuk Syed Ahmad Alwee Alsree, Datu Hubert Thian Chong Hui and Datuk Kevin How Kow. Their profiles are set out on pages 34 to 36 of the Annual Report.

Datuk Kevin How Kow has informed the Board in February 2016 that he does not wish to seek re-election in accordance with Article 110 of the Company's Articles of Association. Hence, he will retire at the conclusion of the 41st AGM.

The two new Directors who were appointed in 2015 and due for retirement under Article 112 of the Company's Articles of Association at the forthcoming AGM are Datuk Seri Yam Kong Choy and Mr Chin Mui Khiong. Their profiles are set out on pages 36 and 37 of the Annual Report.

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. None of the current Board members is over seventy (70) years of age.

STATEMENT ON CORPORATE GOVERNANCE

The re-election and re-appointment 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-election and re-appointment. In assessing the suitability of candidates, the NRC takes into account the competencies, contribution, commitment, tenure 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.

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 (Executive)	Chairman
Dato' Richard Curtis (Executive)	Member
Datuk Kevin How Kow (Independent, Non-Executive)	Member
Datu Hubert Thian Chong Hui (Independent, Non-Executive)	Member
Datuk Seri Yam Kong Choy @ (Independent, Non-Executive)	Member

@ Appointed on 6 May 2015

The GRC meets at least once every quarter. In 2015 GRC held four (4) meetings.

ESOS Committee

The ESOS Committee was established by the Board in 2010 to oversee the administration and to ensure the proper implementation of the ESOS according to the ESOS Bye-Laws.

Membership of ESOS Committee is as follows:

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail (Independent, Non-Executive)	Chairman
Dato Sri Mahmud Abu Bekir Taib (Non-Independent, Non-Executive)	Member
General (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj Zainuddin (Non-Independent, Non-Executive)	Member
Datu Hubert Thian Chong Hui (Independent, Non-Executive)	Member
Datu Michael Ting Kuok Ngie # (Non-Independent, Non-Executive)	Member

Retired on 30 April 2015

The ESOS Committee meets at least once a year. In 2015, the ESOS Committee held two (2) meetings. Following the expiry of the Company's ESOS on 22 June 2015, the ESOS Committee was disbanded on 26 August 2015.

REINFORCE INDEPENDENCE

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. Each Independent Non-Executive Director submits an annual declaration regarding his independence.

The NRC has assessed the independence of the five (5) Independent Non-Executive Directors (including Independent Non-Executive Chairman) for 2015. 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.

Tenure of Independent Non-Executive Director

In the interest of ensuring a continual supply of new talent to the Board, in 2015 the Board approved the NRC's recommendation for an independent director to serve for a maximum of four (4) terms i.e. up to a maximum of twelve (12) years unless there are exceptional circumstances. The NRC and Board's view is that tenure is not the absolute indicator of a Director's independence but more importantly is whether the Director is able to exercise independent judgement and act in the best interests of the Company. In this regard, the Board, through the NRC, actively seeks to maintain a strong independent element on the Board by undertaking the following during the year 2015:

- Conduct assessment of Independent Directors following the criteria guided by the definition of "independent director" under the MMLR.
- Annual declaration of independence.

Currently, the Company has one (1) long serving Independent Non-Executive Director, Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail, whose tenure is more than nine (9) years. Pursuant to its TOR and in line with Recommendation 3.1 of the Code, the NRC has assessed the independence of Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail 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 determined that Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail be retained 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 41st AGM.

STATEMENT ON CORPORATE GOVERNANCE

FOSTERING COMMITMENT

Time Commitment
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.

The Board has, in place, a protocol for accepting directorships on the boards of companies outside of the Group. The protocol requires members of the Board to inform the Board prior to their acceptance of any directorship on companies outside of the Group to ensure that the appointment is not in conflict with the Group's business. Directors are also required to declare their directorships and/or interests in other public and private companies upon appointment and on a half-yearly basis. The Directors also notify the Company of any subsequent change in their directorships and/or interests in public and private companies. The Company will subsequently notify the other Directors upon receiving notice of such changes. None of the Directors of the Company hold more than five (5) directorships in public listed companies, in compliance with the MMLR.

Directors also attend site and/or plant visits from time to time which are arranged with the respective Senior Management in the Group. In 2015, members of the Board visited the Sibanyis Quarry in Kuching, the new Cement Plant in Mambong and the Samalaju Industrial Park ("SIP") in Bintulu.

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 which is detailed in the Group LOA Manual. This includes approval of quarterly results, 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 recruitment, succession planning, updates on strategic investments and changes in regulatory requirements and/or guidelines 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.

The Board is also notified of any announcement released to Bursa Securities and the impending restriction on dealings with the securities of the Company prior to the announcement of the quarterly financial results.

Meeting Attendance
In 2015, the Board had six (6) Board meetings, five (5) of which were scheduled and one (1) unscheduled. The unscheduled Board meeting was called at short notice to discuss a transaction that could not wait until the next scheduled Board meeting. Directors who are unable to attend a meeting are invited to give the Chairman their views and comments on matters to be discussed in advance. One of the Board meetings was held at SIP, Bintulu to coincide with the Board's official site visit to SIP.

All Directors have complied with the minimum attendance of at least 50% of Board meetings held in the year 2015 pursuant to the MMLR. All Directors have also attended the 40th AGM in 2015. This reflects Board members' commitment and dedication in fulfilling their duties and responsibilities. The breakdown of Directors' attendance at the Board and Board Committee meetings is set out below:

Board of Directors	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	%
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	6/6 (Chairman)	100	5/5	100	4/4 (Chairman)	100	-	-	2/2 (Chairman)	100
Dato Sri Mahmud Abu Bekir Taib	6/6 (Deputy Chairman)	100	-	-	3/4	75	-	-	2/2	100
Datuk Syed Ahmad Alwee Alsree	6/6	100	-	-	-	-	4/4 (Chairman)	100	-	-
Dato' Richard Curtis	5/6	83	-	-	-	-	3/4	75	-	-

STATEMENT ON CORPORATE GOVERNANCE

Board of Directors	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	%
General (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj Zainuddin	6/6	100	-	-	-	-	-	-	2/2	100
Datu Hubert Thian Chong Hui	6/6	100	5/5	100	4/4	100	4/4	100	2/2	100
Datuk Kevin How Kow	6/6	100	5/5 (Chairman)	100	-	-	4/4	100	-	-
Datuk Seri Yam Kong Choy #	4/4	100	-	-	2/2^	100	3/3^	100	-	-
Mr Chin Mui Khiong @	3/3	100	2/2@	100	-	-	-	-	-	-
Datu Michael Ting Kuok Ngie *	2/2	100	-	-	-	-	-	-	1/1	100

* Retired on 30 April 2015
\# Appointed on 5 May 2015
^ Appointed on 6 May 2015
@ Appointed on 3 August 2015
& Disbanded on 26 August 2015

Professional Development
The Board is aware of the importance of continuing professional development for its Directors to ensure they are equipped with the necessary skills and knowledge to meet the challenges of the Board. At the commencement of each year the Group Company Secretary collates and distributes the list of training programmes which have been identified for the Directors and arranges for their attendance at these training programmes. The status of training attended by the Board is tabled to the NRC in August and November of each year.

In 2015, the NRC carried out a Board Skills Assessment Matrix for the first time as guided by the outcome of the BEE. The assessment enabled each Director to identify the area of training that he may require for further personal development as a Director or Board Committee member. The NRC has recommended that these Directors undergo training programmes which concentrate on the said focus areas.

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 is also updated by the Group Company Secretary on changes to governance practices of the Group and those which affect them as Directors.

On appointment, each new Director of the Board will undergo a two to three days induction programme in Kuching organised by the Group Company Secretary. This expedites the familiarisation process for new Directors with the Group's business operations including their range of products or services, the organisation structure and provides an avenue to meet with the Management and staff.

The induction programme includes site and/or plant visits to key operating units of the Group including individual departments in the Head Office which gives each new Director a visual first hand perspective of the Group's operations. The site visits include presentations and briefings by the Management of the Divisions to provide further depth and appreciation of the key drivers behind the Group's core businesses.

The Board, via the NRC, has undertaken an assessment of the training needs of each director during the year 2015. All the Directors have attended training programmes, talks, conferences, seminars, courses and/or workshops covering areas relevant to their duties and responsibilities. Details of training programmes attended by the respective Directors are tabulated below:

STATEMENT ON CORPORATE GOVERNANCE

Name of Directors	Topics
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	• Nestle Philosophies • NESCAFE Blend & Brew • Creating Shared Value • Challenges faced by Infant Nutrition Industry • MAGGI New SOS Chili Communication & Collaboration with Farmers • Social Media - Becoming Malaysia's #1 FMCG Digital Company • Products Innovation & Renovation • Invitation To Lead The Change: Getting Women On Boards Event • Forum - Corporate Governance: Balancing Rules & Practices • Governance & Management of Zakat Course • Roles of Audit, Nomination & Compensation Committees • Board Chairman Series: "Tone from the Chair and Establishing Boundaries" • Overview of MILO in Malaysia • Governance on Corporate Sustainability
Dato Sri Mahmud Abu Bekir Taib	• Transforming Business Model and Business Strategy
Datuk Syed Ahmad Alwee Alsree	• CG Breakfast Series with Directors: "Board Reward & Recognition"
Dato' Richard Alexander John Curtis	• Directors Corporate Governance Series: "Building Effective Finance Function : From Reporting to Analytics to Strategic Input" • Capital Market Directors Programme: Module 1: Directors as gatekeepers of market participants • Capital Market Directors Programme: Module 2A: Business challenges and regulatory expectations - What directors need to know (Equities & Futures Broking) • Capital Market Directors Programme: Module 4: Current and emerging regulatory issues in the capital market • Resolving Conflict in the Boardroom
General (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Hj Zainuddin	• Enhancing regional financial integrating and standardising towards a more dynamic ASEAN financial market • Accelerating Global Brand Success • Innovation, Technologies, Mechanization and Sustainability • Malaysian Economy and Financial Market Post Global Crisis 2015 • Cyber Security Talk - The Risks & What Are We To Do • Budget 2016 and GST Update, Cybercrime in Financial Services and AMLA (Anti-Money Laundering Act) • Directors Remuneration 2015
Datu Hubert Thian Chong Hui	• 7th Annual Corporate Governance Summit: "Creating sustainable value through governance"
Datuk Kevin How Kow	• Capital Market Director Programme Materials - Module 1: Directors as gatekeepers of market participants • Board Chairman Series Part 2: "Leadership Excellence from the Chair" • Towards Board Excellence • Capital Market Directors Programme - Module 3: Risk oversight and compliance - Action plan for Board of Directors • Capital Market Directors Programme - Module 4: Current and emerging regulatory issues in the capital market • Capital Market Directors Programme - Module 2A: Business challenges and regulatory expectations - What directors need to know (Equities & Futures Broking) • Preparing for the Structural Shift in Companies Law

STATEMENT ON CORPORATE GOVERNANCE

Name of Directors	Topics
Datuk Seri Yam Kong Choy	• Economic Wrap-Up 2014 by 3 Ministers • 4th Southeast Asian Studies Symposium - "The Year of ASEAN: Integrating Southeast Asia" in conjunction with the Asian Economic Panel Conference • GST Briefing for Directors • 12th ASEAN Leadership Forum - "Forward ASEAN: One Community, One Vision, One People" in conjunction with the 26th ASEAN Summit • Focus Group Session for Board of Directors on Strengthening Corporate Governance Disclosure Amongst the Listed Issuers • 4th Distinguished Board Leadership Series - "Board Leading Change: Organisational Transformation Strategy as key to Sustainable Growth in Challenging Times" • 7th International Conference On World Class Sustainable Cities 2015 - "Urban Regeneration Through Smart Partnerships" • Khazanah Megatrends Forum 2015 - "Harnessing Creative Disruption. Unlocking The Power Of Inclusive Innovation. Views From the Perspectives of - Macro & Markets, Firms & Transformation, Growth & Development, Leadership & People." • Forbes Global Conference "Toward A Winning Vision - On Visionary Leadership"
Mr Chin Mui Khiong	• Mandatory Accreditation Programme (MAP) for Directors of Public Listed Companies • MIA International Accountants Conference 2015 • 2016 Budget and Tax Conference

FINANCIAL REPORTING AND AUDIT

Financial Reporting

The Board is responsible for ensuring that accounting records are properly kept and that the financial statements are prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Act. The Board approves the announcements on the quarterly results and issuance of the Annual Report on a timely basis to Bursa Securities which reflects the Board's commitment to provide timely and up-to-date assessments on the Group's performance and prospects. The quarterly financial reports are approved by the Board for release to Bursa Securities no later than two (2) months after the end of each financial quarter for public announcement together with the required disclosure under the MMLR.

The Board is assisted by the Group AC in overseeing the Group's financial reporting processes and the quality of the financial reporting. The Board shall review the term of office and performance of the Group AC and each of its members at least once every three (3) years to determine whether the Group AC members have carried out their duties in accordance with their TOR.

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 is outlined on page 74 of this Annual Report.

External Auditors

The Group AC invites the external auditors to attend its meetings as and when required. During the meetings, the external auditors highlight and discuss the nature, scope of audit, audit plan, internal control and/or issues with the Group AC. The Group AC met with the external auditors three (3) times during the year 2015 without the presence of Management. The external auditors' presence is requested at the Company's AGM to attend to any issues raised by the shareholders.

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. In 2013, the Board had approved the Group AC's recommendation that any cumulative non-audit fee incurred in excess of 50% of the preceding year's approved audit fee for the Group would require its approval. This ensures the Board and Group AC deliberate on the provision of non-audit work by the external auditors and/or firms affiliated to them to ensure it does not impede the external auditors' audit work.

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. In March 2016, the Group AC assessed the independence of Messrs. Ernst & Young ("EY") as external auditors of the Company for 2015. Overall, the Group AC was satisfied with EY's objectivity, independence and performance for 2015 and recommended their re-appointment to the Board, upon which the shareholders' approval will be sought at the forthcoming 41st AGM.

STATEMENT ON CORPORATE GOVERNANCE

The details of the statutory audit, audit-related and non-audit fees approved in 2015 to the external auditors are set out below:

	RM'000
Fees paid/payable to EY and its affiliates	
• Audit services	781
• Non-audit services including tax services	399
Total	1,180

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 met with the Group Internal Auditor twice in 2015 without the presence of Management to discuss the issues and/or any other observations that he may have during the internal audit and the extent of cooperation provided by the Group and its officers. 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 pages 66 of this Annual Report.

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 Board has established a framework to formulate and review risk management policies and risk strategies. 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 67 to 72 of this Annual Report.

SUSTAINABILITY REPORTING

The Group's businesses and initiatives have always been driven by sustainability goals that drive our activities across the Group. The Board, having noted the recent amendments in the MMLR, is committed to make every effort to document its on-going sustainability journey and review the Group's strategies to foster and promote sustainability.

In 2015, the Board approved the CMS Sustainability Initiative to be rolled out across the Group effective 1 January 2016. The main focuses will be towards the implementation of Sustainability KPIs, introduction of sustainability-related office guidelines and issuance of a stand-alone Sustainability Report.

The Group's maiden Sustainability Report has been issued as a separate statement to the 2015 Annual Report and is available on the Company's website at www.cmsb.com.my.

CONDUCT

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

Details of the related party transactions are disclosed in Note 40 of the Audited Financial Statements 2015.

Disclosure of Interests
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.

STAKEHOLDER ENGAGEMENT

Timely and Quality Disclosure
The Board is committed to ensuring that communications to the investing public regarding the business, operations and financial performance of the Group are accurate, timely, factual, informative, consistent, broadly disseminated and where necessary, filed with regulators in accordance with applicable legal and regulatory requirements.

To enhance the level and quality of disclosure, the Board has adopted an internal Corporate Disclosure Policy and Procedures in 2014 to facilitate the handling and disclosure of material information in a timely and accurate manner. The internal Corporate Disclosure Policy and Procedures, which is reviewed periodically, is available on the Company's website at www.cmsb.com.my.

STATEMENT ON CORPORATE GOVERNANCE

The Company uses technology to increase the effectiveness and timeliness of information dissemination. A new corporate website was launched in 2015 and serves as a key communication channel for the Company to reach its shareholders, the Investment Community and the general public. This includes up-to-date information on Group activities, corporate presentations, financial results, share price, media releases and announcements to Bursa Securities, annual reports, major strategic developments as well as the Company's Corporate Governance Framework, policies and guidelines, corporate video, 40th Anniversary book in e-book format, Board Charter, Board Committees TOR and sustainability initiatives. These can be accessed online through Bursa Malaysia's website or the Company's website at www.cmsb.com.my.

AGM

The AGM, scheduled in April of each year, is the principal forum for dialogue with shareholders. 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 and EPF Board. Suggestions which are received from the shareholders at the Company's AGM are considered for implementation, where appropriate.

The Notice of Meeting for the 41st 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.

Investor Relations

The Board adopted a planned IR strategy in 2012 to ensure an effective communication channel between the Company, its shareholders and the general public. The Group MD heads the IR unit that facilitates communication between the Company and the Investment Community. Senior Management of the Company actively engages with the Investment Community and the Board is briefed on these interactions and feedback from the Investment Community. The IR unit has an extensive programme that involves the holding of regular meetings, conference calls and site visits, all intended to keep the Investment Community abreast of the Company's strategic developments and financial performance. In addition, investment road shows and conferences are held to engage with shareholders and potential investors both locally and overseas.

Twice a year, the Group MD provides reports to the Board on IR activities, comments by analysts or from the Investment Community as well as commentary on share price information. The Board also receives a half year report on the shareholding structure, including any change to the holdings of substantial shareholders, of the Company.

The timely release of financial results on a quarterly basis provides the Investment Community with an up-to-date view of the Group's performance and operations. The release of the quarterly financial results to Bursa Securities is accompanied by a press release.

Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and need not wait for the AGM for such an opportunity. The contact information is available on page 3 and at the Company's website at www.cmsb.com.my.

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. The Board considers and is satisfied that in 2015, the Company has fully applied the broad Principles set out in the Code and the MMLR.

This Statement is made in accordance with the Board of Directors' approval on 11 March 2016.

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 2015.

Composition

The 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)

Mr Chin Mui Khiong (Appointed on 3 August 2015)
(Independent, Non-Executive Director)

Terms of Reference of the 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, 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 auditor 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 auditor;

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 Department 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; and

h) assess, review, update and recommend any changes to its terms of reference to the Board 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 MMLR, 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 auditor, 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 or an officer of the Group 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 2015

During the year ended 31 December 2015, the Committee held five meetings which were attended by the members as follows:

Name of Director	Total Meetings Attended
Datuk Kevin How Kow	5/5 (100%)
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	5/5 (100%)
Datu Hubert Thian Chong Hui	5/5 (100%)
Mr Chin Mui Khiong (appointed on 3 August 2015)	2/2 (100%)

The Committee held three meetings with the external auditor on 25 February 2015, 13 March 2015 and 24 November 2015 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 2015

The Committee carried out its duties in accordance with its term of reference during the financial year and up to 11 March 2016. The main activities undertaken by the Committee were as follows:

Financial Reporting

- Reviewed with the appropriate officers of the Group the quarterly results and annual financial statements of the Company and the Group, focusing particularly on significant changes to accounting policies and practices, accounting treatments, adjustments arising from the audits, compliance with accounting standards (MFRS) used and disclosures requirements, comments and responses to audit issues and other legal requirements to ensure that the financial statements present a true and fair view of the Company's financial performance prior to making a recommendation to the Board for approval and public release thereof;
- Deliberated significant issues and reasonableness of accounting standards application highlighted by the external auditor and/or Management to derive the Company's financial statements; and
- Reviewed accounting/audit issues, findings and other reservations arising from the external audit and ensure that appropriate action is taken.

