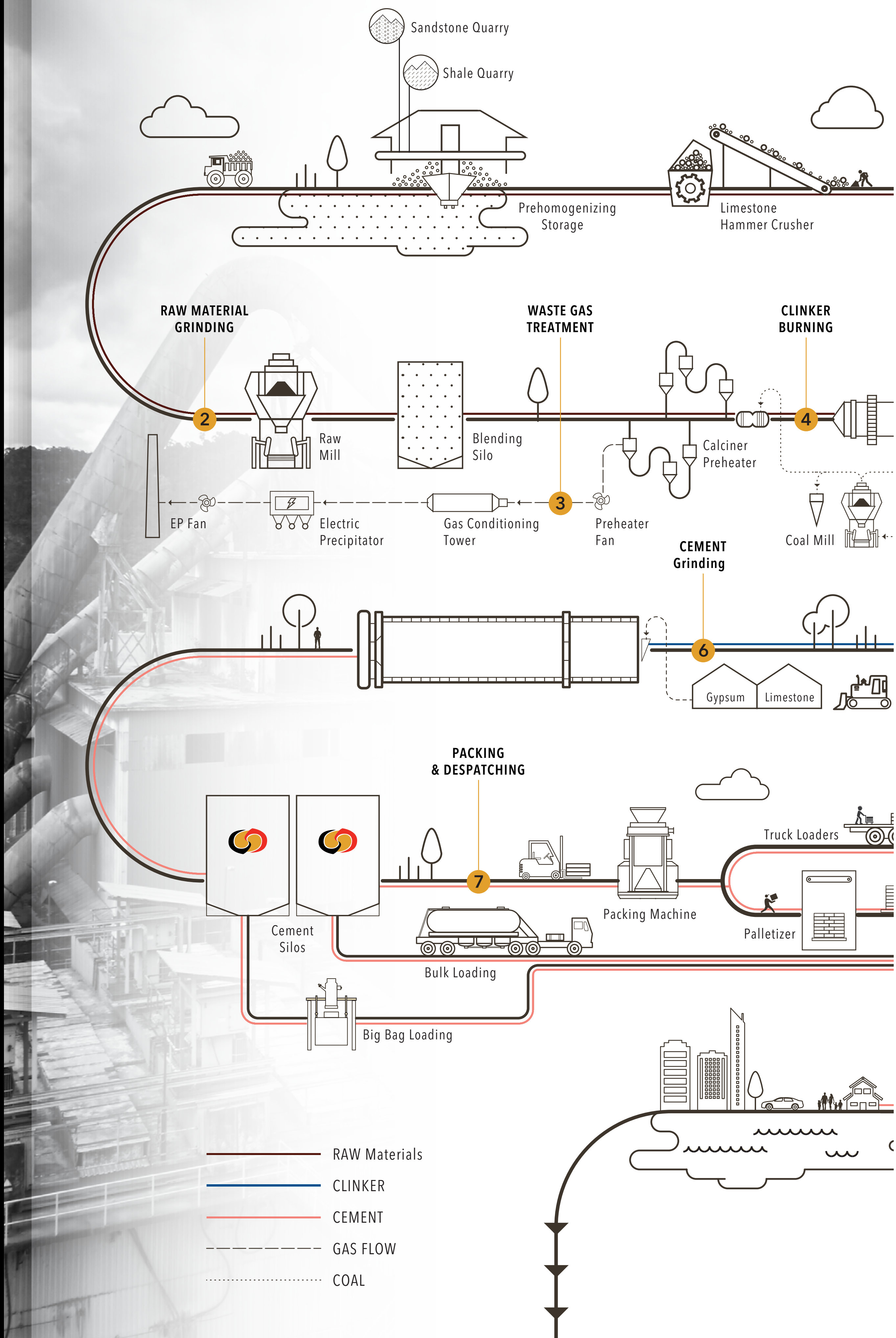
ANNUAL
REPORT
2016

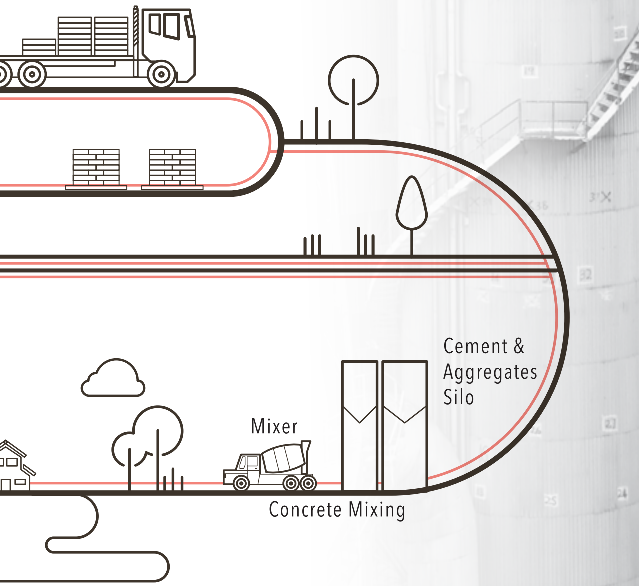
STRENGTHENING OUR MOMENTUM

CAHYA MATA SARAWAK

i-nova


Sandstone Quarry
Shale Quarry
Prehomogenizing Storage
Limestone Hammer Crusher
RAW MATERIAL GRINDING
WASTE GAS TREATMENT
CLINKER BURNING
2
Raw Mill
Blending Silo
Calciner Preheater
4
3
EP Fan
Electric Precipitator
Gas Conditioning Tower
Preheater Fan
Coal Mill
CEMENT Grinding
6
Gypsum
Limestone
PACKING & DESPATCHING
Truck Loaders
7
Packing Machine
Palletizer
Cement Silos
Bulk Loading
Big Bag Loading
RAW Materials
CLINKER
CEMENT
GAS FLOW
COAL

OUR INTEGRATED CEMENT PROCESSING CAPABILITY



STRENGTHENING OUR MOMENTUM

Cahya Mata Sarawak Berhad's 2016 Annual Report portrays East Malaysia's first Integrated Cement Plant on its cover. Launched in November 2016 amidst external headwinds that buffeted both CMS and the State, the new facility will help meet rising demand for cement in Sarawak, as well as materially reduce the risk of supply disruptions for the long-term.

Today, both CMS and the State are steadfastly rising above 2016's setbacks and are back on track to achieve their economic ambitions. We continue to leverage on strong underlying fundamentals to strengthen our growth momentum. These include the host of infrastructure projects and related services required across the State and the energy-intensive opportunities 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 stakeholders. As we maximise our participation in the Sarawak growth story, we undoubtedly remains one of the best proxy-listed investments for Sarawak's dynamic growth.

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

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

i-Nova is a feature within the CMS Mobile App which 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 Berhad (CMS) Annual Report 2016

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.

What's Inside

OUR BUSINESS

WITH SOME 42 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. DESPITE CHALLENGING MARKET CONDITIONS, THE GROUP HAS STEADFASTLY MAINTAINED ITS GROWTH MOMENTUM - ITS SOLID PROGRESS A REFLECTION OF SARAWAK'S OWN DYNAMIC PROGRESS.

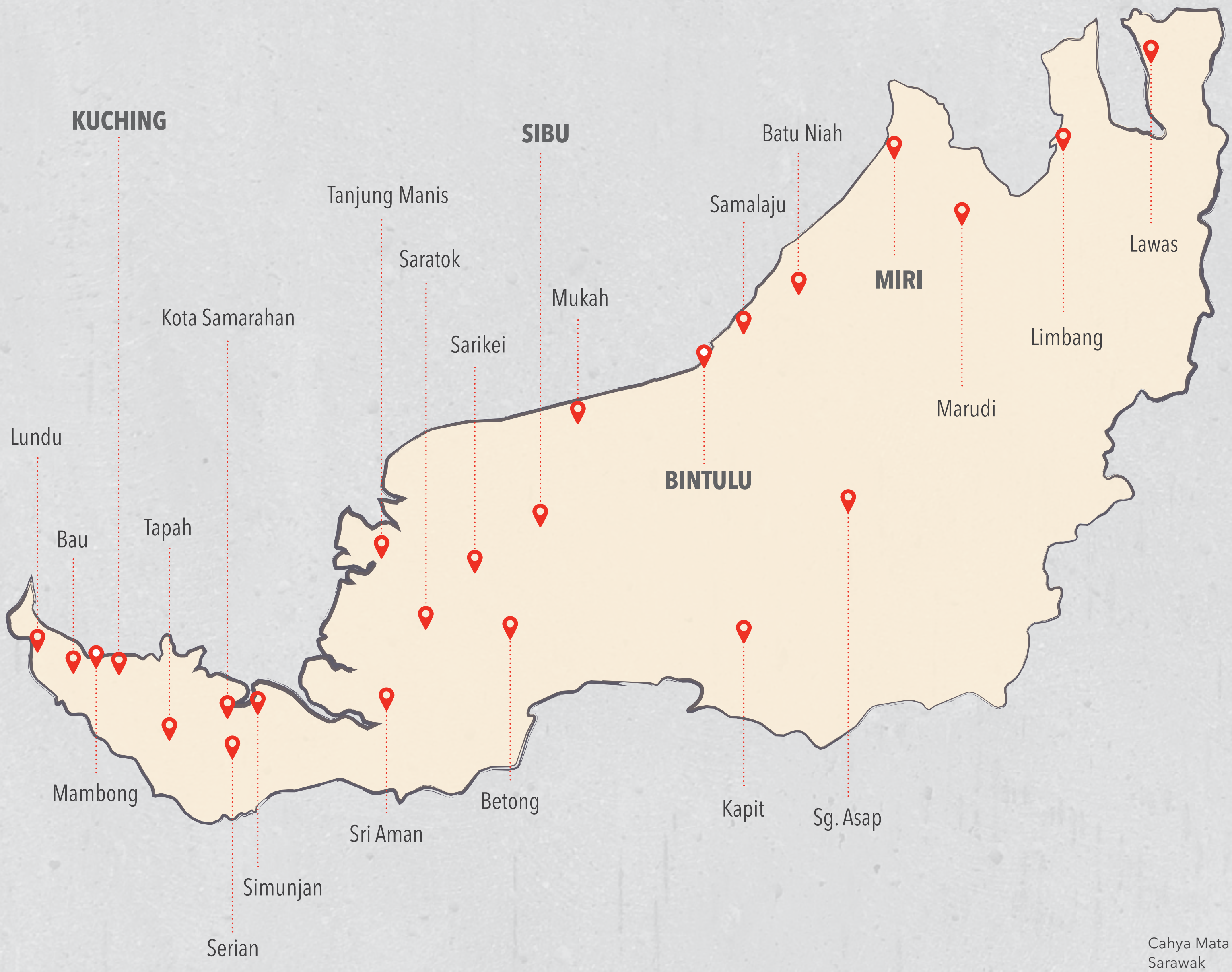
Tracing its humble origins back to cement manufacturing, CMS has successfully diversified into the manufacturing and trading of Cement and Construction Materials; Construction; Road Maintenance; Alloys Smelting; Township, Property and Infrastructure Development; Education; and Financial Services. In 2015, 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 Sarawak's 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 strong balance sheet, local knowledge, an experienced management team and a 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 Securities Berhad (Bursa Malaysia), the Malaysian stock exchange.