Internal Audit

- Reviewed and approved the adequacy of the internal audit plans, scope of examination and internal audit reports for the Company and its subsidiaries issued by Group Internal Audit and external parties on the effectiveness and adequacy of governance, risk management, operational and compliance processes;
- Reviewed the adequacy and effectiveness of appropriate actions taken by Management in respect of the audit findings and the Committee's recommendations;
- Reviewed the appraisal of the performance of the internal audit staff and the Key Performance Indicators for the Group Internal Auditor;
- Reviewed the results of internal self-assessment performed by the internal audit function and Management's feedback on the quality of internal audit services rendered;
- Assessed the competency of the internal audit staff and adequacy of resources to achieve the scope as outlined in the annual audit plan; and
- Reviewed and approved the acquisition of Audit Management Software to enhance the performance of the Internal Audit Department.

The Committee held two meetings with the Group Internal Auditor on 25 February 2015 and 25 August 2015 without the presence of Management to discuss the issues and/or any other observations that he may have during the internal audit and the extent of cooperation provided by the CMS Group and its officers.

GROUP AUDIT COMMITTEE REPORT

External Audit

- Conducted formal assessment of the external auditor's performance, independence and objectivity to assess the suitability and independence of external auditors before recommending to the Board the reappointment of the external auditor of the Group; The assessment covered:
    - Suitability of the firm;
    - Quality Process/Performance (audit judgement, risks including fraud risk assessment, reporting process, understanding of key issues, transparency in communication);
    - Audit Team Competency (Senior personnel involvement, staff expertise);
    - Independence & Objectivity (compliance to By-Laws on professional independence of Malaysian Institute of Accountants, partner rotation, non- audit services rendered and approvals);
    - Audit Scope and Planning;
    - Fees (compared to organizations of similar size, fees in relation to overall external audit firm's income and limit of non-audit fee size);
    - Communications (timeliness and transparency).
- Reviewed the Audit Engagement Letter to note the audit scope, timelines and how key risks (e.g. fraud risk) are factored into their plan including written assurance of independence and objectivity;
- Reviewed the audit plan with the external auditor and their evaluation of the system of internal control;
- Reviewed the external auditor's findings arising from audits including the comments and responses in management letters;
- Reviewed the assistance given by the Company's and Group's officers to the external auditor;
- Notation of new and revised Auditing Standards on external auditor reporting;
- Held two meetings with the external auditor without the presence of Management to reinforce the independence of the external audit function; and
- Upon satisfactory assessment of the suitability of services rendered by the external auditor and review of the reasonableness of the proposed audit fee (benchmarked to audit fees incurred by other companies of similar size), recommended to the Board the audit fee payable and their re-appointment. The Committee also ensured the fee is sufficient to enable a quality audit to be conducted.

  On 22 May 2013, the Board had approved the Committee's recommendation that any cumulative non-audit fee incurred in excess of 50% of the preceding year's approved audit fee for the CMS Group would require its approval. Pursuant to this approval, the Committee had deliberated, during the year, on the appointment of an associate company affiliated to the external auditor for consultancy services to a subsidiary company of the Group. The Committee considered and was satisfied that the said associate company affiliated to the external auditor had the relevant expertise and knowledge and recommended its appointment to the Board.

Risk Management

- Reviewed and recommended the Statement on Risk Management and Internal Control for Board approval before inclusion in the Company's Annual Report; (Refer to Statement of Risk Management and Internal Control on Page 67 to 72) and
- The Committee's Chairman and Group Internal Auditor attended all the four Group Risk Committee meetings held in 2015 and reviewed quarterly status reports on Enterprise Risk Management focusing on key risks reporting. Post mortem of risk events are also deliberated in the same meetings.

Related Party Transactions

- Reviewed the Statement of Related Party Transactions and Procedures taking note of any possible conflict of interest transactions, ensuring all related party transactions were taken on arm's length basis and on normal commercial terms and consistent with the Company's procedures; and
- Reviewed the estimated recurrent related party transaction mandate for the year and recommended to the Board to seek shareholders mandate at the forthcoming Annual General Meeting of the Company.

Others

- Succession planning for the Committee in consultation with the Board and its Nomination & Remuneration Committee;
- Review of major litigation, claims and/or issues that may have substantial financial impact;
- Reviewed the verification of the allocation and movement of options pursuant to the Company's Employees' Share Option Scheme ("ESOS") by internal audit and the final report by Group Human Resource upon expiry of the ESOS on 22 June 2015;

GROUP AUDIT COMMITTEE REPORT

- Rolled out a job attachment programme with Internal Audit Department for the CMS Group;
- Performed self-assessment to evaluate the Committee's effectiveness in meeting their overall responsibilities;
- Reviewed the analysis of Corporate Governance Disclosures in Annual Reports 2013 – 2014 and report by Bursa Securities on the Company's performance;
- Reviewed disclosure statements on the Statement of Corporate Governance, Group Audit Committee Report and Statement on Risk Management and Internal Control for the financial year ended 31 December 2015 for inclusion in the Annual Report 2015 and recommended their adoption by the Board; and
- Reviewed the recommendation to the Board on final dividend for the year ended 31 December 2014.

Training

The training attended by the members during the financial year is reported under the Statement of Corporate Governance on Pages 57 to 58.

Statement of Verification on Allocation of Options Pursuant to the Company's ESOS

Paragraph 8.17(3) of Chapter 8 of the MMLR requires the 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 pursuant to the criteria as set out in the by-laws of the Company's ESOS during the financial year ended 31 December 2015 including the share movements for the Overall Scheme have been verified by Group Internal Audit. The 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. The Company's ESOS had expired on 22 June 2015.

Internal Audit Function

The Company has an Internal Audit Department 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 and effectiveness of the systems of internal control within the Group. The internal audit function undertakes its duties in accordance with the IIA's International Standards for the Professional Practice of Internal Auditing (IPPF).

The purpose, authority and responsibility of the internal audit function are articulated in an Internal Audit Charter approved by the Committee and the Board. The annual Group internal audit plan, which takes input from the Group's Risk Register, its own independent assessment and discussions with Operational Management, is approved by the Committee each year.

The role of the Head of Internal Audit for the Group is fulfilled by the Group Internal Auditor who has 25 years of working experience. The Group Internal Auditor reports directly to the Committee and administratively to the Group Managing Director.

The Internal Audit function, which is independent of the activities they audit, has carried out 25 planned audits, 3 ad-hoc reviews and all related audit follow-up activities during the year. Areas reviewed include Sales Order Management, Plant Maintenance, Credit Management, Contractors Management, Project Management (including a Forensic Review of a project), ESOS Scheme Verification, GST Implementation, Compliance with CMS Group manuals, policies and procedures and Stocks Management. 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 controls and operational efficiency and effectiveness have been provided to both operations management and the Committee.

All significant audit findings and Committee recommendations pertaining to the Company's subsidiaries are tabled and presented by the Group Internal Auditor to their respective subsidiary companies' board of directors. In 2015, 3 such reports were tabled and presented by the Group Internal Auditor.

The quality of performance, sufficiency and competency of its staff including objectivity is evaluated through a formal assessment of the Internal Audit Function.

The Group Internal Audit Department is staffed by a team of nine and the cost of maintaining the function in 2015 amounted to RM1,165,938 (2014: RM1,426,194).

This statement is made in accordance with the Board of Directors' approval on 11 March 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Background

The Board of Directors of the Company ("Board") is committed towards maintaining a sound system of risk management and internal control and is pleased to provide this Statement on Risk Management and Internal Control (the "Statement") which outlines the scope and nature of risk management and internal control of Cahya Mata Sarawak Berhad ("CMSB") for the financial year ended 31 December 2015.

For the purpose of disclosure, this Statement is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

Roles & 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 from "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. However, the Board recognises that such a system is a concerted and continuing process, designed to manage and reduce, rather than eliminate, the risks identified to acceptable levels. Therefore, the system of risk management and internal control implemented can only provide reasonable and not absolute assurance against the occurrence of any material misstatement or loss.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this Statement for inclusion into the annual report, is adequate and effective to safeguard the shareholders' investment and the Group's assets.

Summarised below is a description of the key elements of the Group's risk management and internal control system.

1. Risk Management Structure

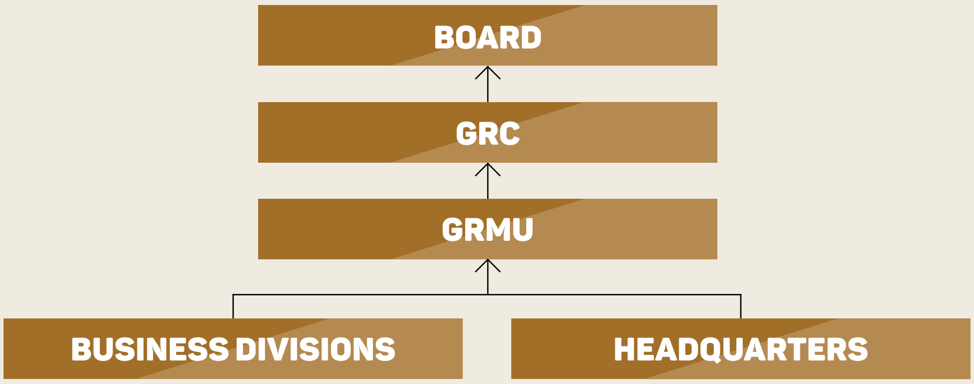
Risk management is regarded by the Board as an integral part of the business operations. Management at all levels have a collective responsibility for creating a risk-aware culture and ensuring that business risk assessment becomes an explicit part of both Headquarters and the Business Divisions' ("Divisions") 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 GRC's Terms of Reference. The GRC comprises five (5) members, namely the Group Executive Director, Group Managing Director and any three (3) 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 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 at the same time, ensuring compliance with applicable laws and regulations.

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

The Group's risk management structure encompasses the whole organization.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

2. The Group Risk Management Unit Function

The Group Risk Management Unit ("GRMU") facilitates the implementation of the risk management framework and processes at Headquarters and the respective Divisions. GRMU is also responsible to work closely with management to continuously review the risks on an ongoing basis so that these risks can be adequately identified, analysed, treated and reported by management on timely basis.

Additionally, GRMU will conduct risk meetings on a quarterly basis with the respective Divisions' risk coordinators and prepare a quarterly report detailing these reported risks together with the likelihood, impact, status of controls and mitigating measures which will then be submitted to the GRC for its review.

GRMU also conducts regular risk awareness and coaching sessions to ensure that the Group's employees have a good understanding and application of risk management principles.

3. Risk Management Framework & Policy

The Group's risk management framework is constantly monitored and reviewed to ensure that risks and controls are updated to reflect the current situation and ensure continued relevance. Management views seriously and will take action to ensure that the Group is always alert to the changing business environment and any situation that might affect the Group's assets, operations, 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, mitigated and reported on a timely basis.

4. 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 owner shall report any material risks that may be arising or have arisen on a 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

Risk treatment in CMSB entails three lines of control namely:

(i) Preventive;
(ii) Detective; and
(iii) Corrective.

Under the preventive control, the aim is to prevent and to reduce the chance or possibility of a risk happening through careful evaluation of risks and putting in place preventive control measures.

As for the second line of control (i.e. detective), it involves a two-pronged approach. Firstly, it aims to reduce the chance of possibility of a risk happening through early detection of warning indicators or "red flags". Secondly, early detection also aims to reduce the magnitude of impact or "damage" to the organisation.

The last line of control, correction, aims to reduce the impact of risk on the organisation after it has occurred by taking corrective action.

For any "High" and "Significant" risks after relevant risk treatments, appropriate management action plans may be developed, where applicable, to manage these risks to an acceptable level. This is done through detailed internal discussions 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 and risk related matters are highlighted and reported on a timely basis.

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 and making it more robust and more relevant.

e) Reporting

The major risks are aggregated and risk ratings reviewed by the GRMU 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The principal risks of CMSB are summarised as follows:

(i) Operational Risk

The Group's operational risks are mainly within its core businesses and competencies to manage. Operational risk management ranges from managing inherent operational risks (such as inclement weather etc.) to managing controllable day-to-day operational risks (such as shortage of raw material / manpower etc.)

The management of the Group's day-to-day operational risks (such as those relating to health and safety, quality, production, marketing and distribution, and statutory compliance) are mainly decentralised at the business unit level and guided by approved standard operating procedures and business continuity plans.

(ii) Financial Risk

As with other industry players operating in a similar business environment, the Group is similarly exposed to various financial risks relating to credit, liquidity, interest rate and foreign currency exchange rates etc. The Group seeks to limit these risks through, among others, assessing the creditworthiness of customers, close monitoring of collections and overdue debts, formulating necessary hedging strategies and by implementing effective and prudent utilisation of our financial resources to keep our gearing and cash balance at an acceptable level.

(iii) Strategic Risk

Strategic risk is defined as the uncertainties and untapped opportunities embedded in the strategic intent and how well they are executed. To ensure that the Strategic Risk is properly managed, the Group has put in place proper processes such as yearly directors' and senior management retreats and conducting relevant strategic reviews / meetings to ensure corporate strategies are properly aligned, managed and reviewed throughout the Group.

5. Key Risk Management Activities

a) Risk Review For The Financial Year

A review on the adequacy and effectiveness of the risk management and internal control system has been undertaken for the financial year under review. The Divisions, comprising their senior management as well as their executives, carried out the following areas of work:

- Conducted reviews and updates of risk profiles including emerging risks and re-rated principal risks;

- Evaluated the adequacy of key processes, systems and internal controls in relation to the rated principal risks, and established strategic responses and management actions to manage the aforementioned and/or eliminate performance gap;

- Reviewed implementation progress of management actions and evaluated post-implementation effectiveness.

b) Implementation of Project Risk Scorecard

As part of the Group's commitment to be a more vigilant organisation, 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 which is to be used for all strategic investments 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 GRC and/or their respective Board before the project is formally approved. Subsequently, the project manager will need to monitor the risks and provide periodic updates from time to time.

c) Automation of Risk Management Reporting Process

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 three (3) of the major Divisions in 2015, and will gradually be rolled out to other Divisions going forward.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

d) **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 executives and non-executives levels to further ensure and enhance the adequacy of our risk management framework, especially in relation to the operational risks related matters.

As reported in the previous financial year, the Group has successfully rolled out the bottom-up risk management approach to selected Division and, given the positive feedback gathered, the Group will continue to fine-tune the framework from time-to-time.

6. **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, inaccessibility 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 its statutory and regulatory requirements.

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

7. **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 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 suitability.

- Clearly documented internal procedures set out in the Group Financial Policies and Procedures Manual.

- A detailed Group Procurement Policies and Procedures Manual to regulate procurement of goods and services in the Group. This includes the centralisation of competitive sourcing and evaluation of major purchases to leverage on the Group's buying power and the establishment of a Central Tender Committee which has responsibility to review and endorse all high value purchases in the Group.

- A detailed Group Human Resource Policies and Procedures Manual to regulate all aspects of employee engagement from conduct and discipline to benefits and entitlements. It provides a common and clear understanding and consistent practice of HR policies and procedures across the Group to effectively support the Group's operations.

- Where parts of the Group's operations have received ISO certification for their products and/or work processes, these operating units are committed to maintaining their certification by ensuring strict compliance with their respective ISO requirements which include periodic reviews from ISO.

- A detailed strategic planning and budgeting process where operating units prepare business plans and detailed capital and operating budgets for the coming year. These plans are approved by the Board.

- All major business commitments or investments will be subject to review in accordance with the procedures set out in the Limits of Authority Manual so as to ensure that all such investments meet the risk appetite and investment criteria determined by the Board and that Division's operating budget.

- A performance management system has been implemented wherein individual performance of key executives will be monitored against agreed targets (Key Performance Indicators) to strengthen accountability 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- 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 system is 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 system 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 system of the Group for the year under review and up to the date of issuance of the financial statements is adequate and effective.

REVIEW OF THIS STATEMENT

As required by Para 15.23 of the MMLR, the external auditors have reviewed the Statement. Based on the review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system within the Group.

This Statement is made in accordance with the Board of Directors' approval on 11 March 2016.

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 40th Annual General Meeting held on 30 April 2015, 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 undertake any share buy-back during the financial year.

3. **Options, Warrants or Convertible Securities**
   The Company did not issue any options, warrants or convertible securities during the financial year ended 31 December 2015 other than the exercise of options under the Employees' Share Option Scheme as disclosed in Note 37 to the Audited Financial Statements 2015.

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 RM399,000 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 2015 and the unaudited financial results for the year ended 31 December 2015 announced by the Company on 29 February 2016.

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 Company during the financial year.

11. **Recurrent Related Party Transactions of a Revenue Nature**
    At the 40th Annual General Meeting held on 30 April 2015, 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 ("RRPT").

    Pursuant to Paragraph 3.1.5 of Practice Note 12 and Paragraph 10.09(2)(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the breakdown of the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed is as follows:

Type of RRPT	Name of Related Party	Relationship	Actual Amount of RRPT made for the year ended 31 December 2015
Sales of concrete products	Titanium Construction Sdn Bhd	A company controlled by Dato Sri Mahmud Abu Bekir Taib (a director and major shareholder of CMS)	RM464,500

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 2015.

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 2015 set out on pages 84 to 187, 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 11 March 2016.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

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 manufacturing and trading of cement and construction materials, construction, road maintenance, township, property and infrastructure development. 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	248,149	29,875
- Non-controlling interests	56,451	-
	304,600	29,875

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 30 April 2015 and paid on 29 May 2015 a final tax exempt (single-tier) dividend of 7 sen per ordinary share, totalling RM74,828,881 in respect of the financial year ended 31 December 2014; and

(b) declared on 26 August 2015 and paid on 22 October 2015 an interim tax exempt (single-tier) dividend of 1.5 sen per ordinary share, totalling RM16,115,636 in respect of the financial year ended 31 December 2015.

At the forthcoming Annual General Meeting, a final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2015, of 3 sen per share on 1,074,375,720 ordinary shares, amounting to a dividend payable of RM32,231,272 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 2016.

DIRECTORS' REPORT

DIRECTORS

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

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	Group Chairman
Dato Sri Mahmud Abu Bekir Taib	Deputy Group Chairman
Datuk Syed Ahmad Alwee Alsree	Group Executive Director
Dato' Richard Alexander John Curtis	Group Managing Director
General (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi Bin Haji Zainuddin	
Datu Hubert Thian Chong Hui	
Datuk Kevin How Kow	
Datuk Seri Yam Kong Choy	(Appointed on 5 May 2015)
Chin Mui Khiong	(Appointed on 3 August 2015)
Datu Michael Ting Kuok Ngie @ Ting Kok Ngie	(Retired on 30 April 2015)

In accordance with Article 110 of the Company's Articles of Association, Datuk Syed Ahmad Alwee Alsree, Datu Hubert Thian Chong Hui and Datuk Kevin How Kow retire at the forthcoming Annual General Meeting.

Datuk Syed Ahmad Alwee Alsree and Datu Hubert Thian Chong Hui being eligible, offer themselves for re-election whilst Datuk Kevin How Kow does not wish to seek for re-election. Hence, he will retire at the conclusion of the coming Annual General Meeting.