- Cement & Clinker
- Education
- Construction
- Ferrosilicon and Manganese Alloys Smelting
- Construction Materials Trading & Agencies
- Financial Services

- Industrialised Building System (IBS) Products & Solutions
- Project Management
- Steel Pipe Manufacturing & Laying
- Township & Property Development
- Precast Concrete Products
- Road Maintenance
- Stone Aggregates
- Wire Mesh
- Premix
- Steel Fabrication & Engineering
- Telecommunications Infrastructure
- Hotel & Workers' Accommodation



CORPORATE INFORMATION

COMPANY NAME

Cahya Mata Sarawak Berhad

COMPANY NUMBER

21076-T

DIRECTORS

01 Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail

02 Y Bhg Dato Sri Mahmud Abu Bekir Taib

03 Y Bhg Datuk Syed Ahmad Alwee Alsree

04 Y D H Dato' Richard Alexander John Curtis

05 Y A Bhg General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Hj Zainuddin (Retired)

06 Y Bhg Datu Hubert Thian Chong Hui

07 Y Bhg Datuk Seri Yam Kong Choy

08 Mr Chin Mui Khiong

GROUP COMPANY SECRETARY

Denise Koo Swee Pheng

REGISTERED OFFICE

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

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f +60 82 333 828
w www.cmsb.com.my

AUDITORS

Ernst & Young

REGISTRAR

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

t +60 3 7849 0777
f +60 3 7841 8151/8152

PRINCIPAL BANKER

Bank Muamalat Malaysia Berhad
CIMB Islamic Bank Berhad
Hong Leong Bank Berhad
Kenanga Investment Bank Berhad
Maybank Islamic Berhad
OCBC Bank (Malaysia) 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 2017

CAHYA MATA SARAWAK*

CORE BUSINESS DIVISIONS

CEMENT DIVISION

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

PROPERTY DEVELOPMENT DIVISION

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

SAMALAJU DEVELOPMENT DIVISION

- 100% Samalaju Industries Sdn Bhd

INFORMATION & COMMUNICATION TECHNOLOGY DIVISION

CONSTRUCTION MATERIALS & TRADING DIVISION

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

CONSTRUCTION & ROAD MAINTENANCE DIVISION

- 100% CMS Works Sdn Bhd
  - 100% CMS Roads Sdn Bhd
  - 100% CMS Pavement Tech Sdn Bhd
  - 51% PPES Works (Sarawak) Sdn Bhd
    - 70% PPESW BPSB JV Sdn Bhd *(formerly known as CMS Development Services Sdn Bhd)*

STRATEGIC INVESTMENTS

- 95% CMS Capital Sdn Bhd
  - 21.22% Kenanga Investment Bank Bhd *
    - CMS 4.16%
  - 51% CMS Opus Private Equity Sdn Bhd
- 20% KKB Engineering Bhd *
- 100% CMS Education Sdn Bhd
- 25% OM Materials (Sarawak) Sdn Bhd
- 25% OM Materials (Samalaju) Sdn Bhd
- 40% Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- 50% SACOFA Sdn Bhd

SERVICES/ DORMANT/ INACTIVE COMPANIES

- 100% Cahya Mata Sarawak Management Services Sdn Bhd
- 100% CMS I-Systems Bhd
  - 100% CMS I-Systems (India) Pte Ltd

* Listed on Main Market of Bursa Malaysia.

······ The dotted line above represents the Management reporting lines.

CORPORATE MILESTONES

STRENGTHENING OUR GROUP FOR SUSTAINABLE GROWTH

03FEB Malaysian Phosphate Additives (Sarawak) Sdn Bhd signed a Power Purchase Agreement with Sarawak Energy Berhad to power the largest integrated phosphate additives plant in South East Asia.

23FEB A contract signing ceremony was held between PPES Works (Sarawak) Sdn Bhd and the Sarawak Government for the proposed construction of the Datuk Temenggong Abang Kipali bin Abang Akip Interchange via the shallow underpass to ease traffic congestion. The RM67.00 mil Design & Build Contract was awarded on 26 October 2015. Construction period is expected to take 24 months.

29APR SACOFA Sdn Bhd signed an Infrasharing & Bandwidth Leasing Agreement with U Mobile Sdn Bhd to deliver built-to-suit sites and provide bandwidth leasing services to U Mobile over a period of 10 years.

12MAY Malaysian Phosphate Additives (Sarawak) Sdn Bhd signed an Engineering Design, Procurement & Construction Contract with a consortium of contractors from China to build a RM2.20 bil Integrated Phosphate Complex at Samalaju Industrial Park in Bintulu, Sarawak.

STRENGTHENING OUR GROUP FOR SUSTAINABLE GROWTH

25JUL

PPES Works (Sarawak) Sdn Bhd and Bina Puri Sdn Bhd joint venture, PPESW BPSB JV Sdn Bhd secured Phase 1 of Work Package Contract 06 from Lebuhraya Borneo Utara Sdn Bhd for the Proposed Development & Upgrading of the Pan Borneo Highway project in Sarawak. The RM1.36 bil contract is for a duration of 47 months from the date of the Letter of Award.

22AUG

CMS Infra Trading Sdn Bhd signed an Exclusive Agency Agreement with IPV Distributors Sdn Bhd for the supply, delivery, installation and commissioning of IPVLED® (Heavy Duty LED) in Sarawak.

18OCT

Samalaju Properties Sdn Bhd officially opened its 23-acre 175-room Samalaju Resort Hotel located within the Samalaju Industrial Park.

18OCT

Samalaju Properties Sdn Bhd signed an agreement with the Trustees of the Methodist Church in Sarawak to buy 10 acres of land to build a school. A Memorandum of Understanding with PMB Development Sdn Bhd was also signed to consider the leasing of apartment units completed by Samalaju Properties in Samalaju Eco Park.

08NOV

CMS launched East Malaysia's first Integrated Cement Plant in Mambong, Kuching. The 1 mil-MT plant was built at a cost of RM190.00 mil and is CMS' third and largest cement grinding plant.

08NOV

CMS Clinker Sdn Bhd signed a Memorandum of Understanding with ZHA Environmental Sdn Bhd to enter into negotiations for the use of shredded rubber tyres as an alternate fuel in the production of clinker.

18DEC

Work Package Contract (WPC) 06 of the Pan Borneo Highway project was officially launched by the Prime Minister YAB Datuk Patinggi Najib Tun Razak in Miri, Sarawak. WPC 06 is managed by PPESW BPSB JV Sdn Bhd for the stretch of road from Sg. Awik Bridge to Bintangor Junction (64.486km).

FTSE4Good

19DEC

CMS was included in the FTSE4Good Bursa Malaysia (F4GMB) Index. The F4GMB Index is a globally recognised index launched by the FTSE Group, owned by the London Stock Exchange. It measures and recognises companies across the world demonstrating strong Environmental, Social and Governance (ESG) practices. CMS is one of forty-two constituents in the F4GBM Index.

OUR BUSINESS HIGHLIGHTS

26 FEB CMS recorded a revenue of RM1.79 bil with a pre-tax profit of RM381.65 mil for the year ended 31 December 2015.

01 MAR CMS launched its 'CMS Goes Green' Sustainability Awareness Campaign with the planting of trees at The Isthmus, Kuching.

21 JUL CMS was nominated for six categories at the Malaysian Investor Relations Association's IR Awards held in Kuala Lumpur for ensuring a transparent communication system with the investment community and providing relevant and timely information concerning CMS. The categories were Best IR Website (2nd), Best Quality of One-on-One Meeting (3rd), Best CEO for IR - Dato' Richard Curtis (3rd), Best CFO for IR - Syed Hizam Alsagoff (3rd), Best Company for IR (4th) and Best IR Professional (7th) - Sahil Singh Dev.

29 JUL CMS Property Development Sdn Bhd showcased its first premier development project, Rivervale Residences with the completion of its show-house. The 76 units of semi-detached houses are scheduled for completion by 2Q 2017. The 292-unit Rivervale Condominium launched in June 2015 is scheduled for completion by 4Q 2018.

26 AUG CMS Property Development Sdn Bhd collaborated with Mydin Mohamed Holdings Bhd to open Mydin Samariang at Bandar Samariang, Kuching. The RM70.00 mil hypermarket is Mydin's first branch in Sarawak.

30 AUG CMS recorded a revenue of RM745.72 mil for 1H 2016, a drop of 14% compared to the preceding year's corresponding period (1H 2016) of RM867.84 mil. Its pre-tax profit decreased by 59% from RM161.72 mil to RM65.67 mil reported in 1H 2015.

19 OCT CMS received an Award of Excellence in Enterprise Risk Management Implementation from Tricor Roots Consulting (TRC) during the TRC Group Risk Committee Alumni Forum 2016 in Kuala Lumpur. This award was presented in recognition of organisations that have demonstrated exceptional leadership and exemplary results in their risk management programmes.

30 NOV CMS recorded a revenue of RM1.10 bil and pre-tax profit of RM160.41 mil for the first nine months of 2016.

ENGAGING OUR STAKEHOLDERS

23JAN A Media Night was held in appreciation of the support and contribution from the media towards CMS.

27APR CMS held its 41st Annual General Meeting for shareholders for the financial year ended 31 December 2015.

19MAY CMS Opus Private Equity Sdn Bhd hosted the 9th Annual Investors' Conference in Kuala Lumpur.

08AUG -30SEP CMS Koffee Talk sessions were held in Kuching, Betong, Sibu, Mukah, Bintulu and Miri. Held biennially, these sessions provide a platform for non-executive employees to channel their work-related issues and general concerns directly to the senior management team. Main issues raised would then be summarised and explained on how each issue is being addressed at the Town Hall sessions.

04SEP For the second year, CMS Tribal Run 2016 drew over 3,000 participants. 100% of the entry fees collected from the runners amounting to RM120,000.00 were donated to 10 local charitable organisations.

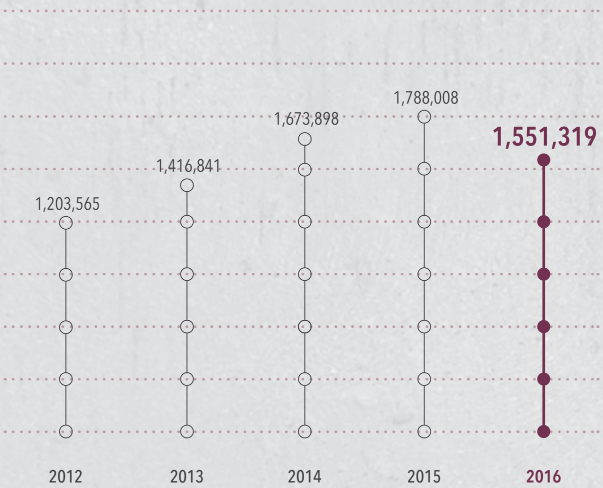
07OCT Tunku Putra School celebrated its 20th Anniversary. The event was officiated by His Excellency The Governor of Sarawak, Tun Pehin Sri Haji Abdul Taib Bin Mahmud.

02-07DEC CMS annual Town Hall sessions were held in Kuching, Sibu, Bintulu and Miri where employees were briefed on the performance of CMS for the year 2016. They were also updated on the business operations and strategic plans going forward for 2017 and beyond.

PERFORMANCE AT A GLANCE

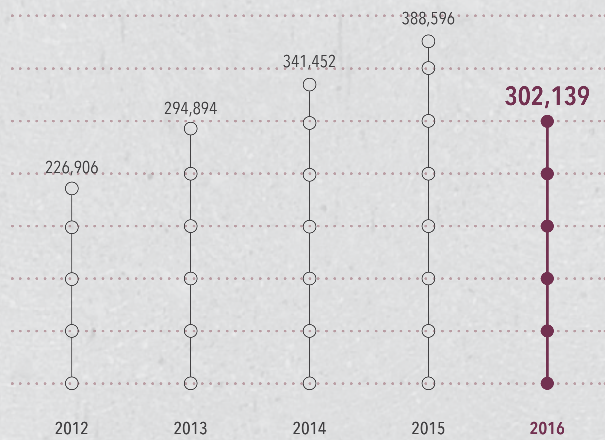
Revenue

(RM'000)



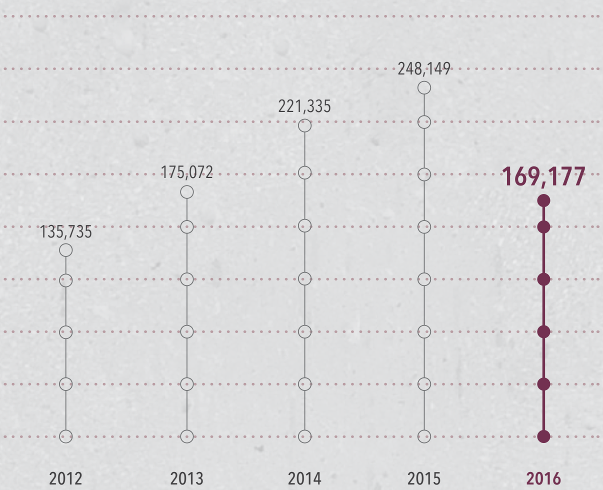
Profit Before Taxation

(RM'000)



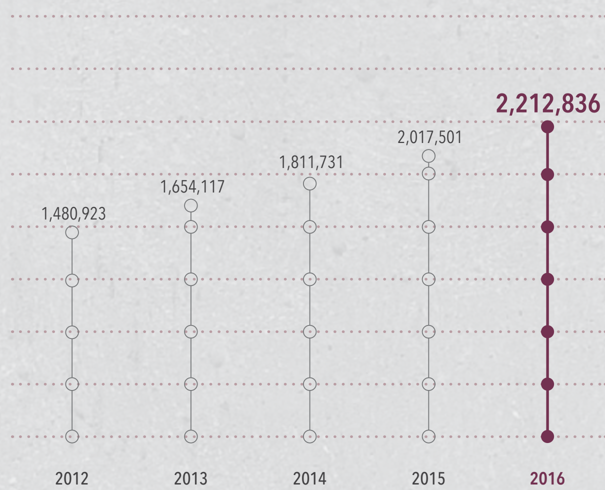
Profit Attributable to Owners of the Company

(RM'000)



Total Shareholders' Funds

(RM'000)



FINANCIAL HIGHLIGHTS

	2012	2013	2014	2015	2016
Revenue (RM'000)	1,203,565	1,416,841	1,673,898	1,788,008	1,551,319
Profit before taxation (RM'000)	226,906	294,894	341,452	388,596	302,139
Profit attributable to owners of the Company (RM'000)	135,735	175,072	221,335	248,149	169,177
Weighted average number of shares ('000)	327,928	999,276 *	1,033,352	1,064,741	1,074,376
Basic earnings per share (sen)	41.39	17.52 *	21.42	23.31	15.75
Gross dividends per share (sen)	17	17	8.5	4.5	6.3
Total shareholders' funds (RM'000)	1,480,923	1,654,117	1,811,731	2,017,501	2,212,836
Total assets (RM'000)	2,140,240	2,423,892	2,800,131	3,231,079	3,451,337
Net tangible assets per share (RM)	4.37	4.70	1.68	1.82	2.00
Net assets per share (RM)	4.56	4.88	1.74	1.88	2.06
Return on average shareholders' equity (%)	9.37	11.17	12.77	12.96	8.00
Return on total assets (after tax) (%)	6.34	7.22	7.90	7.68	4.90
Total borrowings (RM'000)	89,825	100,102	104,796	163,678	247,956
Gearings (times)	0.06	0.06	0.06	0.08	0.11
Current assets (RM'000)	1,141,742	1,349,054	1,602,401	1,307,756	1,371,984
Current liabilities (RM'000)	371,725	451,313	639,462	611,112	687,867
Current ratio (times)	3.07	2.99	2.51	2.14	1.99

* Adjusted for the share split and bonus issue

2016 SHARE PRICE PERFORMANCE (RM)

	2012	2013	2014		2015	2016
RM'000			Before split and bonus issue	After split and bonus issue		
Low	2.06	2.99	6.55	3.30	3.80	3.17
High	3.50	6.99	11.46	4.72	6.00	5.23
Closing	3.33	6.89	10.50	3.96	5.13	4.00

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

IN 2016, YOUR COMPANY, CAHYA MATA SARAWAK BERHAD (CMS OR THE GROUP), WEATHERED EXTREMELY CHALLENGING MARKET AND OPERATING CONDITIONS TO TURN IN A STEADFAST PERFORMANCE. I AM PLEASED TO SAY THAT DESPITE BEING WEIGHED DOWN BY MACROECONOMIC PRESSURES IN THE FIRST HALF OF THE YEAR, OUR GROUP DEMONSTRATED THEIR RESILIENCE AND MADE A RETURN TO SUSTAINABLE PROFITABILITY BY THE YEAR END.

Y A M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Group Chairman

REVENUE

FY 2016

RM1.55
billion

PROFIT BEFORE TAX

FY 2016

RM302.14
million

CHALLENGING MARKET AND OPERATING CONDITIONS

The year 2016 brought with it a much weaker macroeconomic environment characterised by low commodity prices, a prolonged downturn in the oil and gas industry, slowing growth in China and a lacklustre US economy. This was further compounded by major political developments in the form of Brexit and the US presidential elections, all of which cast a pall upon the global economic landscape.

Malaysia was not spared the vagaries of the marketplace either, with the Ringgit continuing to slide against major currencies throughout the year. Amidst moderating domestic demand and consumer spending, Malaysia's GDP grew at a much slower pace, dropping to 4.2% against 5% GDP growth in 2015. Meanwhile, Sarawak turned in an economic growth of just 4% (against projected growth of between 6%-7% per annum from 2016-2020), opting to revive growth levels by running a budget deficit for the first time in 14 years.

The challenging market and operational conditions in 2016 impacted many companies including CMS. On top of the slew of macro factors, a strong US dollar which led to higher costs of raw materials and imported cement adversely affected our Cement Division while also causing hedging losses at the Group's 25% associate, OM Materials (Sarawak) Sdn Bhd during the first half of the year. Adding to this, sluggish private and public sector demand as a result of bank lending restraints, coupled with the lack of new large projects and exceptionally inclement weather during the first quarter of 2016, all meant a reduction in demand for construction materials in Sarawak.

STEADFAST FINANCIAL PERFORMANCE

Amidst this backdrop, the Group posted total revenue of RM1.55 billion and profit before tax profit (PBT) of RM302.14 million for the financial year ended 31 December 2016 (FY 2016). This was a 13% and 22% drop in revenue and PBT respectively in comparison to the preceding year's (FY 2015's) record revenue of RM1.79 billion and record PBT of RM388.60 million. Year-on-year, the Group registered profit after tax and non-controlling interests (PATNCI) of RM169.18 million for FY 2016, which was 32% lower than the PATNCI of RM248.15 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% to Group revenue, similar to the combined contribution the year before. The substantial reduction in the PBT and PATNCI was attributable to the Group's share of substantial losses in its associates and lower earnings by the Construction & Road Maintenance Division. In FY 2016, the Construction & Road Maintenance Division together with the Construction Materials & Trading and Cement Divisions contributed 101% (FY 2015: 89%) of the Group's PBT.

The Board is satisfied with the progress made by all our core Business Divisions, particularly amidst the year's macro challenges. Their steadfast focus on tackling challenges in a prudent manner, capitalising on opportunities and optimising cost structures continues to hold them in good stead. Their resolute performance is also a reflection of Sarawak's own resolve to rise above a lacklustre economic environment to return to higher growth levels.

KEY CORPORATE DEVELOPMENTS

For 2016, several key developments took place that cemented the Group's position as one of the best proxy-listed investments for Sarawak's dynamic growth.