In accordance with Article 112 of the Company's Articles of Association, Datuk Seri Yam Kong Choy and Chin Mui Khiong 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 40 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 RM0.50 each			
	At 1.1.2015	Exercise of options	Disposed	At 31.12.2015
Direct interest:				
Dato Sri Mahmud Abu Bekir Taib	88,200,255	-	-	88,200,255
Datuk Syed Ahmad Alwee Alsree	800,000	1,200,000	(1,000,000)	1,000,000
Dato' Richard Alexander John Curtis	1,210,000	1,140,000	(800,000)	1,550,000
Datuk Seri Yam Kong Choy #	60,000	-	-	60,000
Indirect interest*:				
Datuk Syed Ahmad Alwee Alsree	136,890,306	-	-	136,890,306

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 RM0.50 each →		
	At 1.1.2015	Exercised	At 31.12.2015
Datuk Syed Ahmad Alwee Alsree	1,200,000	(1,200,000)	-
Dato' Richard Alexander John Curtis	1,140,000	(1,140,000)	-

* Deemed interest pursuant to Section 134(12)(c) of the Companies Act, 1965.
# Appointed on 5 May 2015.

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 RM519,752,210 to RM537,187,860 by way of the issuance of 34,871,300 new ordinary shares of RM0.50 each, to eligible employees of the Group under the Employees' Share Option Scheme at an exercise price of RM0.74, RM0.75 or RM2.29, per ordinary share for cash.

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

TREASURY SHARES

In the previous financial year, the Company re-sold 801,000 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.

The salient terms and features of the ESOS are disclosed in Note 37 to the financial statements. Since the ESOS has come to its end of term and was not extended, it has expired on 22 June 2015. The balance of the employees' share option reserve pertaining to the unexercised options has been transferred to retained earnings upon expiry of the ESOS.

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 675,000 ordinary shares of RM0.50 each.

DIRECTORS' REPORT

EMPLOYEES' SHARE OPTION SCHEME (CONT'D.)

The names of option holders who have been granted options to subscribe for 675,000 or more ordinary shares of RM0.50 during the financial year are as follows:

	Number of options over ordinary shares of RM0.50 each			
	At 1.1.2015	**Exercised**	**Forfeited**	**At 31.12.2015**
Syed Hizam Alsagoff	660,000	(660,000)	-	-
Dato Isaac Lugun	510,000	(510,000)	-	-
Goh Chii Bing	420,000	(420,000)	-	-
Azam bin Azman	412,800	(412,800)	-	-
Lim Jit Yaw	337,800	(337,800)	-	-
Chong Swee Sin	495,000	(495,000)	-	-
Kueh Hoi Chuang	825,000	(825,000)	-	-
Ling Koah Wi	395,000	(395,000)	-	-
Woo Yoke Meng	150,000	(74,400)	(75,600)	-

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

SIGNIFICANT EVENTS

Details of significant events are as disclosed in Note 20(a) and (b) to the financial statements.

SUBSEQUENT EVENT

Details of subsequent event is disclosed in Note 46 to the financial statements.

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.

(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.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONT'D.)

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

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

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

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

(f) In the opinion of the directors:

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

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

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 March 2016.

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail | **Dato' Richard Alexander John Curtis**

STATEMENT BY DIRECTORS

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

We, **Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail** and **Dato' Richard Alexander John Curtis**, being two of the directors of Cahya Mata Sarawak Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 84 to 187 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 2015 and of the financial performance and the cash flows for the year then ended.

The supplementary information set out in Note 48 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 21 March 2016.

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail

Dato' Richard Alexander John Curtis

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Syed Hizam 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 84 to 188 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 Alsagoff** at Kuching in the State of Sarawak on 21 March 2016.

Syed Hizam Alsagoff
Group Chief Financial Officer

Before me,

COMMISSIONER FOR OATHS
NO Q 119
PHANG DAH NAN
MALAYSIA

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CAHYA MATA SARAWAK BERHAD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **Cahya Mata Sarawak Berhad**, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Company, and the 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 84 to 187.

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 2015 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' report of the subsidiary of which we have not acted as auditors, which is 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 48 on page 188 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
1769/04/18 (J/PH)
Chartered Accountant

Kuching, Malaysia
Date: 21 March 2016

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	4	1,788,008	1,673,898	86,415	73,823
Cost of sales		(1,374,266)	(1,278,305)	(25,681)	(17,508)
Gross profit		413,742	395,593	60,734	56,315
Other items of income					
Interest income	5	2,005	1,835	-	-
Other income	6	20,157	27,768	11,950	8,346
Other items of expense					
Administrative expenses		(70,474)	(70,773)	(41,931)	(38,411)
Selling expenses		(13,215)	(12,004)	-	-
Finance costs	7	(1,066)	(3,602)	(30)	(45)
Other expenses		(8,460)	(15,210)	-	(5,964)
Share of results of associates		34,430	16,586	-	-
Share of results of joint ventures		11,477	1,259	-	-
Profit before tax	8	388,596	341,452	30,723	20,241
Income tax expense	11	(83,996)	(75,844)	(848)	(118)
Profit net of tax		304,600	265,608	29,875	20,123
Other comprehensive income/(expense)					
Foreign currency translation, net of tax		30	(145)	-	-
Share of other comprehensive income/(expense) of associates, net of tax		265	(18,153)	-	-
Share of other comprehensive income of joint venture, net of tax		275	-	-	-
Other comprehensive income/(expense) for the year, net of tax		570	(18,298)	-	-
Total comprehensive income for the year		305,170	247,310	29,875	20,123
Profit attributable to:					
Owners of the Company		248,149	221,335	29,875	20,123
Non-controlling interests		56,451	44,273	-	-
		304,600	265,608	29,875	20,123
Total comprehensive income attributable to:					
Owners of the Company		248,676	202,897	29,875	20,123
Non-controlling interests		56,494	44,413	-	-
		305,170	247,310	29,875	20,123

		2015	2014
Earnings per share attributable to owners of the Company (sen per share):			
Basic	12(a)	23.31	21.42
Diluted	12(b)	-	21.31

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	730,028	597,214	4,595	4,350
Prepaid land lease payments	14	15,974	16,738	9,712	10,138
Land held for property development	15(a)	297,022	61,815	-	-
Investment properties	16	5,508	5,626	26,545	26,922
Intangible assets	17	4,142	2,320	348	118
Goodwill	18	61,709	61,709	-	-
Investments in subsidiaries	19	-	-	902,845	811,893
Investments in associates	20	671,280	388,425	243,853	57,063
Investments in joint ventures	21	34,090	25,049	-	-
Deferred tax assets	22	38,709	27,075	993	918
Other receivables	24	64,561	10,432	59,775	10,999
Investment securities	27	300	1,327	-	-
		1,923,323	1,197,730	1,248,666	922,401
Current assets					
Property development costs	15(b)	265,972	161,894	-	-
Inventories	23	143,765	121,520	-	-
Trade and other receivables	24	400,324	278,694	258,027	93,920
Other current assets	25	37,102	46,180	-	-
Investment securities	27	98,116	128,686	98,116	127,299
Derivative financial asset	28	35,414	-	35,414	-
Tax recoverable		1,996	1,434	-	-
Cash and bank balances	29	325,067	829,590	256,881	674,600
		1,307,756	1,567,998	648,438	895,819
Asset classified as held for sale	30	-	34,403	-	-
		1,307,756	1,602,401	648,438	895,819
TOTAL ASSETS		3,231,079	2,800,131	1,897,104	1,818,220

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES					
Current liabilities					
Income tax payable		21,730	21,224	548	179
Loans and borrowings	31	68,356	74,619	-	-
Trade and other payables	32	474,732	520,364	820,974	729,469
Other current liabilities	33	46,294	23,255	-	-
		611,112	639,462	821,522	729,648
Net current assets/(liabilities)		696,644	962,939	(173,084)	166,171
Non-current liabilities					
Deferred tax liabilities	22	41,805	39,070	-	-
Loans and borrowings	31	95,322	30,177	-	-
Trade and other payables	32	170,113	16,889	-	-
		307,240	86,136	-	-
TOTAL LIABILITIES		918,352	725,598	821,522	729,648
Net assets		2,312,727	2,074,533	1,075,582	1,088,572
Equity attributable to owners of the Company					
Share capital	34	537,188	519,752	537,188	519,752
Treasury shares	34	-	-	-	-
Share premium	35	330,716	289,304	330,713	289,301
Other reserves	36	(18,760)	(15,329)	168,000	178,916
Retained earnings		1,168,357	1,018,004	39,681	100,603
		2,017,501	1,811,731	1,075,582	1,088,572
Non-controlling interests		295,226	262,802	-	-
TOTAL EQUITY		2,312,727	2,074,533	1,075,582	1,088,572
TOTAL EQUITY AND LIABILITIES		3,231,079	2,800,131	1,897,104	1,818,220

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 2015

			Attributable to owners of the Company					
				Non-distributable			Distributable	
Group	Note	Equity, total RM'000	Total RM'000	Share capital (Note 34) RM'000	Treasury shares (Note 34) RM'000	Share premium (Note 35) RM'000	Other reserves (Note 36) RM'000	Retained earnings RM'000	Non-controlling interests RM'000
At 1 January 2015		2,074,533	1,811,731	519,752	-	289,304	(15,329)	1,018,004	262,802
Profit net of tax		304,600	248,149	-	-	-	-	248,149	56,451
Other comprehensive income, net of tax		570	528	-	-	-	528	-	42
Total comprehensive income		305,170	248,677	-	-	-	528	248,149	56,493
Transactions with owners									
Grant of equity-settled share options to employees		4,497	4,497	-	-	-	4,497	-	-
Exercise of employees' share options		43,586	43,586	17,436	-	41,412	(15,262)	-	-
Expiry of employees' share options		(3)	(3)	-	-	-	(151)	148	-
Share of associates' reserves		(42)	(42)	-	-	-	6,957	(6,999)	-
Dividends to owners of the Company	45(a)	(90,945)	(90,945)	-	-	-	-	(90,945)	-
Dividends to non-controlling interests		(22,351)	-	-	-	-	-	-	(22,351)
Deconsolidation of a subsidiary		(1,718)	-	-	-	-	-	-	(1,718)
Total transactions with owners		(66,976)	(42,907)	17,436	-	41,412	(3,959)	(97,796)	(24,069)
At 31 December 2015		2,312,727	2,017,501	537,188	-	330,716	(18,760)	1,168,357	295,226

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Note	Equity, total	Total	Share capital (Note 34)	Treasury shares (Note 34)	Share premium (Note 35)	Other reserves (Note 36)	Retained earnings	Non-controlling interests
			Attributable to owners of the Company						
				Non-distributable				Distributable	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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 employees' share options		15,032	15,032	7,338	-	13,351	(5,657)	-	-
Share of associates' 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 to owners of the Company	45(a)	(57,022)	(57,022)	-	-	-	-	(57,022)	-
Dividends 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

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 2015

			Non-distributable				Distributable
		Total equity	Share capital (Note 34)	Treasury shares (Note 34)	Share premium (Note 35)	Other reserves (Note 36)	Retained earnings
Company	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2015		1,088,572	519,752	-	289,301	178,916	100,603
Profit net of tax, representing total comprehensive income		29,875	-	-	-	-	29,875
Transactions with owners							
Grant of equity-settled share options to employees		4,497	-	-	-	4,497	-
Exercise of employees' share options		43,586	17,436	-	41,412	(15,262)	-
Expiry of employees' share options		(3)	-	-	-	(151)	148
Dividends to owners of the Company	45(a)	(90,945)	-	-	-	-	(90,945)
Total transactions with owners		(42,865)	17,436	-	41,412	(10,916)	(90,797)
At 31 December 2015		1,075,582	537,188	-	330,713	168,000	39,681
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 employees' share options		15,032	7,338	-	13,351	(5,657)	-
Disposal of treasury shares	34(b)	5,743	-	3,629	-	-	2,114
Bonus issue		-	172,710	-	(172,710)	-	-
Dividends to owners of the Company	45(a)	(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

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 2015

Group	Note	2015 RM'000	2014 RM'000
Operating activities			
Profit before tax		388,596	341,452
Adjustments for:			
Amortisation of intangible assets	8	376	86
Amortisation of prepaid land lease payments	8	764	763
Bad debts written off	8	6	54
Depreciation of property, plant and equipment	8	52,836	41,684
Depreciation of investment properties	8	118	117
Gain on redemption of redeemable preference shares	6	(993)	(607)
Gain on liquidation of subsidiaries	6	-	(15,618)
Grant of equity-settled share options to employees	9	4,497	7,293
Gross dividend income	4/6	(21,473)	(20,107)
Impairment loss on trade and other receivables	8	1,200	4,092
Impairment loss on property, plant and equipment	8	-	533
Interest expense	7	363	2,927
Interest income	4/5	(3,489)	(3,915)
Inventories written down	8	97	387
Inventories written off	8	1,571	34
Inventories written back	8	(210)	(2,180)
Loss on liquidation of subsidiaries	8	35	-
Net fair value changes in investment securities held as fair value through profit and loss	6/8	(706)	4,697
Net gain on disposal of property, plant and equipment	8	(398)	(535)
Net realised gain on disposal of investment securities	6	(1,070)	(981)
Project development cost written off	8	1,310	-
Property, plant and equipment written off	8	101	1,157
Reversal of impairment loss on trade and other receivables	6	(2,109)	(360)
Share of results of associates		(34,430)	(16,586)
Share of results of joint ventures		(11,477)	(1,259)
Unrealised foreign exchange gain	6	(4,921)	(618)
Total adjustments		(18,002)	1,058
Operating cash flows before changes in working capital		370,594	342,510

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group (cont'd.)	Note	2015 RM'000	2014 RM'000
Operating activities (cont'd.)			
Changes in working capital			
Increase in property development costs		(101,214)	(14,348)
(Increase)/decrease in land held for development		(224,495)	4,139
(Increase)/decrease in inventories		(23,703)	10,785
Decrease/(increase) in other current assets		9,114	(20,774)
Increase in receivables		(86,203)	(15,685)
Increase in payables		104,958	173,357
Increase in other current liabilities		23,039	8,456
Total changes in working capital		(298,504)	145,930
Cash flows from operations		72,090	488,440
Interest received		1,978	3,914
Interest paid		(18,810)	(3,199)
Income taxes paid, net of refund		(92,978)	(74,963)
Net cash flows (used in)/from operating activities		(37,720)	414,192
Investing activities			
Acquisition of an associate	20(b)	(186,790)	-
Acquisition of derivative financial asset	28	(35,414)	-
Acquisition of property, plant and equipment (excluding interest expense capitalised)	13	(183,223)	(141,660)
Acquisition of non-controlling interests	19(b)	-	(40)
Acquisition of investment securities		(52,666)	(23,276)
Acquisition of additional interest in associates	20(a)	(65,412)	-
Additional costs incurred on intangible assets	17	(2,266)	(2,190)
Additional investments in associates		(550)	(29,395)
Advancement of shareholder's loan		(47,840)	-
Dividends received from associates		3,901	2,584
Dividends received from investments		21,473	20,107
Distribution of profit from joint ventures		3,884	3,809
Investment in joint venture		(102)	-
Net proceeds from liquidation of subsidiaries		87	-
Net cash outflow from deconsolidation of a subsidiary		(69)	-
Proceeds from disposal of property, plant and equipment		955	1,237
Proceeds from disposal of investment securities		83,626	15,472
Proceeds from disposal of intangible assets		-	14
Redemption of redeemable preference shares		4,431	2,612
Net cash flows used in investing activities		(455,975)	(150,726)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group (cont'd.)	Note	2015 RM'000	2014 RM'000
Financing activities			
Drawdown of borrowings		242,758	181,416
Decrease in wholesale fund pledged to a licensed bank	29(c)	23,000	-
Increase in deposits pledged to licensed banks	29(b)	(150)	(151)
Repayment of borrowings		(183,876)	(176,722)
Proceeds from exercise of employees' share options	37(b)	43,586	15,032
Dividends paid to owners of the Company	45(a)	(90,945)	(57,022)
Dividends paid to non-controlling interests		(22,351)	(16,031)
Net proceeds from disposal of treasury shares	34(b)	-	5,743
Net cash flows from/(used in) financing activities		12,022	(47,735)
Net (decrease)/increase in cash and cash equivalents		(481,673)	215,731
Cash and cash equivalents at 1 January		804,676	588,945
Cash and cash equivalents at 31 December	29	323,003	804,676

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 2015

Company	Note	2015 RM'000	2014 RM'000
Operating activities			
Profit before tax		30,723	20,241
Adjustments for:			
Amortisation of intangible assets	8	24	17
Amortisation of prepaid land lease payments	8	426	426
Depreciation of investment properties	8	715	622
Depreciation of property, plant and equipment	8	644	812
Grant of equity-settled share options to employees	9	646	1,181
Gross dividend income	4	(74,089)	(64,980)
Interest expense	7	25,681	17,508
Interest income	4	(11,726)	(8,243)
Loss on disposal of property, plant and equipment	8	-	130
Loss on liquidation of subsidiaries	8	-	1,116
Net fair value changes in investment securities	6/8	(706)	4,718
Net realised gain on disposal of investment securities	6	(1,070)	(981)
Total adjustments		(59,455)	(47,674)
Operating cash flows before changes in working capital		(28,732)	(27,433)
Changes in working capital			
(Increase)/decrease in receivables		(212,885)	26,824
Increase in payables		91,505	109,275
Total changes in working capital		(121,380)	136,099
Cash flows (used in)/from operations		(150,112)	108,666
Interest received		11,726	8,243
Interest paid		(25,681)	(17,508)
Tax (paid)/refunded		(554)	2,514
Net cash flows (used in)/from operating activities		(164,621)	101,915

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Company (cont'd.)	Note	2015 RM'000	2014 RM'000
Investing activities			
Acquisition of an associate	20(b)	(186,790)	-
Acquisition of derivative financial asset	28	(35,414)	-
Acquisition of investment securities		(52,667)	(20,496)
Acquisition of non-controlling interests	19(b)	-	(40)
Acquisition of property, plant and equipment	13	(889)	(972)
Additional costs incurred on intangible assets	17	(254)	(101)
Additional costs incurred on investment properties	16	(338)	(6,164)
Dividends received		74,089	64,980
Proceeds from disposal of investment securities		83,626	15,472
Proceeds from disposal of property, plant and equipment		-	109
Subscription of additional shares in an existing subsidiary	19(a)	(90,952)	(29,360)
Net cash flows (used in)/from investing activities		(209,589)	23,428
Financing activities			
Dividends paid to owners of the Company	45(a)	(90,945)	(57,022)
Decrease in wholesale fund pledged to a licensed bank	29(c)	23,000	-
Net proceeds from disposal of treasury shares	34(b)	-	5,743
Proceeds from subsidiaries for allocation of share options to their employees		3,850	6,112
Proceeds from exercise of employees' share options	37(b)	43,586	15,032
Net cash flows used in financing activities		(20,509)	(30,135)
Net (decrease)/increase in cash and cash equivalents		(394,719)	95,208
Cash and cash equivalents at 1 January		651,390	556,182
Cash and cash equivalents at 31 December	29	256,671	651,390

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 2015

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 Group is principally engaged in manufacturing and trading of cement and construction materials, construction, road maintenance, township, property and infrastructure development.

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 2015, 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 2015.

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

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

(a) 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.

(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. The Group and the Company did not grant any awards during the second half of 2014. Thus, this amendment did not impact the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.2 Changes in accounting policies (cont'd.)

(a) Annual Improvements to MFRSs 2010 - 2012 Cycle (cont'd.)

(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. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group.

(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.

The Group has not applied the aggregation criteria as mentioned above. The Group continues to present the reconciliation of segment assets to total assets.

(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 asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between gross and carrying amounts of the asset. This amendment did not have any impact on the Group and the Company.

(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. This amendment is not applicable to the Group and the Company as the Group and the Company do not receive any management services from other entities.

(b) 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 Group and the Company have applied the amendments for the first time in the current year.

(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. The Group is not a joint arrangement and thus this arrangement is not relevant to the Group.

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

2.2 Changes in accounting policies (cont'd.)

(b) Annual Improvements to MFRSs 2011 - 2013 Cycle (cont'd.)