In February 2016, our associate Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS), inked a Power Purchase Agreement (PPA) with Sarawak Energy Berhad through its wholly-owned subsidiary Syarikat SESCO Berhad to provide electricity to the largest integrated phosphate additives plant in Southeast Asia. This was followed by the award for Engineering, Procurement and Construction (EPC) activities for the plant to SCEGC Equipment Installation Group Company Ltd and Norther Heavy Industries Group Co. Ltd in May 2016. The PPA and EPC signings underscore the Group's commitment towards investing RM2.20 billion for the development of a phosphate additives plant at the Samalaju Industrial Park. It is a commitment CMS is making due to the huge potential contribution this project will bring to Malaysia and Sarawak in terms of Gross National Income and employment. The Plant also has enormous downstream potential and the scalability to be the largest phosphate-chemical hub in the region with competitive costs, giving us the edge over others.

Another major milestone was achieved when the Group together with Bina Puri Holdings Berhad received and accepted a Letter of Award from Lebuhraya Borneo Utara Sdn Bhd in July 2016 for the proposed development and upgrade under Phase 1 of the Pan Borneo Highway in Sarawak. The RM1.36 billion contract involves the construction of roads and bridges from Sg. Awik to Bintangor Junction. Our success in securing this major project can be attributed to a combination of prudent pricing and margin strategies, our solid infrastructure development track record and our extensive local knowledge. It presents an exciting and important achievement especially for the Cement Division in view of the anticipated massive demand for cement. CMS has also been gearing up to ensure that it is able to meet the construction materials needs of contractors for the mega highway project and is in a competitive position to do so given the commencement of operations of our new integrated cement plant and the expansion of our other construction materials supply capabilities.

In November 2016, our Cement Division officially launched East Malaysia's first Integrated Cement Plant in Mambong. By integrating the Division's largest cement plant together with its adjoining clinker plant into a single entity, the new facility will help meet rising demand for cement as the State undergoes rapid development with mega infrastructure projects such as the Baleh Dam and the Pan Borneo Highway in the offing. With the new integrated plant within its asset portfolio, the Group now has sufficient manufacturing and distribution capacity to meet the State's growing cement requirements for the long-term. The Plant also provides the Group a significant reserve production capacity to materially reduce the risk of supply disruptions in the State, extend our supply into nearby markets and produce more than one type of cement.

SHAREHOLDER VALUE CREATION

In FY 2016, the Group's basic earnings per share (EPS) stood at 15.75 sen in comparison to EPS of 23.31 sen in FY 2015. For the year in review, the Group turned in a Return on Equity (ROE) of 8.00% as compared to a ROE of 12.96% in FY 2015.

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, ROE and retained earnings, projected levels of capital expenditure (CAPEX) and other investment plans. On the Board's part, we will endeavour to do our best to observe our dividend policy as we understand how reliant many of our shareholders are on us consistently following through this policy in a consistent manner.

In light of the above, the Board is proposing a first and final tax exempt (single-tier) dividend of 6.30 sen per share subject to shareholders' approval at the forthcoming Annual General Meeting. This represents a payout ratio of 40.01% and amounts to a dividend payable of RM67.69 million for FY 2016 (FY2015: RM48.35 million).

Today, your Company continues to maintain a healthy balance sheet and a comfortable level of gearing. Our relatively low gearing these last four years coupled with our robust cash and cash equivalent reserves, is a delibrate policy to position ourselves for future investment opportunities.

Going forward, we are finalising the proposal to undertake a Sukuk Programme of up to RM2.00 billion in nominal value for a period of up to 20 years. This proposed Sukuk Programme will help fund CMS' working capital, capital expenditure and other general funding requirements and/or general corporate purposes. 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 whether it is brownfield expansion on an existing business or a new investment.

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. On 19 December 2016, the Group was included as a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index. The F4GBM Index is a globally recognised index launched by the FTSE Group, owned by the London Stock Exchange. It measures and recognises companies across the world demonstrating strong Environmental, Social and Governance (ESG) practices. The F4GBM Index constituents are selected from the top 200 Malaysian stocks in the Bursa Malaysia Index, screened in accordance with the transparent ESG criteria. In total, there are 42 constituents in the F4GBM Index.

This is a significant achievement for CMS and underscores our sustainability practices via an internationally-recognised index. To our investors and our community, it positions us as a progressive and ethical company and reduces our perceived non-financial risk profile by being a company with a more sustainably-based and thus safer, long-term business model. This achievement is a result of the worthy efforts put in by the entire Group including our Board, Senior Management team and employees. To maintain this recognition (which is reviewed annually), we now have the responsibility to constantly exceed our Sustainability KPI (SKPI) targets and to ensure comprehensive reporting in our annual Sustainability Report.

UPHOLDING RESPONSIBLE PRACTICES

Good governance translates into good business and 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, strengthening investor confidence, safeguarding our corporate reputation and ensuring continued shareholder value creation. In continuously seeking to uphold the highest corporate governance standards, the Group subscribes 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.

In the area of risk management, we continued to undertake the necessary measures to strengthen our risk profile while reinforcing our bottom-up approach to embed a more robust risk management process and culture across all levels of the organisation. We strongly believe in undertaking the necessary due diligence for new investments while maintaining conservative and prudent evaluation criteria, particularly in this current economic climate. As such, all new investments must undergo a stringent risk mitigation process before being brought before the Board. As a conscientious corporate citizen, we are genuinely committed to balancing out our strong economic performance with responsible environmental and social considerations. This will help ensure we deliver a sustainable performance and good stakeholder value while ensuring CMS' long-term success. For more information on our sustainability achievements, kindly refer to our second standalone Sustainability Report titled 'Strengthening Our Sustainability Momentum' that has been published in line with Bursa Malaysia's sustainability requirements.

STAYING THE COURSE

Despite a turbulent 2016, CMS has got back on track and is determined to stay the course. While the year in review saw us losing some of the momentum we had built up for some six years straight, rest assured that the Group continues to be driven forward by a combination of demonstrable factors that are ensuring our long-term growth. These include CMS' continuing focus on proven and sustainable core businesses that revolve around, firstly, infrastructure and related services businesses, and secondly, the energy-intensive industry sector. By setting our sights on investments back into our core businesses, we are ensuring that we create a sustainable growth pathway for the long-run.

On top of this, we are privileged to have a very dedicated Board of Directors, a professional management team and diligent workforce who continue to step up to the plate and deliver on their commitments. These components, together with a healthy balance sheet, sustainable profits, robust corporate governance practices and keen local insights, are paving a pathway for CMS' sustainable growth. Our growth momentum is also being spurred by the many opportunities, particularly the energy-intensive opportunities under the Sarawak Corridor of Renewable Energy (SCORE). While Sarawak experienced a slowdown in the construction sector in 2016, we believe that given the host of infrastructure projects and related services required across the State in the long-run, things will pick up again. This augurs well for our ambition of tapping into solid and long-term sustainable profits as we maximise our participation in the Sarawak growth story. In light of these developments, CMS, undoubtedly remains one of the best proxy-listed investments for Sarawak's dynamic growth.

Moving forward, your Board is confident that CMS will continue on a sustainable growth trajectory as we position ourselves for long-term sustainable revenue and profitability growth. As 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 2017.

ACKNOWLEDGEMENTS

As CMS presses on in its journey of sustainable growth, we want to acknowledge several parties for their worthy support. On behalf of the Board of CMS, I wish to convey my sincere gratitude to you, our shareholders, for your steadfast trust and confidence in CMS. Our utmost appreciation also goes to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and all others who have lent us their unwavering support and cooperation.

We owe a debt of gratitude to the many external partners that work with or alongside us and whose support and reliability has been instrumental to our success. We wish to express our deep gratitude to 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, the Sarawak Economic Development Corporation, and our co-shareholders in our Strategic Investments – we truly appreciate your kind support and cooperation and look forward to maintaining a mutually beneficial relationship with you for a long time to come.

To the Group's over 2,500 employees, as well as the management teams of all the Group's companies, I wish to express my heartfelt thanks for your loyalty, diligence and resilience, especially amidst the challenges of 2016. To my colleagues on the Boards of all the Group's companies, my utmost thanks for your guidance and wise counsel that has certainly 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 A Bhg General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Hj Zainuddin (Retired) who will be stepping down as a Non-Independent, Non-Executive Director of CMS at our upcoming AGM. We thank him for his invaluable contributions during his more than 11-year tenure with us and wish him every success in his future endeavours.

As CMS moves forward, we ask that all our stakeholders continue to lend us their invaluable support as we work hard to get the Group back on the road to robust performance 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 2017

MANAGEMENT DISCUSSION AND ANALYSIS

DEAR SHAREHOLDERS,

THE YEAR 2016 (FY 2016) WAS A YEAR IN WHICH THE GROUP'S FUNDAMENTAL STRENGTHS WERE SORELY TESTED EVEN AS A VOLLEY OF MACROECONOMIC FACTORS AFFECTED OUR PERFORMANCE. CMS HAD TO CONTEND WITH THE CHALLENGING MARKET AND OPERATIONAL CONDITIONS THAT INCLUDED LOW COMMODITY SELLING PRICES, HIGHER RAW MATERIALS' COSTS IN THE CEMENT DIVISION RESULTING FROM A STRONGER US DOLLAR, PLUS LISTLESS PRIVATE AND PUBLIC SECTOR DEMAND DUE TO BANK LENDING RESTRAINTS AND THE LACK OF ANY NEW BIG PROJECTS.

On top of this, hedging currency losses, commissioning issues and restructured loans, all had an impact on our bottom line. I am pleased to say that despite the year's challenges, our core Business Divisions showed their mettle and continued to deliver stable earnings.

Your Company achieved several key milestones in FY 2016. The year saw our Cement Division launch East Malaysia's first Integrated Cement Plant with the combining of our new grinding plant with our existing and adjoining clinker plant in Mambong to meet the growing demand for cement in the State. The Group's success in securing contracts for both a works package and for the supply of construction materials for the Pan Borneo Highway too is set to be a game changer for the Group.

Our associate, SACOFA Sdn Bhd, which is a growth driver for the Group, made significant inroads in the area of communications infrastructure with the signing of an exclusive rights agreement with U Mobile to construct, own and manage communications infrastructure in Sarawak. SACOFA's involvement in the SEA Cable Exchange-1 (SeaX-1) project, a high-speed, large capacity undersea fibre optic cable that will connect Malaysia to Singapore and Indonesia, also augurs well for us.

Our resilient performance to date underscores the fact that our robust business model, prudent and professional management approach, as well as our unrelenting focus on delivering long-term sustainable growth, all continue to work together for the Group's good. I applaud the resilience of our management and employees who under the guidance of our Board of Directors (Board), proved their competence and rose to address the year's challenges head on. All this aptly reflects the growing maturity of the Company and the depth of our management.

FINANCIAL PERFORMANCE

As a result of the dedicated efforts of our people, CMS turned in a satisfactory performance for the financial year ended 31 December 2016. The Group registered a total revenue of RM1.55 billion in FY 2016, a 13% decline over revenue of RM1.79 billion in FY 2015. The main contributors to the Group's revenue were the Construction Materials & Trading Division (contributing 34% of Group revenue), Cement Division (34% of Group revenue) and Construction & Road Maintenance Division (23% of Group revenue). Together, these three Divisions contributed 92% of the Group's total revenue in FY 2016 with the remainder coming mostly from our Property Development Division which contributed 7% of the Group's revenue.

While the Group only turned in a profit before tax (PBT) of RM65.67 million in the first half of 2016 (1H2016), we recorded a strong recovery in profits during the second half of 2016 (2H2016) to turn in a PBT of RM236.47 million. For the full financial year, the Group posted a PBT of RM302.14 million for FY2016, a 22% drop in comparison to FY 2015's record PBT of RM388.60 million. The main contributors to the Group's PBT were the Construction Materials & Trading Division and Cement Division (both contributing 35% of PBT each) followed by contributions from the Construction & Road Maintenance Division (contributing 31% of PBT). These three Divisions made a combined contribution of 101% to the Group's PBT (FY 2015: 89%), while the remainder came primarily from the Property Development Division which contributed 8% of the Group's PBT.

The Group also recorded losses of RM35.17 million in FY 2016 from the share of results at its associates. This was largely due to the losses reported by the Group's 25% associate, OM Materials (Sarawak) Sdn Bhd in 1H2016, as a result of exceptionally low commodity prices, low demand and currency hedging losses. The results improved in 2H2016 with CMS recording a profit of RM13.73 million from the share of results of its associates. Our performance level, going forward, is expected to steadily improve.

As at the year end, our balance sheet remained in a comfortable position with a relatively lower ratio of gearing (0.11 times) compared to many other public-listed companies.

For FY 2017, we have approved RM285.00 million in capital expenditure (CAPEX) for certain projects as part of our expansion plans. These projects include an unloader crane for CMS Cement (Bintulu) and plant expansion relating to clinker production at the limestone, sandstone and shale quarries. A certain amount of CAPEX has also been earmarked for a second line for one of our quarries along with the associated machinery; plus for new asphaltic bitumen batch plants in anticipation of demand for asphalt from the Pan Borneo Highway project when it takes off. CMS remains fully committed to investing in all required CAPEX to maintain our growth trajectory and to take advantage of opportunities arising from the State's development plan including the Pan Borneo Highway project.

TOTAL REVENUE

FY 2016

RM**1.55**
billion

PROFIT BEFORE TAX

FY 2016

RM**302.14**
million

CEMENT DIVISION

CONSTRUCTION MATERIALS & TRADING DIVISION

CONSTRUCTION & ROAD MAINTENANCE DIVISION

PROPERTY DEVELOPMENT DIVISION

STRATEGIC INVESTMENTS – UNLISTED ASSOCIATES

STRATEGIC INVESTMENTS – LISTED ASSOCIATES

STRATEGIC INVESTMENTS – OTHERS

CEMENT DIVISION

THE GROUP'S CEMENT DIVISION, COMPRISING CMS CEMENT SDN BHD, CMS CLINKER SDN BHD AND CMS CONCRETE PRODUCTS SDN BHD, IS ONE OF CMS' LARGEST PBT CONTRIBUTORS. BEING THE SOLE CEMENT AND CLINKER MANUFACTURER IN SARAWAK, THE DIVISION CONTINUES TO MAINTAIN A STEADY GROWTH MOMENTUM ON THE BACK OF STRENGTHENING INFRASTRUCTURE AND CONSTRUCTION ACTIVITIES WITHIN THE STATE.

REVENUE

FY 2016

RM563.07 million

PROFIT BEFORE TAX

FY 2016

RM105.00 million

In 2016, the Cement Division's revenue and cement sales declined on the back of a significant reduction in construction activities within the State of Sarawak. As the global economy moderated in the first half of 2016, emerging economies like Malaysia too began to feel the effects of softening growth. Sarawak too was not spared the effects of waning growth with construction activities in the State reaching their lowest levels in four years by the third quarter of 2016.

Against this backdrop, revenue for the Cement Division dropped by 6.3% to RM563.07 million in FY 2016 (FY 2015: RM600.89 million). However, the Division was able to maintain a healthy PBT level of RM105.00 million, albeit a modest 1.8% increase over FY 2015's PBT of RM103.17 million. The Division's steady PBT performance was mainly attributable to the commencement of operations of the new integrated cement facility at Mambong which led to a huge reduction in cement imports. The Division's ability to nimbly adapt to the year's challenging environment saw it successfully maintaining the cost of sales at the desired level by managing resources and overheads more efficiently, as well as by implementing tighter controls on the production and distribution fronts.

In keeping with our role as Sarawak's leading infrastructure facilitator, as well as a responsible ally to the State Government of Sarawak's construction industry, we focused our efforts on providing a sufficient supply of quality cement at reasonable and stable prices in 2016. Moving forward into 2017, the Division shall continue to look for ways to further improve operational efficiencies in view of the weak market conditions in Sarawak.

CEMENT OPERATIONS

CMS' cement operations are managed by CMS Cement Sdn Bhd and CMS Clinker Sdn Bhd which produce the CEM 1 42.5N grade (MS EN 197-1 standard) of Portland Cement. The Cement Division operates three grinding plants, two in Kuching and one in Bintulu, as well as bulk terminals in Sibu and Miri. These plants supply the terminals with cement via purpose-built all-weather barges equipped with fully-enclosed pneumatic self-loading and unloading systems. Through the plants (which today have a total rated annual capacity of 2.75 million tonnes or MT), and the terminals (which are outfitted with packing and bulk distribution capabilities), the Cement Division is able to ensure all of Sarawak's main centres of economic activity, namely Kuching, Sibu, Bintulu, Miri,

and emerging markets such as Samalaju and Mukah and their hinterlands, have a consistent and sufficient supply of quality bag and bulk cement to meet their needs.

In November 2016, the Cement Division achieved a major milestone when it officially launched East Malaysia's first Integrated Cement Plant. Through combining the Division's largest cement plant and its adjoining clinker plant into a single manufacturing entity, the new Plant will ensure our Cement Division meets the rising demand for cement as the State undergoes rapid development with mega infrastructure projects such as the Baleh Dam and the Pan Borneo Highway in the pipeline. With the Integrated Plant within its stable, the Group now has sufficient manufacturing and distribution capacity to meet the State's growing cement requirements for the long-term. The Plant also accords the Group a significant reserve production capacity to materially reduce the risk of supply disruptions, to potentially extend our supply into nearby export markets, as well as to produce more than one type of cement.

Located in Mambong, just outside Kuching, the Integrated Plant will increase the Group's total annual rated cement production capacity by almost 60% to 2.75 MTpa, well above current local demand of around 1.6-1.8 million MTpa. The new 1.0 million MTpa grinding plant incorporates state-of-the-art European technology comprising a ball mill (with a rated capacity of 150 MT/hour), a high efficiency separator, two units of 10,000 MT cement silos, four line bulk loaders and a 3,000 bag/hour packing and palletizing machine. Its performance promises to maximise efficiency and quality with minimum downtime.

The year also saw the Division bolstering its logistical capabilities in 2016 by upgrading its jetty in Kuching to improve imported raw material handling. At the same time, it secured long-term leases for an additional all-weather bulk cement barge for its terminals, as well as for the land at Bintulu Port that can be used in the future to expand storage capacity.

CLINKER OPERATIONS

The Division's clinker operations are managed by CMS Clinker Sdn Bhd, Sarawak's sole clinker manufacturer. CMS Clinker's operations are located in Mambong, some 30km from the Kuching city centre. The Clinker Plant has a production capacity of 0.90 million MTpa and is able to meet up to 50% of the total clinker demand of the Division. A major strength of the clinker operation is that it has its own adjoining raw material quarries which ensure consistent and sufficient supply of raw materials at low costs. The raw materials reserves are estimated to last for at least the next 50 years.

Within the clinker industry, there are three main factors that contribute significantly to a Plant's performance, namely the stability of manufacturing operations; the ability to maintain continuous full production; and the ability to lower fuel costs. In 2016, CMS Clinker secured ISO 50001, Energy Management System certification attesting to the Division's continuous efforts to improve efficiencies on the power consumption front and to moderate its carbon footprint by reducing fossil fuel consumption.

CMS CONCRETE PRODUCTS

The Division's concrete operations are managed by CMS Concrete Products Sdn Bhd. Established in 1995, CMS Concrete Products has built a reputation for itself as a highly reliable manufacturer of ready-mixed concrete (RMC) and pre-formed concrete products.

The Company's product offerings include various grades of RMC, reinforced concrete square piles (RCP), bridge beams and Industrialised Building System (IBS) products and solutions. The bridge beams are a pioneer product of the Company and have been utilised to construct a great number of bridges throughout Sarawak. The Company prides itself on producing products that comply with all existing construction standards and safety requirements. Via its 70,000 MTpa facility in Kuching, the Company has the capacity to produce a full range of IBS products and solutions, including precast wall panels, beams and columns, as well as half slabs and pre-stressed slabs. CMS Concrete Products offers a complete solution package which includes design services for IBS projects, supply throughout the State over land or by sea and construction services such as pile driving and wall panel installation.

The year 2017 will see CMS Concrete Products setting up a manufacturing plant in Bintulu to produce RMC and various pre-formed concrete products. This will greatly strengthen the Division's concrete position and competitiveness in Northern Sarawak. Plans are also underway to set up an RMC operation in Central Sarawak to supply parts of the Pan Borneo Highway project.