(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). The Group and the Company do not apply the portfolio exception.

(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.

In previous financial years, the Group has applied MFRS 3 and not MFRS 140 in determining whether an acquisition is of an asset or is a business combination. Accordingly, this amendment did not have any impact to the Group.

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 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, 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

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

- MFRS 15: Revenue from Contracts with Customers
- MFRS 9: Financial Instruments

Deferred

- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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

(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 forms part of the business) 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, 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.

(c) 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.

(d) 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 associates 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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

(e) 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 2018 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.

(f) 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.

(g) 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 a date to be determined by Malaysian Accounting Standards Board. Earlier application is permitted. These amendments are not expected to have any impact on the Group.

(h) 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.

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

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

(h) Annual Improvements to MFRSs 2012 - 2014 Cycle (cont'd.)

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

The amendment to MFRS 5 clarifies that changing from one disposal method 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.4 Basis of consolidation (cont'd.)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.6 Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.7 Foreign currency (cont'd.)

(b) Foreign currency transactions

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

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

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

(c) Foreign operations

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

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

2.8 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
Equipment and others	3 years to 30 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.8 Property, plant and equipment (cont'd.)

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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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.

2.12 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.

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

2.12 Intangible assets (cont'd.)

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

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.

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

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.

2.16 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.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.17 Financial assets (cont'd.)

(a) Financial assets at fair value through profit or loss (cont'd.)

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

(b) Loans and receivables

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

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

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

(c) Available-for-sale financial assets

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

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

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

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.

(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 41.

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

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.

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.

2.22 Financial guarantee contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.27 Revenue (cont'd.)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

2.28 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

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

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

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

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

2.29 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 44, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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 reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

2.33 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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

(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.

(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. The carrying amount of the Group's and the Company's deferred tax assets is disclosed in Note 22.

(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 37.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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.

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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Sale of goods	1,016,987	1,035,560	-	-
Sale of properties	51,207	98,901	-	-
Construction and road maintenance	233,832	138,762	-	-
Rendering of services	462,223	377,753	-	-
Interest income	1,484	2,080	11,726	8,243
Dividend income from investments	21,473	20,074	21,472	20,074
Rental income:				
- Investment properties (Note 16)	528	528	600	600
- Land and buildings	274	240	-	-
Dividend income from subsidiaries	-	-	50,249	42,322
Dividend income from associates	-	-	2,368	2,584
	1,788,008	1,673,898	86,415	73,823

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

5. INTEREST INCOME

	Group	
	2015	2014
	RM'000	RM'000
Interest income from:		
- Loans and receivables	1,739	1,165
- Short term deposits	266	602
- Unwinding of discount (Note 24(a))	-	68
	2,005	1,835

6. OTHER INCOME

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Bad debts recovered (Note 24(a))	-	2,721	-	-
Dividend from investment securities	-	33	-	-
Fee income	3	-	10,125	7,179
Gain on disposal of property, plant and equipment	398	665	-	-
Gain on liquidation of subsidiaries	-	15,618	-	-
Gain on redemption of redeemable preference shares	993	607	-	-
Insurance settlement	2,708	2,575	11	120
Miscellaneous income	4,698	1,666	38	66
Net realised gain on disposal of investment securities	1,070	981	1,070	981
Net fair value changes in investment securities held as fair value through profit or loss	706	-	706	-
Net foreign exchange gain:				
- Realised	1,966	1,529	-	-
- Unrealised	4,921	618	-	-
Reversal of impairment loss on trade and other receivables (Note 24(a))	2,109	360	-	-
Supervision fees	585	395	-	-
	20,157	27,768	11,950	8,346

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

7. FINANCE COSTS

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- Bank borrowings and bank overdraft	6,760	2,734	-	-
- Corporate shareholder's loan	47	190	-	-
- Amount owing to subsidiaries under central cash management account	-	-	25,681	17,508
- Unwinding of discount	55	3	-	-
- Land premium payable	11,755	-	-	-
	18,617	2,927	25,681	17,508
Interest expense capitalised in:				
- Property, plant and equipment (Note 13(d))	(3,368)	-	-	-
- Land held for property development (Note 15(a))	(10,712)	-	-	-
- Property development cost (Note 15(b))	(4,174)	-	-	-
	(18,254)	-	-	-
	363	2,927	25,681	17,508
Other finance costs:				
- Trade facility charges	665	619	-	-
- Facility fee and commitment fee	38	56	30	45
	703	675	30	45
	1,066	3,602	25,711	17,553
Recognised in profit or loss as:				
- Cost of sales	-	-	25,681	17,508
- Finance costs	1,066	3,602	30	45
	1,066	3,602	25,711	17,553

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

8. PROFIT BEFORE TAX

Results from operating activities is arrived at after charging:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets (Note 17)	376	86	24	17
Amortisation of prepaid land lease payments (Note 14)	764	763	426	426
Auditors' remuneration:	841	859	196	189
- Statutory audit				
Current year	767	724	150	140
Under/(over) provision in previous years	8	(2)	-	-
- Other services	66	137	46	49
Bad debts written off	6	54	-	-
Depreciation of property, plant and equipment (Note 13)	52,836	41,684	644	812
Depreciation of investment properties (Note 16)	118	117	715	622
Employee benefits expense (Note 9)	132,133	132,762	26,345	26,142
Impairment loss on:				
- Trade and other receivables (Note 24(a))	1,200	4,092	-	-
- Property, plant and equipment (Note 13)	-	533	-	-
Inventories written down	97	387	-	-
Inventories written off	1,571	34	-	-
Loss on liquidation of subsidiaries	35	-	-	1,116
Loss on disposal of inventories	-	53	-	-
Minimum operating lease payments on:	15,141	11,939	1,468	1,232
- Land and buildings	5,005	5,096	1,468	1,232
- Plant and equipment	7,645	5,663	-	-
- Wharf	2,491	1,180	-	-
Non-executive directors' remuneration (Note 10)	2,622	2,255	2,413	1,993
Net loss on disposal of property, plant and equipment	-	-	-	130
Net fair value changes in investment securities held as fair value through profit and loss	-	4,697	-	4,718
Project development cost written off (Note 15)	1,310	-	-	-
Property, plant and equipment written off	101	1,157	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

8. PROFIT BEFORE TAX (CONT'D.)

Results from operating activities is arrived at after crediting:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Gain on liquidation of subsidiaries	-	15,618	-	-
Inventories written back	210	2,180	-	-
Net gain on disposal of property, plant and equipment	398	535	-	-

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	113,592	111,380	22,904	22,102
Contributions to defined contribution plan	13,129	13,075	2,711	2,628
Social security contributions	915	861	84	78
Share options granted under ESOS	4,497	7,293	646	1,181
Retirement benefits	-	153	-	153
	132,133	132,762	26,345	26,142

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM6,420,000 (2014: RM6,372,000) as further disclosed in Note 10.

10. DIRECTORS' REMUNERATION

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	5,699	5,573	5,699	5,573
Defined contribution plans	684	679	684	679
Share options granted under ESOS	37	120	37	120
Total executive directors' remuneration (excluding benefits-in-kind) (Note 9)	6,420	6,372	6,420	6,372
Estimated money value of benefits-in-kind	7,036	731	7,036	731
Total executive directors' remuneration (including benefits-in-kind)	13,456	7,103	13,456	7,103

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. DIRECTORS' REMUNERATION (CONT'D.)

The details of remuneration receivable by directors of the Company during the financial year are as follows (cont'd.):

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-executive:				
Fees	851	763	739	609
Other emoluments	1,641	1,362	1,544	1,254
Defined contribution plans	130	130	130	130
Total non-executive directors' remuneration (excluding benefits-in-kind) (Note 8)	2,622	2,255	2,413	1,993
Estimated money value of benefits-in-kind	115	488	84	457
Total non-executive directors' remuneration (including benefits-in-kind)	2,737	2,743	2,497	2,450
Total directors' remuneration	16,193	9,846	15,953	9,553

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	
	2015	2014
Executive Directors:		
RM2,200,001 to RM2,250,000	1	1
RM4,100,001 to RM4,150,000	-	1
RM4,150,001 to RM4,200,000	1	-
Non-executive Directors:		
RM10,001 to RM50,000	-	1
RM50,001 to RM100,000	1	-
RM100,001 to RM150,000	2	2
RM150,001 to RM200,000	2	1
RM200,001 to RM250,000	-	1
RM250,001 to RM300,000	1	-
RM700,001 to RM750,000	-	1
RM750,001 to RM800,000	1	-
RM800,001 to RM850,000	-	1
RM850,001 to RM900,000	1	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	88,232	78,182	1,050	600
- Under/(over) provision in respect of previous years	4,623	(3,628)	(127)	(288)
	92,855	74,554	923	312
Deferred income tax (Note 22):				
- Origination and reversal of temporary differences	(9,772)	10,905	(232)	(246)
- Under/(over) provision in respect of previous years	913	(9,615)	157	52
	(8,859)	1,290	(75)	(194)
Income tax expense recognised in profit or loss	83,996	75,844	848	118

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group	
	2015	2014
	RM'000	RM'000
Accounting profit before tax	388,596	341,452
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	97,149	85,363
Adjustments:		
Share of results of associates	(8,608)	(4,146)
Share of results of joint ventures	(2,869)	(315)
Non-deductible expenses	19,424	18,788
Income not subject to tax	(10,688)	(10,970)
Benefits from previously unrecognised tax losses and unabsorbed capital allowances	(115)	(540)
Deferred tax asset recognised on reinvestment allowance	(17,582)	-
Deferred tax assets not recognised	1,324	907
Deferred tax recognised at different tax rate	425	-
Under/(over) provision of income tax in respect of previous years	4,623	(3,628)
Under/(over) provision of deferred tax in respect of previous years	913	(9,615)
Income tax expense recognised in profit or loss	83,996	75,844

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2015 and 2014 are as follows (cont'd.):

	Company	
	2015 RM'000	2014 RM'000
Accounting profit before tax	30,723	20,241
Tax at Malaysian statutory tax rate of 25% (2014: 25%)	7,681	5,060
Adjustments:		
Group tax relief transferred from subsidiaries	(875)	(750)
Deferred tax recognised at different tax rate	9	-
Non-deductible expenses	12,876	12,392
Income not subject to tax	(18,873)	(16,348)
Over provision of income tax in respect of previous years	(127)	(288)
Under provision of deferred tax in respect of previous years	157	52
Income tax expense recognised in profit or loss	848	118

Income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year. The Malaysian corporate income tax rate is expected to reduce from 25% to 24% with effect for year of assessment 2016. The computation of deferred tax as at 31 December 2015 has reflected the change in tax rate.

Tax savings during the financial year arising from:

	Group	
	2015 RM'000	2014 RM'000
Utilisation of current year tax losses	69	76

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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	
	2015	**2014**
Profit net of tax attributable to owners of the Company (RM'000)	248,149	221,335
Weighted average number of ordinary shares in issue ('000)	1,064,741	1,033,352
Basic earnings per share (sen)	23.31	21.42

(b) Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing profit for the year, 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	
	2015	**2014**
Profit net of tax attributable to owners of the Company (RM'000)	-	221,335
Weighted average number of ordinary sharesin issue ('000)	-	1,038,826
Diluted earnings per share (sen)	-	21.31

The weighted average number of ordinary shares in the previous financial year took into account the weighted average effect of changes in treasury shares transactions and the share split and bonus issue exercise undertaken, as disclosed in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. PROPERTY, PLANT AND EQUIPMENT

Group	Land RM'000	Buildings and infrastructure RM'000	Plant and machinery RM'000	Equipment and others RM'000	Total RM'000
Cost:					
At 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 and 1 January 2015	73,161	311,465	795,501	108,954	1,289,081
Additions	61	64,007	108,220	14,303	186,591
Disposals	-	-	(629)	(1,310)	(1,939)
Written off	-	(1,372)	(3,076)	(4,524)	(8,972)
Reclassification	-	(1,327)	532	795	-
Deconsolidation of a subsidiary	-	-	-	(523)	(523)
At 31 December 2015	73,222	372,773	900,548	117,695	1,464,238
Accumulated depreciation:					
At 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 and 1 January 2015	9,839	115,216	489,050	77,762	691,867
Depreciation charge for the year:	1,206	7,786	35,531	8,359	52,882
- Recognised in profit or loss (Note 8)	1,206	7,786	35,515	8,329	52,836
- Capitalised in construction costs (Note 26)	-	-	16	30	46
Disposals	-	-	(265)	(1,117)	(1,382)
Written off	-	(1,341)	(3,021)	(4,509)	(8,871)
Deconsolidation of a subsidiary	-	-	-	(286)	(286)
At 31 December 2015	11,045	121,661	521,295	80,209	734,210
Net carrying amount:					
At 31 December 2014	63,322	196,249	306,451	31,192	597,214
At 31 December 2015	62,177	251,112	379,253	37,486	730,028

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

Company	Motor vehicles RM'000	Equipment and others RM'000	Total RM'000
Cost:			
At 1 January 2014	7,928	7,155	15,083
Additions	618	354	972
Disposals	(1,425)	(4)	(1,429)
At 31 December 2014 and 1 January 2015	7,121	7,505	14,626
Additions	726	163	889
Written off	-	(1,628)	(1,628)
At 31 December 2015	7,847	6,040	13,887
Accumulated depreciation:			
At 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 and 1 January 2015	3,318	6,958	10,276
Depreciation charge for the year (Note 8)	420	224	644
Written off	-	(1,628)	(1,628)
At 31 December 2015	3,738	5,554	9,292
Net carrying amount:			
At 31 December 2014	3,803	547	4,350
At 31 December 2015	4,109	486	4,595

(a) Assets under construction

Included in the Group's property, plant and equipment which are in the course of construction are as follow:

	Group 2015 RM'000	2014 RM'000
Buildings and infrastructure	-	49,843
Plant and machinery	46,330	47,807
	46,330	97,650

(b) Fully depreciated property, plant and equipment

The gross carrying amounts of fully depreciated property, plant and equipment that are still in use at the reporting date were RM196,532,968 (2014: RM198,103,325) and RM9,537,369 (2014: RM12,134,558) for the Group and the Company, respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

(c) Land

Included in the carrying amount of land are:

	Group	
	2015	2014
	RM'000	RM'000
Freehold land	416	416
Leasehold land	61,761	62,906
	62,177	63,322

(d) Capitalisation of borrowing costs

The Group's building, plant and machinery include borrowing costs arising from loans borrowed for the purpose of the construction of building and plant. During the financial year, the borrowing costs capitalised in building, plant and machinery amounted to RM3,367,853 (2014: Nil) (Note 7).

14. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cost:				
At 1 January	24,014	24,014	11,925	11,925
Additions	-	-	-	-
At 31 December	24,014	24,014	11,925	11,925
Accumulated amortisation:				
At 1 January	7,276	6,513	1,787	1,361
Amortisation for the year (Note 8)	764	763	426	426
At 31 December	8,040	7,276	2,213	1,787
Net carrying amount	15,974	16,738	9,712	10,138
Amount to be amortised:				
- Not later than one year	764	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	12,157	12,922	7,582	8,008

The Group and the Company have prepaid land leases in Malaysia. The prepaid land leases of the Group and the Company have a remaining tenure of 9 to 41 years (2014: 10 to 42 years) and 23 to 41 years (2014: 24 to 42 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 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 and 1 January 2015	54,395	7,420	61,815
Additions	228,675	12,075	240,750
Transferred to property development costs	(4,500)	(1,043)	(5,543)
At 31 December 2015	278,570	18,452	297,022

Certain long term leasehold land of the Group with a carrying amount of RM18,327,899 (2014: Nil) are charged to secure revolving financial facilities granted to the subject subsidiary (Note 31).

Included in land held for property development were finance costs capitalised during the year amounting to RM10,712,000 (2014: Nil) (Note 7).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 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 and 1 January 2015	85,988	625,415	711,403
Costs incurred during the year	-	143,368	143,368
Transferred from land held for property development	4,500	1,043	5,543
Reversal of completed projects	(521)	(371)	(892)
Project written off (Note 8)	-	(1,310)	(1,310)
Unsold unit transferred to inventories	(12)	(6,232)	(6,244)
At 31 December 2015	89,955	761,913	851,868
Cumulative costs recognised in profit or loss:			
At 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 and 1 January 2015	(2,980)	(546,529)	(549,509)
Recognised during the year	(1,082)	(36,197)	(37,279)
Reversal of completed projects	521	371	892
At 31 December 2015	(3,541)	(582,355)	(585,896)
Property development costs:			
At 31 December 2014	83,008	78,886	161,894
At 31 December 2015	86,414	179,558	265,972

Included in property development costs were finance costs capitalised during the year amounting to RM4,174,000 (2014: Nil) (Note 7).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. INVESTMENT PROPERTIES

Group	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
Cost:			
At 31 December 2014 and 31 December 2015	3,177	2,918	6,095
Accumulated depreciation:			
At 1 January 2014	115	237	352
Depreciation charge for the year (Note 8)	38	79	117
At 31 December 2014 and 1 January 2015	153	316	469
Depreciation charge for the year (Note 8)	39	79	118
At 31 December 2015	192	395	587
Net carrying amount:			
At 31 December 2014	3,024	2,602	5,626
At 31 December 2015	2,985	2,523	5,508

Company	Long term leasehold land RM'000	Buildings RM'000	Equipment and others RM'000	Total RM'000
Cost:				
At 1 January 2014	5,828	17,502	848	24,178
Additions	-	5,502	662	6,164
At 31 December 2014 and 1 January 2015	5,828	23,004	1,510	30,342
Additions	-	302	36	338
At 31 December 2015	5,828	23,306	1,546	30,680
Accumulated depreciation:				
At 1 January 2014	411	1,975	412	2,798
Depreciation charge for the year (Note 8)	103	407	112	622
At 31 December 2014 and 1 January 2015	514	2,382	524	3,420
Depreciation charge for the year (Note 8)	103	466	146	715
At 31 December 2015	617	2,848	670	4,135
Net carrying amount:				
At 31 December 2014	5,314	20,622	986	26,922
At 31 December 2015	5,211	20,458	876	26,545

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

16. INVESTMENT PROPERTIES (CONT'D.)

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Rental income (Note 4)	(528)	(528)	(600)	(600)
Direct operating expenses:				
- income generating investment properties	1,331	1,163	1,130	954
- 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 2014	5,194	926	6,120
Additions	2,021	169	2,190
Disposals	(20)	-	(20)
At 31 December 2014 and 1 January 2015	7,195	1,095	8,290
Additions	2,266	-	2,266
Deconsolidation of a subsidiary	-	(68)	(68)
At 31 December 2015	9,461	1,027	10,488
Accumulated amortisation:			
At 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 and 1 January 2015	5,234	736	5,970
Amortisation charge for the year (Note 8)	370	6	376
At 31 December 2015	5,604	742	6,346
Net carrying amount:			
At 31 December 2014	1,961	359	2,320
At 31 December 2015	3,857	285	4,142

Included in computer software were RM2,650,000 (2014: RM1,500,000) which relate to expenditure for software under development.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

17. INTANGIBLE ASSETS (CONT'D.)

Company	Computer software RM'000	Others RM'000	Total RM'000
Cost:			
At 1 January 2014	2,306	-	2,306
Additions	-	101	101
At 31 December 2014 and 1 January 2015	2,306	101	2,407
Additions	254	-	254
At 31 December 2015	2,560	101	2,661
Accumulated amortisation:			
At 1 January 2014	2,272	-	2,272
Amortisation charge for the year (Note 8)	17	-	17
At 31 December 2014 and 1 January 2015	2,289	-	2,289
Amortisation charge for the year (Note 8)	24	-	24
At 31 December 2015	2,313	-	2,313
Net carrying amount:			
At 31 December 2014	17	101	118
At 31 December 2015	247	101	348