CONSTRUCTION MATERIALS & TRADING DIVISION

THE GROUP'S CONSTRUCTION MATERIALS & TRADING DIVISION'S OPERATIONS REVOLVE AROUND QUARRYING, PREMIX MANUFACTURING, PAVEMENT LAYING SERVICES, THE PRODUCTION OF WIRE MESH AND COLD DRAWN WIRES AND THE TRADING OF CONSTRUCTION, ELECTRICAL AND WATER TREATMENT MATERIALS. IN FY 2016, THE DIVISION POSTED A PBT OF RM106.75 MILLION, CONSISTENT WITH THAT OF THE PRECEDING YEAR. REVENUE, HOWEVER, DROPPED TO RM581.06 MILLION IN FY 2016 AS COMPARED TO REVENUE OF RM712.06 MILLION IN FY 2015, THE RESULT OF LOWER GOVERNMENT FUNDING FOR ROAD MAINTENANCE ACTIVITIES.

2.19

million MT per annum combined rated quarry production capacity

QUARRY OPERATIONS

The Group's 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. CMS' quarrying operations today encompass five quarries, namely Stabar, Penkuari, Sibanyis, Akud and Sebuyau that have a combined rated capacity of 2.19 million MTpa. 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 MTpa. The second production line will be completed by 2018. This will enable CMS Quarries to continue providing an increased supply of quality crushed aggregates at competitive prices to meet growing market demand throughout Sarawak.

In FY 2016, upgrading works on the jetty at Sebuyau's quarry were completed and the loading capacity increased to 400 MT per hour. With a new telescopic conveyor system in place, the jetty will be able to cater for barges bound for international waters.

The planned wharf facility at Kota Samarahan underwent Stage 1 of construction, while the infrastructure works and ramp construction activities under Stage 2 will be completed by 2017. This will increase the Company's loading capacity and speed up deliveries of crushed aggregates by barge to areas outside Kuching.

The Company successfully attained re-accreditation for its Integrated Management Systems (IMS: ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007) in September 2016. The upgrading of the ISO 9001 and ISO 14001 standards to the latest 2015 standard is scheduled for completion in FY 2017.

PREMIX OPERATIONS

CMS owns eight premix plants in Kuching, Sarikei, Sibu, Bintulu, Miri and Limbang through CMS Premix Sdn Bhd and CMS Premix (Miri) Sdn Bhd. With a combined rated capacity of 1,190 MT per hour, as well as a 10 MT per hour asphaltic bitumen batch plant in Kuching, these two companies account for approximately 60% of the asphaltic concrete (premix) and bitumen emulsion markets in Sarawak.

In FY 2016, two mobile premix plants with a capacity of 150 MT and 100 MT per hour respectively were purchased. These mobile premix plants will be set up at Limbang and Samalaju this year to meet increasing demand within these regions. An existing 40 MT per hour mobile premix plant at Limbang will be mobilised on a project basis. The Division plans to further expand its premix capacity by purchasing two additional mobile batched premix plants for the Pan Borneo Highway project.

WIRE OPERATIONS

CMS Wires Sdn Bhd manufactures steel drawn wires and wire mesh for the local construction industry. Its sole 5,500 MTpa plant produced 4,150 MT of steel wires and mesh in FY 2016. The Company continues to operate in an increasingly competitive environment with approximately 20% market share. As at December 2016, there were 11 wire mesh manufacturers in Sarawak, a huge number given the relatively small market.

TRADING OPERATIONS

CMS Infra Trading Sdn Bhd is a distributor of a varied range of products and services related to water treatment, electrical and construction materials. The Company remained profitable in FY 2016, registering strong sales for its water management products, which contributed more than 80% the Company's profits. Strong sales were also recorded for its road management and maintenance offerings such as its road line painting, road furniture and fittings.

In FY 2016, the Company successfully renewed all of its six Supply Term Contracts with JKR Sarawak for the supply and delivery of various water management products to JKR Central Unallocated Stores. The contracts, with a combined estimated contract value of RM106.60 million are for another two-year period on an "as and when required" basis. During the year under review, the Company successfully secured several sizeable new supply contracts through competitive bidding for Sarawak Energy Berhad and JKR Sarawak jobs plus renewed a water chemical supply contract with LAKU Management.

CMS Infra Trading has added a new line-up of offerings including high-performance LED High Mast Lighting System, Solar-Powered Streets Lighting System, Street Lighting SON Lanterns and Molecor Hypro PVC-Water Pipes to its existing product lines. The Company will continue to explore long-term opportunities to further expand its product range and customer base.

CONSTRUCTION & ROAD MAINTENANCE DIVISION

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THE GROUP'S CONSTRUCTION & ROAD MAINTENANCE DIVISION UNDERTAKES A WIDE RANGE OF INFRASTRUCTURE CONSTRUCTION PROJECTS AND ROAD MAINTENANCE ACTIVITIES ACROSS THE STATE.

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 continues to derive stable recurring income from its two road concessions which are tasked with maintaining approximately 591km of Federal roads and 5,612km of State roads throughout Sarawak.

In FY 2016, the Division registered a revenue of RM367.88 million, of which approximately RM132.17 million was derived from construction works, roads, water infrastructure projects and building works, while approximately RM235.71 million came from the two road maintenance concessions. The Division reported a lower PBT of RM93.79 million (FY 2015: RM135.40 million).

The Division is committed to reinforcing its technical capabilities by investing in new machinery. In FY 2016, it continued to roll out continuous employee training activities to improve operational efficiencies and productivity, as well as Division-wide employee teambuilding initiatives to build employee engagement and commitment. The Division places an emphasis on the quality of work it undertakes in line with the Group's Mission of 'Producing Quality, On Spec & On Time' which is intended to reinforce the Division's reputation as a trusted contractor within Sarawak.

REVENUE

FY 2016

RM367.88 million

PROFIT BEFORE TAX

FY 2016

RM93.79 million

The Construction & Road Maintenance Division will ensure it remains competitive in its bids for new projects. Even with the reduction of road length by the Federal Government in view of the construction of the Pan Borneo Highway, the Division is targeting to sustain its earnings from on-going, as well as new longer-term construction projects and the remaining road maintenance concession.

On 25 July 2016, PPES Works (Sarawak) Sdn Bhd and the Bina Puri Sdn Bhd joint venture received and accepted a Letter of Award from Lebuhraya Borneo Utara Sdn Bhd for the proposed development and upgrading of the Pan Borneo Highway in the State of Sarawak (WPC 06 - Sg. Awik Bridge to Bintangor Junction) for a contract sum of RM1.36 billion. At the time of writing, the Division has on hand a construction order book (aside from its road concession revenues) amounting to some RM1.30 billion.

PROPERTY DEVELOPMENT DIVISION

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CMS' PROPERTY DEVELOPMENT DIVISION IS THE CUSTODIAN OF TWO LAND BANKS IN KUCHING, NAMELY THE 3,911-ACRE LAND BANK IN PETRA JAYA, CALLED BANDAR SAMARIANG, AND THE ISTHMUS, THE 246-ACRE LAND BANK AT MUARA TEBAS VESTED WITH CMS LAND SDN BHD, AS WELL AS SOME OTHER SMALLER PARCELS.

Bandar Samariang is being developed by Projek Bandar Samariang Sdn Bhd, whilst The Isthmus is under CMS Land Sdn Bhd. CMS Property Development Sdn Bhd provides project management services to companies within the Property Division whilst also undertaking the developments in the Division's other land banks. The sizeable land banks held by the Division provide sustainable long-term growth in tandem with the steadily urbanising population and the needs of Kuching city itself.

For the year under review, the Property Development Division posted revenue of RM104.66 million (FY 2015: RM90.04 million) and a PBT of RM23.51 million (FY 2015: RM19.85 million) amidst a softening domestic market.

BANDAR SAMARIANG

Situated approximately 7km from the Kuching city centre, Bandar Samariang is within easy reach of the resort areas of Damai and Santubong. This integrated Township, which is home to more than 25,000 residents, 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 RM497.00 million for development between 2015 and 2021.

The Township continues to attract interest on the back of improved road access, an increase in critical mass, the affordability of its properties and CMS' superior build quality. The Federal Administrative Centre road, linking Bandar Samariang to Matang continues to 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.

At the end of 2016, a total of 4,412 residential units and 160 shop-houses had been developed by Projek Bandar Samariang (PBS) under Phase 1 of Bandar Samariang covering some 600 acres. The Township also saw the opening of the first Mydin Hypermarket in Kuching in August 2016. With the Mydin Hypermarket in place, PBS' upcoming shop-house development continues to draw great interest from commercial property investors and businesses. Currently, works on the remaining portion of Phase 1 comprising an additional 47 residential units and 20 shop-houses are underway. In the pipeline are plans to launch another 366 residential units and 17 shop-houses. Under Phase 2, PBS will seek planning approval for another 754 units of affordably priced houses and 92 shop-houses on a 350-acre site.

REVENUE

FY 2016

RM104.66 million

PROFIT BEFORE TAX

FY 2016

RM23.51 million

PBS had earlier executed strategic sales of land with a view to co-developing and jointly bringing greater vibrancy to the Bandar Samariang Township. These sales included 135 acres for an industrial park and 500 acres to the Sentoria Group Berhad for a water theme park, safari park, meetings, incentives, conferences and exhibitions (MICE) facilities, as well as niche residential and affordable housing. In FY 2016, development on Phase 1 of the industrial park, comprising 48 semi-detached units and 13 detached lots on 135 acres proceeded smoothly, with a substantial amount of the semi-detached units constructed. The construction of the Ataria Resort and MICE facilities for the Borneo Samariang Resort City under the Sentoria Group Berhad is ongoing, while the water theme park is slated to commence operations in FY 2017. Construction works on the affordable housing project and the proposed resort site too are advancing at a steady pace. The estimated GDV for the Bandar Samariang developments under PBS is estimated to be in the region of RM414.00 million for the period 2016-2022.

THE ISTHMUS

The development of several iconic Green Building Index or GBI-rated buildings at The Isthmus reached an advanced stage of completion in 2016. These included the signature 12-storey Gateway Towers marking the entry point to The Isthmus which will house various State Government ministries and agencies including Pelita Holdings Berhad and the Sarawak Economic Development Corporation.

In October 2016, the campus component of the UCSI Hotel and Campus development was opened while the hotel component is scheduled to open in the second quarter of 2017. The Raintree Square development comprising 54 units of three-storey strata titled shop-houses, which commenced construction at the end of 2015, is scheduled to be completed by the end of 2017. By the year end, there was a 59% take up rate for the first fully commercial titled strata shop-house development at The Isthmus.

The development's management is seeking to capitalise on the riverine aspects afforded by the location of The Isthmus by incorporating a highly desirable waterfront component into the development. Towards this end, a niche waterfront housing development with various residential typologies is being explored.

OTHER DEVELOPMENTS

The Property Development Division also owns several other land parcels which 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.

The Rivervale Residences, undertaken by CMS Property Development Sdn Bhd comprises 76 exclusive semi-detached houses within a gated and guarded compound and two 14-storey condominium blocks with a separate entrance and facilities. As at end FY 2016, committed sales for the semi-detached units stood at 74%. Comprising Type A (with a built up area of 2,328 sq ft) and Type B (with a built-up area of 2,107 sq ft) units, the bulk of the construction of the semi-detached houses was completed in 2016, with full completion expected in the second quarter of 2017. The take-up rate has been positive with all units of Type A sold and only several Type B units remaining as at end 2016. As at end 2016, the superstructure works on Block A of the condominium had reached the level of the roof, whilst superstructure progress on Block B was 60% completed.

To further strengthen the Division's earnings and contribution to CMS, the Property Development Division continues to seek out mutually beneficial joint venture arrangements with private parties and State agencies to develop land banks around Kuching and major towns in Sarawak.

SAMALAJU INDUSTRIAL PARK

The Samalaju Industrial Park (SIP) is one of five growth nodes under the Sarawak Corridor of Renewable Energy (SCORE) initiative and the biggest single industrial park in Malaysia. Home to a host of energy-intensive industries, it is also SCORE's most successful node and makes up the bulk of the investment projects approved under SCORE thus far.

As of mid-June 2016, the SIP had attracted and approved 16 projects with a total investment of RM25.29 billion. This is envisaged to lead to the creation of over 13,000 job opportunities and, in the immediate years ahead, will create a significant long-term sustainable industrial base that takes the Malaysian economy into new sectors and which will generate more employment and business opportunities in the SIP.

In November 2016, two of China's largest firms, Hebei Xinwuan Steel Group and MCC Overseas Limited, signed a Framework Cooperation Agreement with the Sarawak State Government to inject USD3.0 billion (RM13.00 billion) in foreign direct investment (FDI) in a steel plant in the SIP. This sets the stage for SCORE to be a major player in the global steel business.

Mandated by the State, the SIP remains an attractive drawing card to investors, particularly heavy and energy-intensive industries that are keen to leverage on the competitive edge afforded by Sarawak. This includes the State's competitive long-term renewable energy costs, its quality infrastructure, its business-friendly Government and its strategic proximity to fast growing East Asian markets.

By virtue of our involvement in the development of the township adjoining the SIP, CMS is capitalising on the opportunity to be a major local participant in SCORE. Our continued involvement in the SIP is expected to propel Samalaju Properties Sdn Bhd forward as a major engine of growth for CMS. We have been an active participant in the SIP 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 hotel; and thirdly, our property development activities within the same.

TOTAL INVESTMENT IN SIP

AS AT MID-JUNE 2016
RM25.29 billion

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 smelter with a revised capacity of 192,000 MT of ferrosilicon alloys and 200,000 MT - 300,000 MT of manganese alloys (silicomanganese and high carbon ferromanganese) where production is presently being ramped up to reach full production by the end of 1H2017. A second 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 MT which is expected to be commissioned in 1H2018.

Through our involvement in the second core area, that of accommodation and housing, Samalaju Properties is addressing the short-term accommodation needs of industries locating to the SIP. To this end, we have developed the Samalaju Lodges to provide accommodation for workers, supervisors and managers of industries at Samalaju, both during construction and pending completion of the adjoining township, when 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 the SIP's appeal to investors, potential employees and support industries. The first phase of the Township was launched in 2015.

SAMALAJU LODGES

On the whole, the occupancy rate at Samalaju Lodges showed a slight decline in FY 2016 as compared to the previous year. A slowdown in construction activities at the SIP (given that most plants were at commercial production stage) and the prolonged illegal camps issue, had an adverse impact on occupancy. Meanwhile, new projects such as the Malaysian Phosphate Additives plant, Sarawak Energy Berhad's Samalaju EHV Substation No. 2, and the Samalaju Combined Cycle Plant have not fully commenced physical onsite construction. Nevertheless, Samalaju Lodges remains the preferred mid-term accommodation choice for the operation and maintenance personnel from the plants in the vicinity of the SIP due to its accessibility and wide-ranging facilities.

Samalaju Properties will endeavour to improve hospitality services and to upkeep sustain standards at the Lodges. It will also aim to maintain the current pricing structure despite persistent pressure from rising operational and material costs. Meanwhile, the marketing team continues to proactively identify and engage prospective tenants looking for short to medium-term accommodation at the SIP aided by the possibility always of reconfiguring the accommodation at the Lodges to meet clients' needs.

SAMALAJU ECO PARK

Samalaju Eco Park was conceptualised out of a vision to provide a balanced, healthy and sustainable lifestyle to the thousands working at the SIP. Situated 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 eventually dot the Township and provide attractive living spaces for the community. Construction of the first residential phase comprising 256 units of apartment blocks was completed in September 2016, while construction of 16 units of two-storey shop lots is scheduled to be completed by the first quarter of 2017.

SAMALAJU CENTRAL

Samalaju Central is strategically located at the heart of the SIP. Within its radius are companies such as OM Sarawak, Pertama Ferroalloys (Bintulu) Sdn Bhd, Press Metal Sarawak Sdn Bhd, Tokuyama Malaysian Sdn Bhd and Sakura Ferroalloys Sdn Bhd. Designed as a visually attractive and well-planned commercial/service hub, the development spans an area of 81.4 acres and consists of a variety of development mixes. These include commercial and office spaces, food courts and eateries, as well as light industrial buildings and vacant lots for small and medium industries to complement the heavy industries within the industrial park. The first phase of Samalaju Central comprising 34 shops was completed in December 2016. Subsequent developments will be rolled out in phases in tandem with market demand.

SAMALAJU RESORT-HOTEL

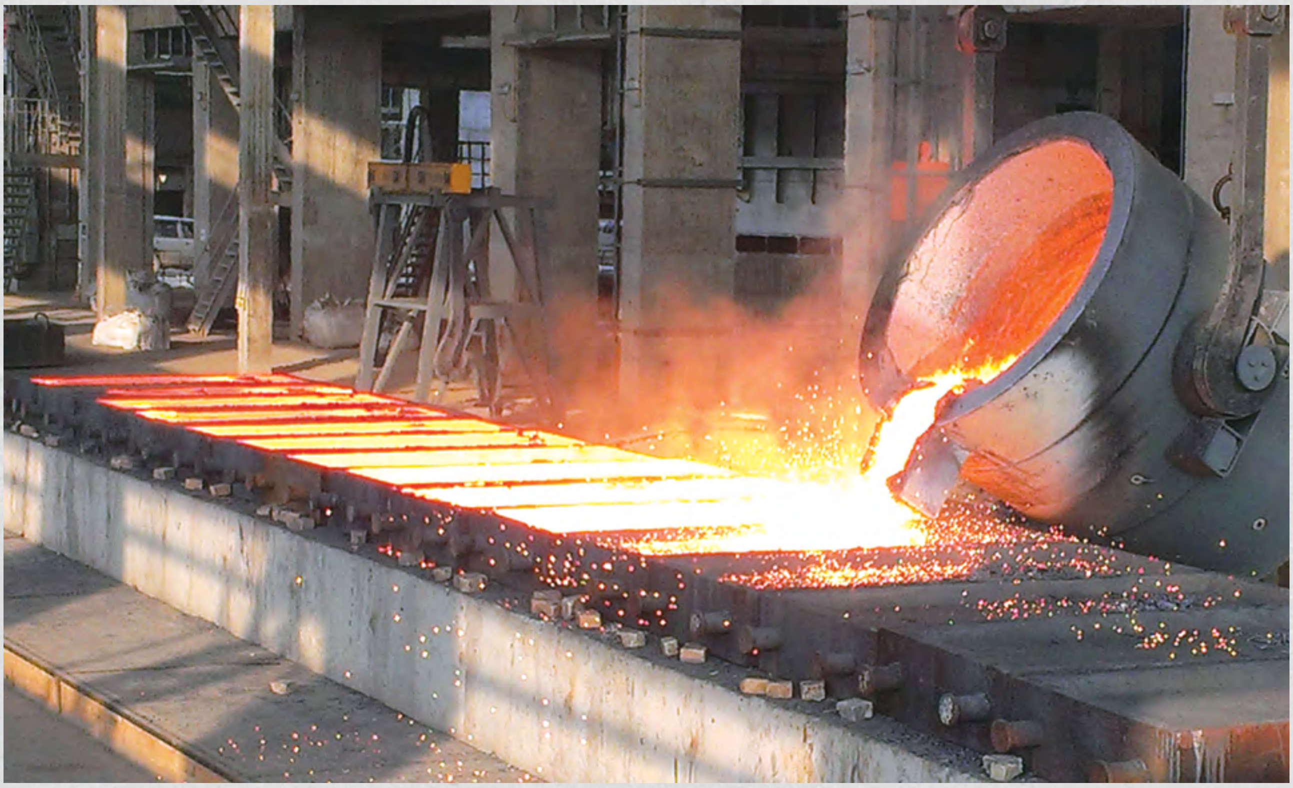
The 175-room Samalaju Resort Hotel development, perched on a 23-acre site along Tanjung Similajau, offers stunning views of both the South China Sea and the Similajau National Park. Designed to be an oasis of calm amidst the hustle and bustle of the fast-growing SIP, the hotel comprises 148 rooms and suites, as well as nine chalets (housing three rooms each). The Hotel is equipped with 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. It also caters for corporate events, training sessions, meetings, and teambuilding exercises making it an excellent training venue for both the private and public sectors.

The Hotel's location, within short driving distance of the global companies that have established themselves at the SIP, makes it the accommodation of choice for employees of these companies, as well as the many subcontractors and consultants visiting Samalaju. Samalaju Resort Hotel achieved a major milestone when it celebrated its official opening on 18 October 2016 with His Excellency the Governor of Sarawak, Tun Pehin Sri Haji Abdul Taib Mahmud, officiating the launch.