18. GOODWILL

	Group 2015 RM'000	Group 2014 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 2015 RM'000	Group 2014 RM'000
Manufacturing	61,709	61,709

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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	
	2015	2014	2015	2014
CMS Clinker Sdn Bhd	16.0%	16.0%	12.0%	12.0%

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	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost	958,722	867,770
Impairment losses	(55,877)	(55,877)
	902,845	811,893

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 2015 %	2014 %
Direct subsidiaries of the Company				
Cahya Mata Sarawak Management Services Sdn Bhd (formerly known as CMS Modular Housing Sdn Bhd)	Malaysia	Dormant	100.0	100.0
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	100.0
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 Premix Sdn Bhd (ii)	Malaysia	Production and sale of premix and road construction	40.0	40.0
CMS Premix (Miri) Sdn Bhd (ii)	Malaysia	Production and sale of premix and road construction	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
Subsidiary of CMS Capital Sdn Bhd				
CMS Opus Private Equity Sdn Bhd (iii)	Malaysia	Management of private equity investments	-	51.0
Subsidiaries of CMS Cement Sdn Bhd				
CMS Clinker Sdn Bhd	Malaysia	Manufacture and sale of cement clinker	100.0	100.0
CMS Concrete Products Sdn Bhd	Malaysia	Manufacture and trading of concrete products and Industrial Building Systems (IBS) products	100.0	100.0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows (cont'd.):

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2015 %	2014 %
Subsidiary of CMS Infra Trading Sdn Bhd				
CMS Agrotech Sdn Bhd [(i)]	Malaysia	Organic waste management and related consultancy services	100.0	100.0
Subsidiaries of CMS I-Systems Berhad				
CMS I-Systems (India) Pte. Ltd. [(iv)]	India	Dormant	99.9	99.9
I-Systems (Guangzhou) Co. Ltd. [(iv) & (v)]	People's Republic of China	Software development and provision of e-business solutions	-	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 [(vi)]	Malaysia	Quarry operations	60.0	60.0
CMS Premix Sdn Bhd	Malaysia	Production and sale of premix and road construction	60.0	60.0
CMS Premix (Miri) Sdn Bhd	Malaysia	Production and sale of premix and road construction	60.0	60.0
CMS Quarries Sdn Bhd	Malaysia	Quarry operations, marketing of aggregates and road construction	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 2015

19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows (cont'd.):

Name of subsidiaries	Country of incorporation	Principal activities	Proportion of ownership interest 2015 %	2014 %
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	Malaysia	Hotel owner and operator	100.0	100.0

(i) Placed under members' voluntary liquidation
(ii) Another 60% is held by CMS Resources Sdn Bhd
(iii) Became a joint venture as disclosed in Note 21
(iv) Audited by firms other than Ernst & Young
(v) Liquidated on 8 June 2015
(vi) Another 40% is held by CMS Premix Sdn Bhd

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

The Company subscribed for an additional 90,952,000 (2014: 29,360,000) ordinary shares of RM1 each in Samalaju Industries Sdn Bhd for a total cash consideration of RM90,952,000 (2014: RM29,360,000).

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(c) Non-controlling interest in subsidiaries

The Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information presented below is the amount before inter-company elimination.

	2015		
	PPES Works (Sarawak) Sdn Bhd (Economic Entity) RM'000	CMS Land Sdn Bhd RM'000	CMS Resources Sdn Bhd (Group) RM'000
As at 31 December			
Non-current assets	4,199	20,955	53,948
Current assets	277,191	148,176	368,835
Total assets	281,390	169,131	422,783
Current liabilities	86,162	66,470	214,158
Non-current liabilities	-	5,475	6,056
Total liabilities	86,162	71,945	220,214
Net assets	195,228	97,186	202,569
Equity attributable to owners of the Company	99,566	45,898	114,513
Non-controlling interests	95,662	51,288	88,056
Year ended 31 December			
Revenue	251,164	51,496	528,155
Profit for the year	30,671	10,167	71,430
Profit attributable to owners of the Company	15,642	5,185	60,177
Profit attributable to non-controlling interests	15,029	4,982	11,253
Dividends paid to non-controlling interests	4,900	-	14,120
Net cash (used in)/generated from operating activities	(4,032)	17,577	23,534
Net cash generated from/(used in) investing activities	3,574	(80)	(11,979)
Net cash (used in)/from financing activities	(10,000)	4,201	(32,026)
Net (decrease)/increase in cash and cash equivalents	(10,458)	21,698	(20,471)
Cash and cash equivalents at beginning of the year	196,527	17,307	269,433
Cash and cash equivalents at end of the year	186,069	39,005	248,962

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(c) Non-controlling interest in subsidiaries (cont'd.)

The Group's subsidiaries that have material non-controlling interests are set out below. The summarised financial information presented below is the amount before inter-company elimination (cont'd.).

	2014		
	PPES Works (Sarawak) Sdn Bhd (Economic Entity) RM'000	**CMS Land Sdn Bhd RM'000**	**CMS Resources Sdn Bhd (Group) RM'000**
As at 31 December			
Non-current assets	2,012	20,910	47,059
Current assets	261,793	121,110	376,068
Total assets	263,805	142,020	423,127
Current liabilities	89,099	45,689	254,897
Non-current liabilities	150	9,312	6,190
Total liabilities	89,249	55,001	261,087
Net assets	174,556	87,019	162,040
Equity attributable to owners of the Company	89,024	40,713	92,133
Non-controlling interests	85,532	46,306	69,907
Year ended 31 December			
Revenue	205,779	45,726	359,486
Profit for the year	19,491	10,733	41,363
Profit attributable to owners of the Company	9,940	5,474	34,581
Profit attributable to non-controlling interests	9,551	5,259	6,782
Dividends paid to non-controlling interests	6,811	-	7,609
Net cash generated from operating activities	60,019	17,110	160,757
Net cash generated from/(used in) investing activities	3,788	(124)	(9,632)
Net cash used in financing activities	(13,900)	-	(18,625)
Net increase in cash and cash equivalents	49,907	16,986	132,500
Cash and cash equivalents at beginning of the year	146,620	321	136,933
Cash and cash equivalents at end of the year	196,527	17,307	269,433

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

20. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 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
Unquoted shares, at cost	368,298	115,757	186,790	-
	635,531	382,990	243,853	57,063
Share of post-acquisition reserves	35,749	5,435	-	-
	671,280	388,425	243,853	57,063
Fair value of investments in associates for which there is published price quotation	183,804	187,574	100,993	95,562

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

Name of associates	Principal activities	Proportion of ownership interest 2015 %	2014 %
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
Sacofa Sdn Bhd	Telecommunication infrastructure providers	50.0	-
Held through subsidiaries:			
K & N Kenanga Holdings Berhad	Investment holding, stockbroking and financial services business	21.0	21.0
Malaysian Phosphate Additives (Sarawak) Sdn Bhd [(i)]	Manufacturing and trading of inorganic feed phosphates	40.0	40.0
OM Materials (Samalaju) Sdn Bhd [(i)]	Processing, smelting and trading of ferro alloy products	25.0	20.0
OM Materials (Sarawak) Sdn Bhd [(ii)]	Processing, smelting and trading of ferro alloy products	25.0	20.0

(i) Has yet to commence business operations.
(ii) The shares of this associate have been pledged to a consortium of banks for credit facilities granted to this associate.

20. INVESTMENTS IN ASSOCIATES (CONT'D.)

(a) Acquisition of additional interest in associates

On 26 March 2015, the Group acquired 18,760,313 ordinary shares representing 5% equity interest of the issued and paid up share capital in OM Materials (Sarawak) Sdn Bhd and 6,305,500 ordinary shares representing 5% equity interest of the issued and paid up share capital in OM Materials (Samalaju) Sdn Bhd through Samalaju Industries Sdn Bhd, a wholly owned subsidiary of the Company, for a total cash consideration of RM65,411,671, thereby increasing the total equity interest in these two companies from 20% to 25%.

(b) Acquisition of an associate

On 23 October 2015, the Group and the Company completed its acquisition of a new associate, Sacofa Sdn Bhd ("Sacofa"), which entails the acquisition of 42,435,817 ordinary shares representing 50% equity interest of the issued and paid up capital in Sacofa Sdn Bhd for a total cash consideration of RM186,790,429.

As at 31 December 2015, the share of net fair value of the identifiable assets and liabilities of Sacofa as at the acquisition date can only be determined provisionally pending the completion of the purchase price allocation ("PPA") exercise on Sacofa's identifiable assets and liabilities. The acquistion of Sacofa has been accounted for using the provisional values which have resulted in a provisional surplus of the Group's share of the fair value of net identifiable assets of Sacofa over the purchase consideration amounting to RM24 million reflected as income in share of associates' results. The Group shall recognise any adjustments to the provisional values upon completion of the PPA exercise within twelve months from the acquisition date.

(c) Material associates

The following table summarises the financial information in respect of each of the Group's material associates. The summarised financial information represents the amounts in the MFRS financial statements of the associates and not the Group's share of those amounts.

	2015			
	K & N Kenanga Holdings Berhad Group RM'000	KKB Engineering Berhad Group RM'000	OM Materials (Sarawak) Sdn Bhd RM'000	Sacofa Sdn Bhd Group RM'000
As at 31 December				
Non-current assets	379,393	151,419	1,873,365	485,582
Current assets	5,741,412	182,018	817,508	316,342
Current liabilities	(5,256,074)	(13,554)	(612,580)	(270,628)
Non-current liabilities	-	(8,449)	(1,857,792)	(89,580)
Net assets	864,731	311,434	220,501	441,716
Year ended 31 December				
Revenue	562,988	127,908	173,724	181,613
Profit/(loss) for the year	12,461	29,105	(32,323)	90,128
Other comprehensive income/(expense)	2,949	-	(25,354)	(85)
Total comprehensive income/(expense)	15,410	29,105	(57,677)	90,043
Dividends received by the Group during the year	1,835	2,067	-	-

20. INVESTMENTS IN ASSOCIATES (CONT'D.)

(c) Material associates (cont'd.)

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

	2015			
	K & N Kenanga Holdings Berhad Group RM'000	KKB Engineering Berhad Group RM'000	OM Materials (Sarawak) Sdn Bhd RM'000	Sacofa Sdn Bhd Group RM'000
As at 31 December				
Net assets	864,731	311,434	220,501	441,716
Non-controlling interests	(9,749)	(10,082)	-	-
Treasury shares	6,604	-	-	-
	861,586	301,352	220,501	441,716
Effective interests in associates	25.07%	20.00%	25.00%	50.00%
Group's share of net assets	216,000	60,270	55,125	220,858
Goodwill	15,392	4,996	49,760	-
Group's carrying amount	231,392	65,266	104,885	220,858
Group's share of results for the year ended 31 December				
Group's share of profit or loss	2,834	5,206	(9,232)	34,110
Group's share of other comprehensive income/(expense)	739	-	(476)	(43)
Group's share of total comprehensive income/(expense)	3,573	5,206	(9,708)	34,067

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

20. INVESTMENTS IN ASSOCIATES (CONT'D.)

(c) Material associates (cont'd.)

The following table summarises the financial information in respect of each of the Group's material associates. The summarised financial information represents the amounts in the MFRS financial statements of the associates and not the Group's share of those amounts.

	2014		
	K & N Kenanga Holdings Berhad Group RM'000	KKB Engineering Berhad Group RM'000	OM Materials (Sarawak) Sdn Bhd RM'000
As at 31 December			
Non-current assets	392,706	158,650	1,313,469
Current assets	5,337,339	182,100	287,168
Current liabilities	(4,866,849)	(33,763)	(213,551)
Non-current liabilities	(22)	(11,347)	(1,108,908)
Net assets	863,174	295,640	278,178
Year ended 31 December			
Revenue	592,398	202,009	-
Profit for the year	30,470	23,942	21,291
Other comprehensive income/(expense)	13,943	-	(54,415)
Total comprehensive income/(expense)	44,266	23,942	(33,124)
Dividends received by the Group during the year	-	2,584	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

20. INVESTMENTS IN ASSOCIATES (CONT'D.)

(c) Material associates (cont'd.)

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

	2014		
	K & N Kenanga Holdings Berhad Group RM'000	KKB Engineering Berhad Group RM'000	OM Materials (Sarawak) Sdn Bhd RM'000
As at 31 December			
Net assets	863,174	295,640	278,178
Non-controlling interests	(8,523)	(9,985)	-
	854,651	285,655	278,178
Effective interests in associates	25.07%	20.00%	20.00%
Group's share of net assets	214,261	57,131	55,636
Goodwill	15,392	4,996	182
	229,653	62,127	55,818
Group's share of results for the year ended 31 December			
Group's share of profit or loss	7,397	4,194	4,258
Group's share of other comprehensive income	3,496	-	(21,648)
Group's share of total comprehensive income	10,893	4,194	(17,390)

21. INVESTMENTS IN JOINT VENTURES

	Group	
	2015 RM'000	2014 RM'000
Unquoted shares, at cost	2,504	2,300
Redeemable preference shares, at cost	27,189	30,627
Less: Accumulated impairment losses	(6,973)	(6,973)
	20,216	23,654
Share of post-acquisition reserves	11,370	(905)
	34,090	25,049

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

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	
		2015	2014
Name of joint ventures	**Principal activities**	**%**	**%**
CMS Opus Private Equity Sdn Bhd [(i)]	Management of private equity investments	51.0	-
COPE-KPF Opportunities 1 Sdn Bhd [(ii)]	Investment holding	26.7	26.7
COPE Opportunities 2 Sdn Bhd [(ii)]	Investment holding	16.4	16.4
PPES Works Larico JV [(iii)]	Construction of 175kV Balingian - Selangau transmission line and 275kV Selangau - Mapai transmission line	51.0	-
PPES Works - Naim Land JV	Construction of bridges	55.0	55.0
PPES Works (Sarawak) Sdn Bhd - PN Construction Sdn Bhd	Construction of Aquatic Centre	49.0	49.0
PPES Works Wibawa JV	Connection of water supply and all submarine related works	50.0	50.0
UEM Construction Sdn Bhd - PPES Works (Sarawak) Sdn Bhd JV	Construction of Lawas Hospital Phase 2A	30.0	-

(i) Although the Group has ownership of more than half of the voting power, the joint venture agreement established joint control over the subject entity. No single venturer is in a position to control the activity unilaterally.
(ii) Ownership interest in COPE-KPF Opportunities 1 Sdn Bhd and COPE Opportunities 2 Sdn Bhd are held through redeemable preference shares vide respective shareholder agreement.
(iii) During the year, the Company invested RM102,000 into PPES Work Larico JV for initial capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

Material joint ventures

The following table summarises the financial information in respect of each of the Group's material joint ventures. The summarised financial information represents the amounts in the MFRS financial statements of the joint ventures and not the Group's share of those amounts.

	2015	
	COPE-KPF Opportunities 1 Sdn Bhd RM'000	COPE Opportunities 2 Sdn Bhd RM'000
As at 31 December		
Non-current assets	77,508	90,993
Cash and cash equivalents	623	634
Other current assets	3,927	966
Current liabilities	(4,840)	(7,065)
Net assets	77,218	85,528
Year ended 31 December		
Revenue	1,551	2,431
Profit for the year	34,345	18,510
Total comprehensive income	34,345	18,510

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

	2015	
	COPE-KPF Opportunities 1 Sdn Bhd RM'000	COPE Opportunities 2 Sdn Bhd RM'000
As at 31 December		
Net assets	77,218	85,528
Effective interests in joint ventures	26.67%	16.39%
Group's carrying amount	20,594	14,018

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

Material joint ventures (cont'd.)

The following table summarises the financial information in respect of each of the Group's material joint ventures. The summarised financial information represents the amounts in the MFRS financial statements of the joint ventures and not the Group's share of those amounts.

	2014	
	COPE-KPF Opportunities 1 Sdn Bhd RM'000	COPE Opportunities 2 Sdn Bhd RM'000
As at 31 December		
Non-current assets	55,532	64,756
Cash and cash equivalents	447	325
Other current assets	2,815	1,286
Current liabilities	(44)	(104)
Net assets	58,750	66,263
Year ended 31 December		
Revenue	3,491	1,935
Profit for the year	10,900	18,510
Total comprehensive income	10,900	18,510

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

	2014	
	COPE-KPF Opportunities 1 Sdn Bhd RM'000	COPE Opportunities 2 Sdn Bhd RM'000
As at 31 December		
Net assets	58,750	66,263
Effective interests in joint ventures	26.67%	16.39%
Group's carrying amount	15,669	10,861

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

22. DEFERRED TAX

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	(11,995)	(10,705)	918	724
Recognised in statements of profit or loss and other comprehensive income (net) (Note 11)	8,859	(1,290)	75	194
Deconsolidation of a subsidiary	40	-	-	-
At 31 December	(3,096)	(11,995)	993	918

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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets, net	38,709	27,075	993	918
Deferred tax liabilities, net	(41,805)	(39,070)	-	-
	(3,096)	(11,995)	993	918

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets	74,125	52,839	993	918
Deferred tax liabilities	(77,221)	(64,834)	-	-
	(3,096)	(11,995)	993	918

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 2014	4,334	44,643	4,483	53,460
Recognised in statements of profit or loss and other comprehensive income	(1,476)	1,250	(396)	(622)
At 31 December 2014	2,858	45,893	4,087	52,838
Recognised in statements of profit or loss and other comprehensive income	(699)	20,503	1,483	21,287
At 31 December 2015	2,159	66,396	5,570	74,125

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 2014	(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)
Recognised in statements of profit or loss and other comprehensive income	(12,820)	285	148	(12,387)
At 31 December 2015	(69,824)	(6,395)	(1,002)	(77,221)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

22. DEFERRED TAX (CONT'D.)

Company	Unabsorbed capital allowances RM'000
Deferred tax assets:	
At 1 January 2014	724
Recognised in statements of profit or loss and other comprehensive income	194
At 31 December 2014	918
Recognised in statements of profit or loss and other comprehensive income	75
At 31 December 2015	993

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

	Group	
	2015 RM'000	**2014 RM'000**
Unutilised tax losses	35,180	32,295
Unabsorbed capital allowances	4,898	2,954
	40,078	35,249

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

23. INVENTORIES

	Group	
	2015	**2014**
	RM'000	**RM'000**
Cost		
Raw materials	38,881	37,453
General stores	79,583	72,425
Work-in-progress	57	78
Goods in transit	41	24
Finished goods	18,118	10,440
Completed development units	7,043	1,092
	143,723	121,512
Net realisable value		
Finished goods	42	8
	143,765	121,520

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM677,993,257(2014: RM770,354,787).

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current				
Trade receivables				
Third parties	351,061	263,445	-	-
Retention sums on construction contracts (Note 26)	4,759	7,237	-	-
Amount due from joint ventures	123	-	-	-
	355,943	270,682	-	-
Less: Allowance for impairment Third parties	(3,174)	(4,083)	-	-
Trade receivables, net	352,769	266,599	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Current (cont'd.)				
Other receivables				
Amount due from subsidiaries:				
- Central cash management accounts	-	-	246,595	84,131
- Current accounts	-	-	13,240	11,469
- Loans	-	-	574	574
Amount due from joint ventures	8,934	-	-	-
Amount due from an associate	17,360	-	7	-
Interest receivable	4	4	-	-
Other deposits	5,058	4,527	588	588
Other receivables	16,330	7,319	200	335
Retention monies	417	793	-	-
	48,103	12,643	261,204	97,097
Less: Allowance for impairment Other receivables	(548)	(548)	(3,177)	(3,177)
Other receivables, net	47,555	12,095	258,027	93,920
	400,324	278,694	258,027	93,920
Non-current				
Other receivables				
Amount due from subsidiaries under loans	-	-	59,775	10,999
Amount due from an associate under shareholders' loans	64,561	10,432	-	-
	64,561	10,432	59,775	10,999
Total trade and other receivables (current and non-current)	464,885	289,126	317,802	104,919
Add: Cash and bank balances (Note 29)	325,067	829,590	256,881	674,600
Total loans and receivables	789,952	1,118,716	574,683	779,519

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

a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 120 day (2014: 30 to 120 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The Group's trade receivables relate to a large number of diversified customers. Accordingly, there is no significant concentration of credit risk.

Ageing analysis of trade receivables

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

	Group	
	2015 RM'000	2014 RM'000
Neither past due nor impaired	225,203	188,662
1 to 30 days past due not impaired	39,927	26,171
31 to 60 days past due not impaired	38,413	8,408
61 to 90 days past due not impaired	8,071	11,244
91 to 120 days past due not impaired	7,546	4,852
More than 121 days past due not impaired	31,600	25,352
	125,557	76,027
Impaired	5,183	5,993
	355,943	270,682

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 RM125,557,000 (2014: RM76,027,000) 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:

	Group	
	2015 RM'000	**2014 RM'000**
Trade receivables	5,183	5,993
Less: Allowance for impairment	(3,174)	(4,083)
	2,009	1,910
Movement in allowance accounts:		
At 1 January	4,083	3,140
Charges for the year (Note 8)	1,200	4,092
Bad debts recovered (Note 6)	-	(2,721)
Reversal of impairment loss (Note 6)	(2,109)	(360)
Unwinding of discount (Note 5)	-	(68)
At 31 December	3,174	4,083

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) Other receivables

(i) Amount due from subsidiaries under central cash management accounts

All balances due to the Company are repayable on demand and earn interest at rates ranging from 5.00% to 5.25% (2014: 4.84% to 5.23%) per annum.

(ii) Amount due from subsidiaries under current accounts

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

(iii) Amount due from subsidiaries under loans

An amount of RM58,914,575 (2014: RM9,564,245) included in amount due from subsidiaries under loans is unsecured and earns interest at 4.55% to 4.85% (2014: 4.67% to 4.68%) per annum.

The interest and principal repayments for the remaining balance of amount due from subsidiaries under loans is in accordance with the terms of shareholders' loan as described in Note 31.

(iv) Amount due from joint ventures and associate

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

(b) Other receivables (cont'd.)

(v) Amount due from associate under shareholders' loans

The amount is unsecured and earns interest at 4.55% to 4.85% (2014: 4.67% to 4.68%) per annum.

25. OTHER CURRENT ASSETS

	Group	
	2015 RM'000	**2014 RM'000**
Prepaid operating expenses	6,219	3,905
Amount due from customers for contract work (Note 26)	30,883	42,275
	37,102	46,180

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

	Group	
	2015 RM'000	**2014 RM'000**
Construction contract costs incurred to-date	394,513	384,158
Attributable profits less recognised losses	48,982	27,885
	443,495	412,043
Less: Progress billings	(436,709)	(387,311)
	6,786	24,732
Presented as:		
Amount due from customers for contracts work (Note 25)	30,883	42,275
Amount due to customers for contracts work (Note 33)	(24,097)	(17,543)
	6,786	24,732
Retention sums on construction contracts included in:		
Trade receivables (Note 24)	4,759	7,237
Trade payables (Note 32)	8,907	8,289

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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	
	2015 RM'000	2014 RM'000
Depreciation of property, plant and equipment (Note 13)	46	44
Operating leases:		
- minimum lease payments on land and buildings	62	88
- minimum lease payments on equipment	9	904

27. INVESTMENT SECURITIES

	Group			
	2015		2014	
	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)	64,053	64,053	61,523	61,523
Equity instruments (quoted in Malaysia)	34,063	34,063	37,826	37,826
Unit trust funds (quoted in Malaysia)	-	-	27,951	27,951
Wholesale fund (unquoted in Malaysia)	-	-	1,386	1,386
Total current investment securities	98,116	98,116	128,686	128,686
Non-current				
Available-for-sale financial assets				
Equity instruments (unquoted in Malaysia), at cost	300	-	300	-
Redeemable preference shares (unquoted in Malaysia), at cost	-	-	1,027	-
Total non-current investment securities	300	-	1,327	-

	Company			
	2015		2014	
	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)	64,053	64,053	61,523	61,523
Equity instruments (quoted in Malaysia)	34,063	34,063	37,825	37,825
Unit trust funds (quoted in Malaysia)	-	-	27,951	27,951
Total current investment securities	98,116	98,116	127,299	127,299

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. DERIVATIVE FINANCIAL ASSET

On 23 October 2015, the Group and the Company acquired 18,444,697 warrants of Sacofa Sdn Bhd for a purchase consideration of RM35,413,818 representing a warrant price of RM1.92 per warrant. The warrants will expire on 25 January 2019 and each warrant entitles its holder to subscribe for one new Sacofa Sdn Bhd ordinary share of RM1 each at the exercise price of RM1.50 at any time during the exercise period.

29. CASH AND BANK BALANCES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash in hand and at banks	73,762	93,058	10,074	3,790
Short-term deposits with licensed banks	7,003	103,290	2,505	37,568
Wholesale fund	244,302	633,242	244,302	633,242
Total cash and bank balances	325,067	829,590	256,881	674,600

(a) Included in cash at bank of the Group and the Company is an amount of RM9,441,334 (2014: RM3,608,088) 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 2015 for the Group and the Company were 2.96% (2014: 1.38%) and 3.64% (2014: 3.72%), respectively.

As at 31 December 2014, included in short-term deposits with licensed banks of the Group and the Company is an amount of RM15,000,000 being deposits placed with a banking subsidiary of an associate.

Short-term deposits of the Group and the Company amounting to RM2,064,391 (2014: RM1,913,312) and RM210,000 (2014: RM210,000), respectively, have been pledged as security for banking facilities.

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

In the previous financial year, the Company pledged its units amounting to RM23,000,000 held under wholesale fund to a licensed bank as security for a banking facility granted to a subsidiary. During the year, the banking facility was cancelled and hence the pledged was released.

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and short-term deposits	325,067	829,590	256,881	674,600
Less: Deposits pledged to licensed banks	(2,064)	(1,914)	(210)	(210)
Less: Wholesale fund pledged to a licensed bank	-	(23,000)	-	(23,000)
Cash and cash equivalents	323,003	804,676	256,671	651,390

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

30. ASSET CLASSIFIED AS HELD FOR SALE

The asset held for sale has been reclassified to other receivables following the transfer of ownership of the land to an associate in December 2015.

31. LOANS AND BORROWINGS

	Group	
	2015 RM'000	**2014 RM'000**
Current		
Secured:		
Revolving credits	21,000	14,000
Unsecured:		
Shareholders' loan	551	551
Revolving credits	11,000	-
Bankers' acceptances	33,500	38,708
Term loans	2,305	21,360
	47,356	60,619
	68,356	74,619
Non-current		
Unsecured:		
Shareholders' loan	827	5,177
Term loans	94,495	25,000
	95,322	30,177
Total loans and borrowings	163,678	104,796

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

	Group	
	2015 RM'000	**2014 RM'000**
On demand or within 1 year	68,356	74,619
More than 1 year and less than 5 years	56,142	16,490
5 years or more	39,180	13,687
	163,678	104,796

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

31. LOANS AND BORROWINGS (CONT'D.)

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

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

	2015 %	2014 %
Bankers' acceptances	3.68 to 4.95	3.68 to 5.30
Revolving credits	4.80 to 5.35	5.02
Term loans	3.68 to 4.90	3.68 to 5.30

(c) The shareholders' loan is charged interest at 5% (2014: 5%) per annum and is repayable from June 2014 to June 2018.

32. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current				
Trade payables				
Third parties	304,655	343,833	-	-
Deposits payable	949	5,123	-	-
Retention sums on construction contracts (Note 26)	8,907	8,289	-	-
Amount due to joint ventures	4,000	-	-	-
	318,511	357,245	-	-
Other payables				
Other payables	95,851	134,123	4,141	10,335
Accrued operating expenses	49,232	22,741	900	705
Amount due to subsidiaries under central cash management accounts	-	-	815,933	718,429
Amount due to joint ventures	3,043	-	-	-
Deposits payable	2,896	2,728	-	-
Interest payable	205	398	-	-
Retention monies	4,994	3,129	-	-
	156,221	163,119	820,974	729,469
	474,732	520,364	820,974	729,469

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. TRADE AND OTHER PAYABLES (CONT'D.)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current				
Trade payables				
Deposit payable	746	930	-	-
Other payables				
Other payables	169,367	15,959	-	-
	170,113	16,889	-	-
Total trade and other payables (current and non-current)	644,845	537,253	820,974	729,469
Add: Loans and borrowings (Note 31)	163,678	104,796	-	-
Total financial liabilities carried at amortised cost	808,523	642,049	820,974	729,469

(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 (2014: one month to four months).

(b) Other payables

Included in the Group's other payables is an amount of RM178,537,742 (2014: Nil) relating to the acquisition of land held for property development by a subsidiary and is payable by 2024.

Included in Group's other payables is also an amount of RM15,958,563 (2014: RM52,840,513) relating to certain parcels of leasehold land acquired by subsidiaries and is payable by 2018.

These amounts are unsecured and bear interest at rate between 5.22% to 6.38% per annum. These payables are due as follows:.

	Group	
	2015 RM'000	2014 RM'000
Repayable within one year	25,129	36,882
More than one year and less than two years	26,195	7,848
More than two years and less than five years	58,514	8,111
More than five years	84,658	-
	194,496	52,841

32. 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 3.16% to 3.47% (2014: 2.96% to 3.45%) per annum.

Further details on related party transactions are disclosed in Note 40.

33. OTHER CURRENT LIABILITIES

	Group	
	2015 RM'000	2014 RM'000
Progress billings in respect of property development costs	22,197	5,712
Amount due to customers for contracts work (Note 26)	24,097	17,543
	46,294	23,255

34. 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 2014	339,704	(801)	1.00	339,704	(3,629)
Exercise of employees' share options (Note 37(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 37(a))	3,244	-	0.50	1,622	-
At 31 December 2014 and 1 January 2015	1,039,504	-	0.50	519,752	-
Exercise of employees' share options (Note 37(a))	34,872	-	0.50	17,436	-
At 31 December 2015	1,074,376	-	0.50	537,188	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

34. SHARE CAPITAL AND TREASURY SHARES (CONT'D.)

Group/Company	Number of Ordinary Shares Authorised '000	Par value RM	Amount RM'000
At 1 January 2014	1,000,000	1.00	1,000,000
Share split	1,000,000	-	-
At 31 December 2014 and 31 December 2015	2,000,000	0.50	1,000,000

Group/Company	Number of Non-Convertible Redeemable Preference Shares Authorised	Par value RM	Amount RM
At 1 January 2014	400	1.00	400
Share split	400	-	-
At 31 December 2014 and 31 December 2015	800	0.50	400

(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 had an employees' share option plan under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group. The employees' share option had expired on 22 June 2015.

In the previous financial year, the Company 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 by every two (2) subdivision shares.

(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.

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.

35. SHARE PREMIUM

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
At 1 January	289,304	448,663	289,301	448,660
Bonus issue	-	(172,710)	-	(172,710)
Arising from ordinary shares issued under ESOS	41,412	13,351	41,412	13,351
At 31 December	330,716	289,304	330,713	289,301

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

36. OTHER RESERVES

Group	Capital reserve RM'000	Translation reserve RM'000	Merger deficit RM'000	Statutory reserve RM'000	Available-for-sale 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/(loss) 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)

36. OTHER RESERVES (CONT'D.)

Group (cont'd.)	Capital reserve RM'000	Translation reserve RM'000	Merger deficit RM'000	Statutory/ regulatory reserve RM'000	Available-for-sale 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 2015	9,609	5,851	(12,000)	21,373	(1,986)	(25,679)	(23,413)	10,916	(15,329)
Other comprehensive income/(expense):									
Foreign currency translation	-	30	-	-	-	-	-	-	30
Share of other comprehensive income/(loss) of associates	-	18,466	-	-	(2,713)	(15,517)	-	-	236
Share of other comprehensive income of a joint venture	-	-	-	-	262	-	-	-	262
	-	18,496	-	-	(2,451)	(15,517)	-	-	528
Transactions with owners:									
Grant of equity-settled share options to employees	-	-	-	-	-	-	-	4,497	4,497
Exercise of employees' share options	-	-	-	-	-	-	-	(15,262)	(15,262)
Share of an associate's reserves	-	(42)	-	6,999	-	-	-	-	6,957
Expiry of employees' share options	-	-	-	-	-	-	-	(151)	(151)
	-	(42)	-	6,999	-	-	-	10,916	(3,959)
At 31 December 2015	9,609	24,305	(12,000)	28,372	(4,437)	(41,196)	(23,413)	-	(18,760)

36. OTHER RESERVES (CONT'D.)

Company	Merger reserve RM'000	Employees' share option reserve RM'000	Total RM'000
At 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 and 1 January 2015	168,000	10,916	178,916
Grant of equity-settled share options to employees	-	4,497	4,497
Exercise of employees' share options	-	(15,262)	(15,262)
Expiry of employees' share options	-	(151)	(151)
At 31 December 2015	168,000	-	168,000

(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 and regulatory reserve

Statutory reserve of the Group is maintained by the investment banking subsidiary of an associate in compliance with the requirements of the BNM Guidelines on Capital Fund, pursuant to Section 47(2)(f) of the Financial Services Act 2013 and are not distributable as dividends.

Regulatory reserve is also maintained in compliance with the requirements of the BNM in addition to the collective impairment allowance that has been assessed and recognised in accordance with Malaysian Financial Reporting Standards.

(d) Available-for-sale reserve

The available-for-sale reserve is in respect of unrealised fair value gains on financial instruments available-for-sale, net of tax.

(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 37). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

37. EMPLOYEE BENEFITS

Employees' share option scheme

The Company implemented an ESOS which came into effect on 23 June 2010. The ESOS is governed by the bylaws which were approved by the shareholders on 27 May 2010.

The salient features of the ESOS are as follows:

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

37. EMPLOYEE BENEFITS (CONT'D.)

Employees' share option scheme (cont'd.)

Details of share options under ESOS are as follows:

(a) Movement of share options during the financial year

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

	2015		2014	
	No. of options '000	WAEP RM	No. of options '000	WAEP RM
Outstanding at 1 January	35,777	1.25	15,281	2.21
Granted	-	-	3,926	6.85
Exercised	-	-	(5,716)	2.21
Cancelled	-	-	(375)	2.41
Before share split and bonus issue	35,777	1.25	13,116	1.21
Arising from share split and bonus issue	-	-	26,232	1.21
Exercised	(34,872)	1.25	(3,244)	0.74
Cancelled	(452)	0.92	(327)	1.20
Lapsed	(453)	1.36	-	-
Outstanding at 31 December	-	-	35,777	1.25
Exercisable at 31 December	-	-	3,154	0.74

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

	Exercise price RM/Share of RM1 each	Adjusted exercise price RM/Share of RM0.50 each*	Exercise period
31.12.2015/31.12.2014			
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 2015 was 16.0% (2014: 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.

37. EMPLOYEE BENEFITS (CONT'D.)

(b) Share options exercised during the financial year

	2015	2014
Weighted average share price at the date of exercise of the options exercised (RM)		
- First offer	4.96	3.42*
- Second offer	4.98	3.35*
- Third offer	5.08	-
Proceeds received on exercise of options over ordinary shares (RM'000)	43,586	15,032

* 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 2015

38. COMMITMENTS

(a) Capital commitments

Capital expenditures as at the reporting date were as follows:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Approved and contracted for:				
- Property, plant and equipment	33,598	151,359	-	-
- Intangible assets	700	670	-	-
- Investment properties	35,565	-	-	720
- Investment in joint ventures	5,704	5,727	-	-
	75,567	157,756	-	720
Approved but not contracted for:				
- Property, plant and equipment	202,923	232,138	2,576	1,509
- Intangible assets	1,374	2,024	340	-
- Investment properties	13,247	37,500	-	-
- Investment in associates	340,171	114,608	-	-
- Investment in joint ventures	6,667	6,667	-	-
	564,382	392,937	2,916	1,509
	639,949	550,693	2,916	2,229

(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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Not later than 1 year	6,573	5,884	1,104	1,789
Later than 1 year and not later than 5 years	18,283	14,978	297	1,482
Later than 5 years	33,430	26,425	-	-
	58,286	47,287	1,401	3,271

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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	
	2015	2014
	RM'000	RM'000
Not later than 1 year	1,720	1,637
Later than 1 year and not later than 5 years	4,659	5,156
Later than 5 years	4,320	5,400
	10,699	12,193

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

39. CONTINGENCIES

(a)

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Share of contingent liabilities of an associate	2,189	2,421	359	397

(b) (i) In 2013, 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 five per cent (25%) 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 event of default to be low.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

40. SIGNIFICANT 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) Sale and purchase of goods and services

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Subsidiaries				
Interest income	-	-	(8,731)	(5,727)
Administrative fee income	-	-	(10,122)	(6,127)
Management fee income	-	-	(237)	(255)
Rental income	-	-	(600)	(600)
Interest expenses	-	-	26,681	17,508
Associates				
Sale of goods	(68)	(61)	-	-
Dividend income from funds managed by an associate	(18,732)	(16,110)	(18,732)	(16,110)
Interest income	(324)	(487)	(324)	(487)
Purchase of goods	68,736	170,110	-	-
Payment of services	924	946	924	946
Joint ventures				
Management fee income	-	(2,787)	-	-
Rental	(293)	(124)	-	-
Other related parties				
Sale of goods to:				
- Titanium Construction Sdn Bhd (i)	(465)	(162)	-	-
- Vanadium Land Sdn Bhd (ii)	(791)	(3,802)	-	-
- Laku Management Sdn Bhd (iii)	(5,304)	(6,672)	-	-
Contract revenue from Laku Management Sdn Bhd (iii)	(7,792)	(28,113)	-	-
Management fee from COPE Opportunities 3 Sdn Bhd (iv)	-	(1,600)	-	-
Payment of services to:				
- Opus Capital Sdn Bhd (iv)	-	127	-	-
- Impetus Alliance Advisors Sdn Bhd (v)	298	312	-	-
- KTA (Sarawak) Sdn Bhd (vi)	-	292	-	-
- Satria Realty Sdn Bhd (vii)	1,978	1,681	1,686	1,397

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

40. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

(a) Sale and purchase 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 a director in several subsidiaries of the Group.

(ii) Datu Michael Ting Kuok Ngie, a director of the Company, is also a director of Vanadium Land Sdn Bhd of which the Group supplied construction materials. Vanadium Land Sdn Bhd ceased to be a related party to the Group upon retirement of Datu Michael Ting in April 2015.

(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) COPE Opportunities 3 Sdn Bhd is a related party by virtue of Azam bin Azman's equity interests in the Company. He is a director in a subsidiary of the Group and also a director of Opus Capital Sdn Bhd which provided advisory services to the Group in the previous financial year.

(v) Datuk Seri Yam Kong Choy is a director and a substantial shareholder of Impetus Alliance Advisors Sdn Bhd which provided advisory services to the Group. He is also a director of a subsidiary of the Group.

(vi) A brother of Datu Michael Ting Kuok 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.

(vii) 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.

(b) Year-end balances arising from sale/purchase of goods and services

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Receivable from related company:				
- Titanium Construction Sdn Bhd	5	30	-	-
- Laku Management Sdn Bhd	1,552	4,563	-	-
- Vanadium Land Sdn Bhd	91	432	-	-
- An associate	50	-	-	-
- Joint ventures	123	-	-	-
Payable to related parties:				
- An associate	3,197	36,442	-	-
- Satria Realty Sdn Bhd	3	3	-	-

40. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

(c) Compensation of key management personnel

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

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits	11,404	11,067	7,391	7,183
Defined contribution plan	1,369	1,347	887	880
Share-based payments	508	895	53	173
	13,281	13,309	8,331	8,236

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 the previous financial year, 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).

41. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and the fair value hierarchy

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities and broker quote on Bloomberg and Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived.

The Group and the Company generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.

MFRS 13 Fair Value Measurement requires each class of assets and liabilities measured at fair value in the statements of financial position after initial recognition to be categorised according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of those financial instruments and non-financial assets:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active 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.

41. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments and non-financial assets carried at fair value

The following tables provide an analysis of financial instruments and non-financial assets carried at fair values at the reporting date analysed by the various levels within the fair value hierarchy:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
31 December 2015				
Financial assets				
Income debt securities fund	-	64,053	-	64,053
Equity instruments	34,063	-	-	34,063
Derivative financial asset	-	-	35,414	35,414
	34,063	64,053	35,414	133,530
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
Company				
31 December 2015				
Financial assets				
Income debt securities fund	-	64,053	-	64,053
Equity instruments	34,063	-	-	34,063
Derivative financial asset	-	-	35,414	35,414
	34,063	64,053	35,414	133,530
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

41. FAIR VALUE MEASUREMENTS (CONT'D.)

(b) Financial instruments and non-financial assets carried at fair value (cont'd.)

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 (2014: Nil).

The derivative financial asset as disclosed in Note 28 is measured at Level 3. No reconciliation is presented as the asset was acquired close to the financial year end and its purchase consideration approximates its fair value as at the financial year end.

(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 2015		31 December 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets:				
Available-for-sale financial assets				
- Equity instruments	300	*	300	*
- Redeemable preference shares	-	-	1,027	*
	300		1,327	
Financial liabilities:				
Interest-bearing loans and borrowings				
- Term loan	96,800	96,800	46,360	49,599
- Shareholders' loan	1,378	1,481	5,728	6,606
	98,178	98,281	52,088	56,205

* Fair value information has not been disclosed because the fair value cannot be measured reliably.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

41. 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
Loans and borrowing (excluding term loans and shareholders' loan)	31
Trade payables (current)	32
Other payables (current)	32

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.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's overall risk management strategy seeks to minimise potential adverse effects on the financial performance of the Group. The key financial risks include credit risk, liquidity risk and market 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.

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 exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loan and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries and an associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Receivables

- **Risk management objectives, policies and process for managing the risk**

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.

- **Exposure to credit risk, credit quality and collateral**

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.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks. At the end of the reporting period, financial guarantees received by the Group amounted to RM44,188,412 (2014: RM48,344,934) in respect of RM51,759,527 (2014: RM57,118,818) trade receivables. The remaining balance of trade receivables are not secured by any collateral or supported by any other credit enhancements.

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.

(ii) Financial guarantees

- **Risk management objectives, policies and process for managing the risk**

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries and associates. The Company monitors on an ongoing basis the results of the subsidiaries and associates and repayments made by the subsidiaries and associates.

- **Exposure to credit risk, credit quality and collateral**

The maximum exposure to credit risk relates to unsecured corporate guarantee to banks for banking facilities granted to an associate as disclosed in Note 39.

As at the end of the reporting period, there was no indication that there would be an event of default on repayment in relation to the associate.

The financial guarantee have not been recognised since the fair value on initial recognition was not material.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Inter-company loans and advances

- **Risk management objectives, policies and process for managing the risk**

  The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

- **Exposure to credit risk, credit quality and collateral**

  The maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries. Nevertheless, these advances are not overdue.

(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 manage their liquidity risk. The Group and the Company always maintain sufficient cash and cash equivalents, and have available funding through a diverse source of committed and uncommitted credit facilities from various banks. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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			
	Carrying amount	On demand or within 1 year	1 to 5 years	Over 5 years	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 31 December 2015					
Financial liabilities:					
Trade and other payables, excluding financial guarantees*	644,845	485,966	143,701	73,937	703,604
Loans and borrowings	163,678	73,859	70,139	41,938	185,936
	808,523	559,825	213,840	115,875	889,540
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
	642,049	597,650	40,234	18,083	655,967

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

		Cash Flows			
	Carrying amount	On demand or within 1 year	1 to 5 years	Over 5 years	Total
Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 31 December 2015					
Financial liabilities:					
Trade and other payables, excluding financial guarantees *	820,974	820,974	-	-	820,974
	820,974	820,974	-	-	820,974
At 31 December 2014					
Financial liabilities:					
Trade and other payables, excluding financial guarantees *	729,469	729,469	-	-	729,469
	729,469	729,469	-	-	729,469

* 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) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

(i) Currency risk

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 purchases and imports that are denominated in a currency other than the functional currencies of the Group.

The Group has also exposure to foreign exchange risk as a result of providing unsecured advances to associates.

- **Risk management objectives, policies and process for managing the risk**

  It is the Group's policy to hedge this risk where the exposures are certain and cost-efficient. The Group and the Company do not apply hedge accounting except for one of its associates and do not issue derivative financial instruments for trading purpose.

  The Group monitors the results of this associate and the relevant currency regularly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Market risk (cont'd.)

(i) Currency risk (cont'd.)

- **Exposure to foreign currency risk**

The currencies giving rise to this risk are primarily United States Dollar (USD). Exposure to foreign currency risk is monitored on an ongoing basis to ensure that the exposure is at an acceptable level. At 31 December 2015 and 31 December 2014, the Group and the Company have not entered into any forward foreign currency contracts.

- **Currency risk sensitivity analysis**

A reasonable possible 10% (2014:10%) strengthening of the USD at the end of the reporting period would have increased the Group's profit for the year by RM4,936,986 (2014: RM453,221), being net of purchases and imports transaction amount and advances to associate, with all other variables held constant at the reporting date.

A 10% weakening of the above foreign currency against the underlying functional currency at the reporting date would have had the equal but opposite effect on the above currency to the amount shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

- **Risk management objectives, policies and process for managing the risk**

Interest rate exposure arising from the Group's and the Company's borrowings is managed through the use of fixed and floating rate debts. The Group will consider entering into derivative financial instruments where necessary to achieve an appropriate mix of fixed and floating rate exposure.

- **Exposure to interest rate risk**

As the Group and the Company has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits. The Group's borrowings at floating rates are contractually re-priced at intervals of less than 6 months (2014: 6 months). The interest rate profile of the Group's and the Company's interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	7,003	103,290	2,506	37,568
Financial liabilities	162,300	99,068	-	-
	169,303	202,358	2,506	37,568
Floating rate instruments				
Financial liabilities	1,378	5,728	60,349	11,572

- **Interest risk sensitivity analysis**

The Group has minimal exposure to interest rate risk at the reporting date and a change in interest rates would not materially affect profit or loss hence, sensitivity analysis is not presented.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Market risk (cont'd.)

(iii) Other price risk

Equity price risk arises from the Group's investment in equity securities.

- **Risk management objectives, policies and process for managing the risk**

  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.

- **Exposure to equity price risk**

  At the reporting date, 65% (2014: 48%) of the Group's and the Company's investment securities consist of income debt securities fund, 35% (2014: 30%) in equity portfolio quoted on Bursa Malaysia Securities Berhad, while the remaining portion of the investment securities in previous year comprises unit trusts which invest in short term money market instruments.

- **Equity price risk sensitivity analysis**

  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 for the year will be RM2,973,815 (2014: RM3,367,542) 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.

43. 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 2015 and 2014.

The Group and the Company review their capital structure and make adjustments to reflect economic conditions, business strategies and future commitments on a continuous basis.

The Group and the Company monitor capital using a gearing ratio. The gearing ratio is calculated as loans and borrowings divided by equity attributable to owners of the Company.

The Group and the Company are in compliance with all externally imposed capital requirements in respect of their external borrowings for the financial years ended 31 December 2015 and 2014.

	Group	
	2015	2014
	RM'000	RM'000
Loans and borrowings (Note 31)	163,678	104,796
Equity attributable to the owners of the Company	2,017,501	1,811,731
Gearing ratio (times)	0.08	0.06

As the Company has no loans and borrowings, accordingly no gearing ratio is presented.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

44. 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, catering services and manufacturing of ferro alloy products;
(vi) Strategic investments - financial service, education and telecommunication infrastructure providers; 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.

44. SEGMENT INFORMATION (CONT'D.)

	Cement	Construction materials and trading	Construction and road maintenance	Property development and related services	Samalaju development	Strategic investments	Others	Adjustments and elimination	Notes	Per consolidated financial statements
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
31 December 2015										
Revenue:										
External customers	559,772	645,322	444,353	89,783	16,867	8,956	22,955	-		1,788,008
Inter-segment	41,115	66,736	15,133	259	24	-	-	(123,267)	A	-
Total revenue	600,887	712,058	459,486	90,042	16,891	8,956	22,955	(123,267)		1,788,008
Results:										
Interest income	6,760	6,897	12,489	1,102	1,530	532	-	(27,305)		2,005
Depreciation and amortisation	35,977	5,400	7,631	415	2,646	278	1,808	(61)		54,094
Share of results of associates	-	-	-	-	(7,720)	42,150	-	-		34,430
Share of results of joint ventures	-	-	2,064	-	-	9,413	-	-		11,477
Other non-cash expenses	2,952	1,506	1,239	322	1,768	342	647	-	B	8,776
Segment profit/(loss) before tax	103,174	107,993	133,332	19,854	2,192	(2,048)	5	24,094	C	388,596
Assets:										
Investments in associates	-	-	-	-	153,764	517,516	-	-		671,280
Investments in joint ventures	-	-	2,873	-	-	31,217	-	-		34,090
Additions to non-current assets	137,245	12,446	24,797	334	252,772	534	1,142	337	D	429,607
Segment assets	962,344	484,364	565,261	432,611	477,495	19,602	740,014	(450,612)	E	3,231,079
Segment liabilities	147,080	225,300	106,679	162,239	395,664	33,661	761,574	(913,845)	F	918,352

44. SEGMENT INFORMATION (CONT'D.)

	Cement	Construction materials and trading	Construction and road maintenance	Property development and related services	Samalaju development	Strategic investments	Others	Adjustments and elimination	Notes	Per consolidated financial statements
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		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	292,427	-	-		388,425
Investments in joint ventures	-	-	1,395	-	-	23,654	-	-		25,049
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	15,386	938,885	(457,977)	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 2015

44. 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	2015 RM'000	2014 RM'000
Impairment loss on trade and other receivables	8	1,200	4,092
Impairment loss on property, plant and equipment	8	-	533
Inventories written down	8	97	387
Inventories written off	8	1,571	34
Project development cost written off	8	1,310	-
Property, plant and equipment written off	8	101	1,157
Share options granted under ESOS	9	4,497	7,293
		8,776	13,496

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:

	2015 RM'000	2014 RM'000
Share of results of associates	34,430	16,586
Share of results of joint ventures	11,477	1,259
Unallocated corporate expense	(21,813)	(23,487)
	24,094	(5,642)

D Additions to non-current assets consist of:

	2015 RM'000	2014 RM'000
Property, plant and equipment	186,591	141,660
Land held for property development	240,750	11,441
Intangible assets	2,266	2,190
	429,607	155,291

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

44. SEGMENT INFORMATION (CONT'D.)

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

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

	2015 RM'000	2014 RM'000
Investments in associates	671,280	388,425
Investments in joint ventures	34,090	25,049
Deferred tax assets	38,709	27,075
Inter-segment assets	(1,194,691)	(898,526)
	(450,612)	(457,977)

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

	2015 RM'000	2014 RM'000
Deferred tax liabilities	41,805	39,070
Income tax payable	21,730	21,224
Loans and borrowings	163,678	104,796
Inter-segment liabilities	(1,141,058)	(891,962)
	(913,845)	(726,872)

45. DIVIDENDS

(a) Recognised during the financial year:

	Sen per share	Total amount RM'000
2015		
Interim tax exempt 2015 ordinary (single-tier)	1.50	16,116
Final tax exempt 2014 ordinary (single-tier)	7.00	74,829
		90,945
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

45. 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 2016.

	Sen per share	Total amount RM'000
Final tax exempt 2015 ordinary (single-tier)	3.00	32,231

46. SUBSEQUENT EVENT

On 1 January 2016, the Company undertook a proposed internal reorganisation which resulted in the transfer of the Company's internal management services function and its investment properties to Cahya Mata Sarawak Management Services Sdn Bhd (formerly known as CMS Modular Housing Sdn Bhd), a wholly owned subsidiary of the Company. Such internal management services function amongst others includes the provision of human resources and procurement services to the Group.

47. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 21 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

48. 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 2015 and 2014 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:				
- Realised	1,202,273	1,086,361	39,717	101,420
- Unrealised	(4,126)	(13,731)	(36)	(817)
Total share of retained profits from associates:				
- Realised	65,129	(585)	-	-
- Unrealised	(29,381)	6,020	-	-
Total share of retained profits from joint ventures:				
- Realised	(6,521)	(905)	-	-
- Unrealised	17,891	-	-	-
	1,245,265	1,077,160	39,681	100,603
Consolidation adjustments	(76,908)	(59,156)	-	-
Retained profits as per financial statements	1,168,357	1,018,004	39,681	100,603

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MARCH 2016

Authorised Share Capital	:	2,000,000,000 ordinary shares of RM0.50 per share 800 non-cumulative redeemable preference shares of RM0.50 per share
Issued and Paid-up Share Capital	:	1,074,375,720 ordinary shares of RM0.50 per share
Voting Rights	:	One voting right for one ordinary share

Directors' Shareholdings

	Name of Directors	Direct Shareholding	% of Issued Capital	Indirect Shareholding	% of Issued Capital
1.	Dato Sri Mahmud Abu Bekir Taib	88,200,255	8.21	-	-
2.	Datuk Syed Ahmad Alwee Alsree	1,000,000	0.09	136,890,306 [1]	12.74
3.	Dato' Richard Alexander John Curtis	1,550,000	0.14	-	-
4.	Datuk Seri Yam Kong Choy	60,000	0.01	-	-

Analysis by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
Less than 100 shares	43	0.96	1,726	0.00#
100 to 1,000 shares	615	13.76	481,340	0.04
1,001 to 10,000 shares	2,368	52.96	10,807,594	1.01
10,001 to 100,000 shares	1,085	24.27	34,022,230	3.17
100,001 to less than 5% of issued shares	354	7.92	446,533,907	41.56
5% and above of issued shares	6	0.13	582,528,923	54.22
Total	**4,471**	**100.00**	**1,074,375,720**	**100.00**

negligible

Analysis of Equity Structure

Category of Shareholders	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
Individual	3,115	69.67	305,240,104	28.41
Body Corporate				
Banks/Finance Companies	66	1.48	61,508,700	5.73
Investment Trusts/Foundation/Charities	-	-	-	-
Other type of companies	58	1.30	142,129,109	13.23
Government Agencies/Institutions	2	0.04	60,966,580	5.67
Nominees	1,230	27.51	504,531,227	46.96
Total	**4,471**	**100.00**	**1,074,375,720**	**100.00**

ANALYSIS OF SHAREHOLDINGS

AS AT 7 MARCH 2016

Thirty Largest Securities Account Holders as per Record of Depositors

	Name of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
1.	Majaharta Sdn Bhd	134,775,306	12.54
2.	Lejla Taib	111,000,000	10.33
3.	Dato Sri Sulaiman Abdul Rahman Abdul Taib	88,395,255	8.23
4.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	69,716,927	6.49
5.	Sarawak Economic Development Corporation	60,896,080	5.67
6.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for Bank Julius Baer & Co Ltd (Singapore BCH)*	50,377,700	4.69
7.	Pui Cheng Wui	46,040,815	4.29
8.	RHB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Dato Sri Mahmud Abu Bekir Taib*	41,690,000	3.88
9.	DB (Malaysia) Nominee (Asing) Sdn Bhd *Exempt AN for Deutsche Bank AG Singapore (PWM Asing)*	35,457,300	3.30
10.	AMSEC Nominees (Tempatan) Sdn Bhd *AmTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)*	30,375,100	2.83
11.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged securities account for Dato Sri Mahmud Abu Bekir Taib (MAB0006M)*	17,860,000	1.66
12.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (CIMB PRIN)*	17,569,000	1.64
13.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Dato Sri Mahmud Abu Bekir Taib (2641017)*	17,100,255	1.59
14.	Cartaban Nominees (Tempatan) Sdn Bhd *Exempt AN for Eastspring Investments Berhad*	15,632,700	1.46
15.	Dato Sri Mahmud Abu Bekir Taib	11,550,000	1.08
16.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for CIMB Islamic Dali Equity Theme Fund*	11,342,100	1.06
17.	Maybank Nominees (Tempatan) Sdn Bhd *Etiqa Takaful Berhad (Family PRF EQ)*	10,583,100	0.99
18.	AmanahRaya Trustees Berhad *Public Islamic Select Enterprises Fund*	9,407,600	0.88
19.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Citibank New York (Norges Bank 9)*	9,023,700	0.84
20.	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)*	7,148,700	0.67
21.	AmanahRaya Trustees Berhad *Public Ittikal Sequel Fund*	7,128,600	0.66
22.	AmanahRaya Trustees Berhad *Public Islamic Select Treasures Fund*	6,668,400	0.62
23.	Citigroup Nominees (Tempatan) Sdn Bhd *Bank Negara Malaysia National Trust Fund (CIMB)*	6,167,200	0.57

ANALYSIS OF SHAREHOLDINGS
AS AT 7 MARCH 2016

	Name of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
24.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)*	5,895,200	0.55
25.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (F Templeton)*	5,262,300	0.49
26.	HSBC Nominees (Asing) Sdn Bhd *BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund*	3,902,300	0.36
27.	AmanahRaya Trustees Berhad *Public Islamic Sector Select Fund*	3,615,700	0.34
28.	Citigroup Nominees (Tempatan) Sdn Bhd *Universal Trustee (Malaysia) Berhad for CIMB Islamic Dali Equity Fund*	3,417,700	0.32
29.	HSBC Nominees (Tempatan) Sdn Bhd *HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (CIMB-P 6939-404)*	3,334,500	0.31
30.	Cartaban Nominees (Asing) Sdn Bhd *Exempt AN for State Street Bank & Trust Company (West CLT OD67)*	3,280,000	0.31
	Total	**844,613,538**	**78.61**

Substantial Shareholders as per Register of Substantial Shareholders (excluding nominee companies)

	Name of Substantial Shareholders	Direct Shareholding	Indirect Shareholding	% of Issued Capital
1.	Dato Hajjah Hanifah Hajar Taib-Alsree	2,115,000	135,575,306 [2]	12.83
2.	Datuk Syed Ahmad Alwee Alsree	1,000,000	136,890,306 [1]	12.83
3.	Majaharta Sdn Bhd	134,775,306	-	12.54
4.	Jamilah Hamidah Taib	-	134,775,306 [2]	12.54
5.	Lejla Taib @ Datuk Patinggi Dr. Hajjah Lejla Taib (deceased)	111,000,000	-	10.33
6.	Employees Provident Fund Board	99,262,027	-	9.24
7.	Dato Sri Sulaiman Abdul Rahman Taib	88,395,255	-	8.23
8.	Dato Sri Mahmud Abu Bekir Taib	88,200,255	-	8.21
9.	Sarawak Economic Development Corporation	60,896,080	-	5.67

[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 2015

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 4747, Block 18, Salak Land District, Kuching.	2009	Mixed zone land	Vacant land	Leasehold	41 years (2056)	0.23/ N/A	-	367
Lot 449, Block 15, Salak Land District, Kuching.	2007	Mixed zone land	Land & school	Leasehold	52 years (2068)	7.49/ 5,322	9 years	26,545
Lot 678, Section 66, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	23 years (2038)	3.20/ N/A	-	9,346
Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate, Kuching.	1996	Land & cement mill	Office & factory	Leasehold	21 years (2036)	6.25/ 15,223	38 years	27,141
Lot 766, Block 20, Kemena Land District, Bintulu.	1997	Land & cement mill	Office & factory	Leasehold	47 years (2062)	6.88/ 68,797	19 years	16,055
Lot 767, Block 20, Kemena Land District, Bintulu.	1997	Land	Vacant land	Leasehold	47 years (2062)	10.13/ N/A	-	7,705
Lot 571, Block 4, Sentah Segu Land District, Kuching.	1992/2002	Land & clinker mill	Office & factory	Leasehold	27 years (2042)	18.27/ 58,595	18 years	114,027
Lot 528, Block 4, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	57 years (2072)	0.11/ N/A	-	0
Lot 872, Block 4, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	56 years (2071)	0.22/ N/A	-	108
Lot 70, Block 9, Sentah Segu Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	9 years (2024)	1.30/ N/A	-	230
Lot 73, Block 9, Sentah Segu Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	11 years (2026)	0.75/ N/A	-	138
Lot 145, Block 8, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	98 years (2113)	3.77/ N/A	-	1,161
Lot 151, Block 8, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	55 years (2070)	1.66/ N/A	-	505
Lot 71, 74 & 79, Block 9, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	98 years (2113)	6.46/ N/A	-	1,992
Lot 415, Block 32, Kemena Land District, Bintulu.	1996	Industrial land	Held for rental income	Leasehold	29 years (2044)	2.23/ 712	16 years	2,470

LIST OF PROPERTIES

AS AT 31 DECEMBER 2015

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 34 & 35, Section 15, Kuching Town Land District, Kuching.	1994	4-storey shophouse	Held for rental income	Leasehold	800 years (2815)	0.41/ 1,400	19 years	3,791
Lot 9882, Section 64, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	83 years (2098)	3.19/ N/A	-	22,374
Lot 4717-4718, Block 18, Salak Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	42 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	39 years (2054)	2.73/ 650	22 years	80
Lot 444, Block 11, 8th Mile, Sibu Ulu Oya Road, Seduan Land District, Sibu.	1994	Mixed zone land	Premix operation	Leasehold	40 years (2055)	2.76/ 1,265	23 years	382
Lot 71, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	41 years (2056)	18.94/ N/A	-	1,706
Lot 294, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	41 years (2056)	2.75/ N/A	-	412
Lot 212, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Office & factory	Leasehold	41 years (2056)	5.04/ 1,700	18 years	3,688
Lot 353, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Premix operation	Leasehold	41 years (2056)	2.24/ 1,877	7 years	635
Lot 338, 340-345, Block 10, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	23 years (2038)	3.07/ N/A	-	380
Lot 302-304, 354-357, 362 and 363, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	809 years (2824)	4.27/ N/A	-	3,426
Lot 342-343, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	9 years (2024)	0.74/ N/A	-	110
Lot 134, Section 64, Kuching Town Land District, Kuching.	1998	Mixed zone land	Jetty and land	Leasehold	43 years (2058)	0.43/ N/A	-	848

LIST OF PROPERTIES

AS AT 31 DECEMBER 2015

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 358, Block 17, Kuching Central Land District, Kuching.	2012	Mixed zone land	Quarry operation	Leasehold	809 years (2824)	0.44/ N/A	-	796
Lot 355, Block 17, Kuching Central Land District, Kuching.	2012	Mixed zone land	Quarry operation	Leasehold	809 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	45 years (2060)	0.01/ 334	17 years	336
Lot 2116, Sublot 2, Kuching Town Land District, Kuching.	2003	3-Storey shophouse	Office	Leasehold	45 years (2060)	0.01/ 328	17 years	421
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	22 years (2037)	0.53/ N/A	-	63
Lot 488, Block 5, Muara Tebas Land District, Sejingkat, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	11 years (2026)	2.70/ N/A	-	200
Lot 220-222, Section 63, Kuching Land District, Kuching.	2007	4-storey shophouses	Office	Leasehold	781 years (2797)	0.04/ 4,452	7 years	3,109
Lot 1319, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	81 years (2096)	26.42/ N/A	-	23,736
Lot 3241-3247, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	81 years (2096)	38.20/ N/A	-	24,688
Lot 2839, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	94 years (2109)	1.67/ N/A	-	1,499
Lot 2850, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	94 years (2109)	3.49/ N/A	-	3,140
Lot 2852, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	94 years (2109)	2.59/ N/A	-	2,330
Lot 2855, Block 7, Muara Tebas Land District, Sejingkat, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	94 years (2109)	16.67/ N/A	-	14,974

LIST OF PROPERTIES

AS AT 31 DECEMBER 2015

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 622, Section 66, Kuching Town Land District, Kuching.	1998	Mixed zone land	Land held for development	Leasehold	43 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	58 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	43 years (2058)	11.66/ N/A	-	14,673
Lot 9244, Block 11, Muara Tebas Land District, Stutong, Kuching.	2011	Mixed zone land	Land held for development	Leasehold	56 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	83 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	83 years (2098)	32.37/ N/A	-	344
Lot 1, Block 13, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	83 years (2098)	349.70/ N/A	-	2,711
Lot 2082, Section 66, Kuching Town Land District, Kuching.	1996	Land & factory	Office & factory	Leasehold	30 years (2045)	0.85/ 3,936	32 years	2,184
Lot 117, Block 1, Kemena Land District, Bintulu.	2013	Industrial land	Vacant land	Leasehold	58 years (2073)	123.02/ N/A	-	28,531
Samalaju Industrial Park, Lot 108 & 109, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Property development	Leasehold	99 years (2114)	32.95/ N/A	-	16,030
Samalaju Industrial Park, Lot 29 & 33, Block 54, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	99 years (2114)	860.60/ N/A	-	171,066
Samalaju Industrial Park, Lot 143, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	99 years (2114)	22.68/ N/A	-	4,049
Samalaju Industrial Park, Lot 293, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	99 years (2114)	83.40/ N/A	-	37,530

LIST OF PROPERTIES

AS AT 31 DECEMBER 2015

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)
Samalaju Industrial Park, Lot 132, Block 1, Kemena Land District, Bintulu.	2014	Mixed zone land	Hotel	Leasehold	99 years (2113)	9.35/ 14,460	-	49,684
Parcel 42, Block 71, Kuching Central Land District, Kuching.	-	**	Quarry operation	-	-	N/A/ 1,262	23 years	39
G.N. No.100 Sebuyau, Kota Samarahan Division, Kuching.	-	**	Jetty	-	-	N/A	-	1,545
Lot 360 & Lot 361, Block 17, Kuching Central Land District, Kuching	-	**	Temporary sheet pile storage	-	-	N/A	-	132
Lot 246, Block 5, Sentah Segu Land District, Kuching.	-	**	Quarry operation	-	-	N/A/ 994	5 years	6,558
Jalan Bintulu-Miri (Coastal Road), Samalaju Industrial Park, Bintulu.	-	**	Quarters, office, lodge	-	-	N/A/ 47,655	5 years	1,645
Lot 552-553, Upper Lanang Road, Sibu.	-	**	Bulk terminal	-	-	N/A/ 2,841	5 years	8,641
Lot 239, Lorong 5, Block 4, Jalan Krokop Riverside, Miri.	-	**	Bulk terminal	-	-	N/A/ 4,074	5 years	8,494

** 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 2072 5511

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

Lot 766, Block 20, Kemena Land District
Kidurong Industrial Estate
97000 Bintulu
T +60 86 254 727
F +60 86 254 753
E awangw@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, Off Jalan Puncak Borneo
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, Kuching Central Land District
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

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

CONSTRUCTION MATERIALS & TRADING DIVISION

CMS Resources Sdn Bhd (98773-T)
7th Mile, Old Airport Road
93250 Kuching
T +60 82 610 226
F +60 82 612 434
W www.cmsb.com.my/resources

CMS Quarries Sdn Bhd (121767-D)
7th Mile, Old Airport 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)
Lot 42, Block 71
Kuching Central Land District
9 ½ 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
W www.cmsb.com.my
W www.cmsb.com.my/premix

CMS Wires Sdn Bhd (23092-U)
Lot 87, Lorong Tenaga II
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)
No. 2128, Sublot 2
Jalan Utama, Pending
93450 Kuching
T +60 82 348 950
F +60 82 348 952
E trading@cmsb.com.my
W www.cmsb.com.my/trading

PROPERTY DEVELOPMENT DIVISION

Projek Bandar Samariang Sdn Bhd (443828-P)
CMS Property Development Sdn Bhd (321917-U)
CMS Property Management Sdn Bhd (326616-U)
CMS Development Services Sdn Bhd (366880-P)
CMS Land Sdn Bhd (410797-H)
Level 5, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 237 777
F +60 82 252 652
E info@cmsproperty.com.my
E sales@cmsp.cmsb.com.my
w www.cmsproperty.com.my

Samalaju Properties Sdn Bhd (752695-D)
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

Samalaju Hotel Management Sdn Bhd (965442-M)
Lot 132, Block 1, Kemena Land District
Samalaju Industrial Park
97000 Bintulu
T +60 86 291 999
F +60 86 291 888
W www.samalajuresorthotel.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
W www.cmsb.com.my/works

PPES Works (Sarawak) Sdn Bhd (209892-K)
1st - 4th Floor
Lot 621 - 623, Section 62, KTLD
Jalan Padungan
93100 Kuching
T +60 82 340 588
F +60 82 340 695
E works@cmsb.com.my
W www.cmsb.com.my/works

CMS Roads Sdn Bhd (287718-K)
Lot 220-222 Section 63 KTLD
Lorong Ang Cheng Ho 9
Jalan Ang Cheng Ho
93100 Kuching
T +60 82 233 311 / 233 030
F +60 82 230 311
E hotlinejlnraya@works.cmsb.com.my
W www.cmsroads.com.my/roads

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

INFORMATION & COMMUNICATION TECHNOLOGY DIVISION

Sacofa Sdn Bhd (552905-P)
Lot 367, Jalan Satok
93400 Kuching
T +60 82 416 000
F +60 82 239 353
E general@sacofa.com.my
W www.sacofa.com.my

OTHERS

Cahya Mata Sarawak Management Services Sdn Bhd (417398-U)
(*formerly known as CMS Modular Housing Sdn Bhd*)
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 238 888
F +60 82 333 828

CMS Capital Sdn Bhd (120674-T)
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 238 888
F +60 82 333 828

CMS Opus Private Equity Sdn Bhd (694013-H)
Level 33, Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur
T +60 3 2031 9008
F +60 3 2031 4008
E azam@opusasset.com
W www.cmsb.com.my/opus

CMS Education Sdn Bhd (392555-A)
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 238 888
F +60 82 333 828

Tunku Putra School
Jalan Stadium
Petra Jaya
93050 Kuching
T +60 82 313 900
F +60 82 313 970
E info@tps.edu.my
W www.tps.edu.my

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
Off Jalan Damansara
46350 Petaling Jaya
Selangor Darul Ehsan
T +60 3 7958 7329
F +60 3 7958 6329

NOTICE OF 41ST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 41st 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 Wednesday, 27 April 2016 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 December 2015 and the Reports of the Directors and Auditors thereon.

2. To declare a final tax exempt (single-tier) dividend of 3 sen per ordinary share in respect of the financial year ended 31 December 2015. **Ordinary Resolution 1**

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

   a) YBhg Datuk Syed Ahmad Alwee Alsree **Ordinary Resolution 2**
   b) YBhg Datu Hubert Thian Chong Hui **Ordinary Resolution 3**

4. To re-elect the following Directors who retire pursuant to Article 112 of the Company's Articles of Association:

   a) YBhg Datuk Seri Yam Kong Choy **Ordinary Resolution 4**
   b) Mr Chin Mui Khiong **Ordinary Resolution 5**

5. To approve the following Directors' fees:

   a) Increase in Directors' fees amounting to RM22,500 per annum for the Non-Executive Chairman, RM22,500 per annum for the Non-Executive Deputy Chairman and RM15,000 per annum for each of the Non-Executive Directors effective from 1 January 2015. **Ordinary Resolution 6**

   b) Payment of Directors' fees amounting to RM150,000 per annum for the Non-Executive Chairman, RM150,000 per annum for the Non-Executive Deputy Chairman and RM100,000 per annum for each of the Non-Executive Directors for the financial year ended 31 December 2015. **Ordinary Resolution 7**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 December 2016 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Ordinary Resolutions:

7. **Proposed Retention of Independent Director**

   "THAT approval be and is hereby given to Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail 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 9**

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 10**

NOTICE OF 41ST ANNUAL GENERAL MEETING

9. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate for RRPT")**

"THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in Part A of the Circular to Shareholders dated 5 April 2016 ("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 Sections 2.1.4 and 2.1.5 of the Circular being provisional in nature, the Directors of the Company be hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 2.1.8 of the Circular." **Ordinary Resolution 11**

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 Fortieth AGM of the Company held on 30 April 2015, 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 41ST 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 12**

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a Member who shall be entitled to attend, speak and vote at the 41st 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 20 April 2016. Only a Depositor whose name appears in the Register of Members/ROD as at 20 April 2016 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 41st AGM of the Company to be held on 27 April 2016 for the payment of the final dividend under single-tier system in respect of the financial year ended 31 December 2015 ("Dividend") under Ordinary Resolution 1, the Dividend will be paid on 26 May 2016 to Depositors whose names appear in the ROD on 13 May 2016.

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 13 May 2016 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
5 April 2016

NOTICE OF 41ST 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 2015

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.

Retirement of Director and Re-election of Directors who retire by rotation in accordance with Article 110

7. Article 110 of the Company's Articles of Association provides that one third (1/3) of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company. Pursuant to Paragraph 7.26 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. YBhg Datuk Kevin How Kow, an Independent Non-Executive Director, has informed the Board of Directors of the Company at its meeting held on 29 February 2016 that he does not wish to seek re-election in accordance with Article 110 of the Company's Articles of Association. Hence, he will retire at the conclusion of the 41st AGM. YBhg Datuk Syed Ahmad Alwee Alsree and YBhg Datu Hubert Thian Chong Hui 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 53 of the Statement on Corporate Governance in the 2015 Annual Report.

Re-election of Directors who retire in accordance with Article 112

8. Article 112 of the Company's Articles of Association provides that the Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed by the Company's Articles of Association. Any Director so appointed shall hold office until the next AGM of the Company and when he shall retire, he shall be eligible for re-election. YBhg Datuk Seri Yam Kong Choy and Mr Chin Mui Khiong who were appointed as Directors of the Company on 5 May 2015 and 3 August 2015 respectively are standing for re-election as Directors of the Company in accordance with Article 112 of the Company's Articles of Association and being eligible have offered themselves for re-election. Details of the assessment of the directors standing for re-election are on page 53 of the Statement on Corporate Governance in the 2015 Annual Report.

Increase in Directors' fees

9. The proposed increase in Directors' fees, which has not been revised since 2013, is to reflect the increased responsibilities of the Non-Executive Directors including the Chairman and Deputy Chairman. The quantum proposed is based on the outcome of a benchmarking analysis carried out by an external consultant engaged by the Company. The proposed Ordinary Resolution 6 is in accordance with Article 115(3) of the Company's Articles of Association and if passed, shall be effective 1 January 2015.

Re-appointment of Auditors

10. The Board at its meeting held on 11 March 2016 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 had considered and 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.

NOTICE OF 41ST ANNUAL GENERAL MEETING

Abstention from Voting

11. All the Non-Executive Directors (NEDs) who are shareholders of the Company will abstain from voting on Ordinary Resolutions 6 and 7 concerning Directors' fees at the 41st AGM. Any Director referred to in Ordinary Resolutions 2, 3, 4, 5 and 9 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 41st AGM.

Special Business

Retention of Director as Independent NED

12. Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail was appointed as Independent Non-Executive Director of the Company on 10 May 2006 and has served for a cumulative term of more than nine (9) years. The Board, through the annual assessment of the Independent NEDs, is satisfied with the skills, contribution and independent judgment that Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail brings to the Board. He has satisfactorily demonstrated 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. In view thereof, the Board has approved the Nomination and Remuneration Committee's recommendation to support his retention as an Independent NED at the 41st AGM of the Company in line with Recommendation 3.3 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

13. The proposed Ordinary Resolution 10, if passed, will give a renewed mandate to the Directors of the Company, pursuant to Section 132D of the Companies Act, 1965 ("Renewed Mandate") for such purposes as the Directors may deem fit and in the interest of the Company. The Renewed Mandate, unless revoked or varied by the Company in a general meeting will expire at the conclusion of next AGM of the Company.

    As at the date of this Notice, no new shares were issued pursuant to the mandate granted to the Directors at the 40th AGM held on 30 April 2015 and the said mandate will lapse at the conclusion of the forthcoming 41st 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

14. The proposed Ordinary Resolution 11, if passed, will allow the CMS Group to enter into recurrent related party transactions of a revenue or trading nature 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 5 April 2016 which is dispatched together with the Company's 2015 Annual Report.

Proposed Shareholders' Mandate for Share Buy-Back

15. The proposed Ordinary Resolution 12, if passed, will empower the Directors of the Company to purchase the Company's shares of an aggregate amount of up to 10% of the issued and paid-up share capital of the Company for the time being. The authority under this resolution will expire at the conclusion of the next AGM or the expiry of the period within which the next AGM is required by law to be held, or the same is revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting, whichever occurs first. Further information on the Proposed Shareholders' Mandate for Share Buy-Back is set out in the Circular to Shareholders dated 5 April 2016 which is dispatched together with the Company's 2015 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF 41ST 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 and Agenda 4 of the Notice of 41st Annual General Meeting ("AGM") are stated on pages 34 to 37 of this Annual Report.

B. The profile of the Director who is seeking approval to continue to act as an Independent Non-Executive Director pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 as per Agenda 7 of the Notice of 41st AGM is stated on page 33 of this Annual Report.

C. The profiles of the Directors are stated on pages 33 to 37 of this Annual Report. Their shareholdings in the Company are set out on page 189.

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 41st Annual General Meeting of the Company to be held at Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak on Wednesday, 27 April 2016 at 10:00 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 YBhg Datuk Syed Ahmad Alwee Alsree as Director		
3.	Re-election of YBhg Datu Hubert Thian Chong Hui as Director		
4.	Re-election of YBhg Datuk Seri Yam Kong Choy as Director		
5.	Re-election of Mr Chin Mui Khiong as Director		
6.	Approval of Increase in Directors' fees 2015		
7.	Approval of Payment of Directors' fees 2015		
8.	Re-appointment of Auditors		
9.	Proposed Retention of Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail as Independent Non-Executive Director		
10.	Authority to Directors to allot and issue shares		
11.	Proposed Shareholders' Mandate for RRPT		
12.	Proposed Shareholders' Mandate for Share Buy-Back		

Date: ....2016 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 41st 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 20 April 2016. Only a depositor whose name appears in the Register of Members/ROD as at 20 April 2016 shall be entitled to attend the said meeting or appoint proxy/proxies to attend, speak and vote on his/her behalf.

Folding line

STAMP

The Company Secretary
Cahya Mata Sarawak Berhad (21076-T)
Level 6 Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Sarawak
Malaysia

Folding line

CAHYA MATA SARAWAK BERHAD (21076-T)
WISMA MAHMUD, JALAN SUNGAI SARAWAK
93100 KUCHING, SARAWAK

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

WWW.CMSB.COM.MY