SAMALAJU LIGHT INDUSTRIAL PARK

The 206-acre Samalaju Light Industrial Park, which is located adjacent to the Samalaju Township development, will offer semi-detached industrial units upon its completion. The Light Industrial Park is designed to cater to both small and medium-sized companies and other supporting industries looking to gain a foothold in the area. This proposed development will help create the critical mass of industries necessary for a vibrant industrial park. Planning and feasibility studies on the Light Industrial Park and planned units are currently underway.

STRATEGIC INVESTMENTS – UNLISTED ASSOCIATES



FERROSILICON AND MANGANESE ALLOYS SMELTING PLANT

CMS 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 OM Holdings Ltd, an Australian-listed vertically-integrated miner, smelter and trader of manganese and other ores and alloys. The Project involves the development of a production facility with a 192,000 MT ferrosilicon alloys capacity and a 200,000 MT - 300,000 MT manganese alloys capacity (silicomanganese and high carbon ferromanganese) at an approximate total project cost of USD458.00 million.

While physical construction of Phase 1 of the ferrosilicon production facility was completed in FY 2015, excessive production and inventory of ferroalloys led to a substantial slowdown in the ferroalloys market. This persisted until the global supply corrected in FY 2016, falling behind demand. As a result, the Company shut down two furnaces in 2015 and proceeded to undertake a reconfiguration of the product-mix, adding manganese alloys to its production capability. This among other measures, enabled OM Materials Sarawak to realign its business and diversify its product offerings. The business was able to reduce reliance on the weakened ferrosilicon market in FY 2015 and position itself to benefit from the stronger market that began to emerge in FY 2016. It also enabled the Company to fill the regional manganese alloy supply gap. Against the backdrop of Sarawak's lower-than-market power pricing and its logistical advantages, the reconfiguration of the product-mix allows the Company to package different types and grades of alloys to end-users and distributors in markets such as Japan, Taiwan and Southeast Asia.

By the end of 2016, seven ferrosilicon furnaces and one manganese alloy furnace were in operation. The year saw ferrosilicon production output achieve and exceed the nameplate daily production capacity of 55 MT, with a total production of 126,261 MT for the whole year. The sole manganese alloy furnace in operation commenced production in December 2016, leveraging on in-house furnace engineering and production expertise. This enabled the Company to achieve a production volume of 876 MT of silicomanganese within a short period of time.

In FY 2016, OM Materials Sarawak recorded a loss primarily due to a substantial loss on the discontinuation of its foreign currency hedge, the depressed commodity markets, and the delay in its ramp-up schedule. However, given that the hedge has now been unwound, and that the price of ferrosilicon has begun improving since 2016, management is confident of returning to profitability by continuously optimising the production and sales-mix to meet market requirements. This is in turn backed by strong technical teams with a good execution track record.

In the long-run, we anticipate that market demand for both ferrosilicon and manganese alloys from the smelter will improve due to the long-term growth prospects for steel production in the region. The smelter is also expected to reap the benefits of competitive energy costs in addition to the weakening Ringgit, a 10-year tax holiday with no import and or export duties, and its strategic proximity to growing Southeast Asian markets.

In addition, the binding market price-linked offtake arrangements with leading industry players for over 60% of production, changes in industry dynamics – largely driven by rising power prices and labour costs, growing Asian demand for non-China sourced ferrosilicon, higher environmental standards affecting older plants, and the Chinese Government's disincentives to export energy-intensive products, all augur well for the smelter's future growth.

INTEGRATED PHOSPHATE COMPLEX

In 2013, CMS joined forces with several parties to construct Southeast Asia's first Integrated Phosphate Complex in Samalaju at a projected cost of approximately RM2.20 billion. At the time, CMS' 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, that will see nine integrated plants 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 employees and will be funded via a mixture of shareholders' equity and long-term bank funded debt.

February 2016, saw the formalisation of the Power Purchase Agreement between Sarawak Energy Berhad and MPAS for the supply of 150 MW of power to Southeast Asia's first Integrated Phosphate Complex in Samalaju. This was followed by the signing of the Engineering, Procurement and Construction Agreement in May 2016. Negotiations for project financing contracts are currently underway and MPAS has obtained 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 important for a number of reasons. It is the first high-impact industrial project within the SIP by a 100% Malaysian-owned company. It involves direct domestic investment of up to approximately RM2.20 billion and promotes the development of local intellectual property and the sharing of technology through a mutually-beneficial JV. As the first non-metal or alloy-based plant in SCORE's SIP, it propels SCORE and CMS into a dynamic new industrial sector that offers long-term sustainable growth. It also offers opportunities for investment in downstream manufacturing in the animal feed, fertiliser, cleaning and detergent sectors. It is envisioned that businesses in these sectors will be drawn to the SIP themselves so they can locate adjacent to their feedstock supplier.

The Project is also set to thrust 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 continues to grow on the back of 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.

SACOFA SDN BHD

Our Information & Communication Technology (ICT) Division, continues to make good progress in its efforts to grow our ICT-related businesses which currently involve looking after our interests in our associate company, SACOFA Sdn Bhd, in which we have a 50% non-controlling equity stake.

This Sarawak-based telecommunications infrastructure and services provider was accorded a 20-year exclusive right (back in March 2002) to build, manage, lease and maintain telecommunication towers in Sarawak. SACOFA was also granted "deemed native status" allowing the Company to acquire native lands in the State for the construction of telecommunication facilities. SACOFA's asset portfolio continues to expand and it now operates more than 1,000 telecommunication towers throughout Sarawak.

Our investment in SACOFA ties in with the Group's strategy of supporting the State as an ally in infrastructure development, in this instance, via a private-public partnership arrangement. We see this as an extension of our core infrastructure capabilities and are honoured to help the State strengthen its telecommunications infrastructure. Within the scope of responsibility and operating power that SACOFA has been granted, CMS aims to make Sarawak a regional hub for telecommunications-related activities and to help strengthen its economy.

In FY 2016, SACOFA maintained its strong earnings with revenue totalling RM194.77 million and PBT amounting to RM98.20 million. The year also saw SACOFA introducing a revitalised brand and logo in conjunction with its 15th anniversary.

SACOFA continued to play a key role in developing Sarawak's infrastructure through assisting the Ministry of Public Utilities achieve its ambitious target of 95% broadband penetration over the next five years. The penetration rate currently stands at 53%.

To date, SACOFA has constructed over 1,000 towers with more than 10,000km of fibre optic cabling in place. These activities were undertaken with proper planning and with due consideration given to the preservation of the natural surroundings. SACOFA has today submitted a comprehensive plan to the authorities to fiberise all remote and underserved areas at a cost of approximately RM0.50 billion while committing to spend an additional RM0.50 billion to further enhance its existing network across the State.

A significant highlight in FY 2016 was the signing of an agreement with U Mobile Sdn Bhd granting SACOFA exclusive rights to construct, own and manage communication infrastructure in Sarawak to help in its expansion plans for the State. As part of the agreement, SACOFA will deliver built-to-suit sites and provide bandwidth leasing and 4G/LTE expansion services to U Mobile over a period of 10 years. U Mobile will leverage on SACOFA's extensive infrastructure of over 1,000 towers for a faster and cheaper rollout. SACOFA is well-positioned and ready to serve as an enabler for telecommunication service providers seeking to widen the reach of their mobile and data services in the State.

Another notable highlight in FY 2016 was the signing of an agreement with YTL to build 210 towers and use another 90 existing towers for the 1BestariNet rollout of 4G/LTE to schools in Sarawak by mid-2017. SACOFA was also involved in the Tanjung Manis SCORE Tower Project which included erecting 10 towers and related infrastructure to enhance the development of the Tanjung Manis Halal Hub and draw in greater investment.

The bridging of the digital divide initiative is an ongoing programme by SACOFA to strengthen telecommunication penetration in the rural areas. In relation to this, FY 2016 saw SACOFA successfully constructing 60 small cell sites and commissioning backhaul services to T3 USP sites in Sarawak in tandem with the Malaysian Communications and Multimedia Commission (MCMC). In addition, SACOFA had completed the 4G/LTE ready fibre network to Limbang and Lawas in collaboration with DST Communications Sdn Bhd of Brunei.

SACOFA is also involved in the SEA Cable Exchange-1 (SeaX-1) Project. Encompassing a 250km high-speed, large capacity, 24-fibre pair undersea fibre optic cable, this initiative will connect Mersing in Malaysia, with cable landing stations located at Changi in Singapore and Batam in Indonesia. Super SEA Cable Networks Pte Ltd has selected Huawei Marine Networks to deploy the new subsea cable system connecting the eastern seaboard of Peninsular Malaysia with Singapore and Indonesia. SACOFA and its affiliate company in Indonesia, PT Super Sistem Ultima, will undertake the cable landings in Malaysia and Indonesia respectively.

Being a responsible concession holder, SACOFA has added four new locations offering free internet services as part of its ongoing community outreach initiative. This brings the total number of locations to eight. Moving forward, the Company will continue to work with the MCMC, as well as the State and Federal Governments in support of the Sarawak Rural Transformation Programme to improve connectivity in the hinterland and rural communities. Going forward, the plan is to roll out more than 100 towers in 2017 with a continued focus on strong organic growth as the network is expanded and fiberised.

REVENUE

FY 2016

RM194.77 million

PROFIT BEFORE TAX

FY 2016

RM98.20 million

STRATEGIC INVESTMENTS – LISTED ASSOCIATES

KENANGA INVESTMENT BANK BERHAD

CMS is today the single largest shareholder of Kenanga Investment Bank Berhad and its group of companies (Kenanga Group) by virtue of a 25% equity stake in the Group. Established more than four decades ago, the Kenanga Group, which is listed on the Main Board of Bursa Malaysia Securities Berhad (Bursa Malaysia), comprises subsidiaries such as Kenanga Investors Berhad, Kenanga Deutsche Futures Sdn Bhd and Kenanga Capital Sdn Bhd. Hailed as one of Malaysia's largest independent investment banks, Kenanga has extensive experience in equity broking, investment banking, listed derivatives, treasury, corporate advisory, Islamic banking, wealth management and investment management.

For FY 2016, Kenanga turned in revenue of RM585.32 million (FY2015: RM562.99 million) while registering a PBT of RM32.54 million (FY 2015: RM18.22 million). The PBT was mainly due to higher trading and investment income, interest income and investment banking fee income negated by lower brokerage income and share of loss in an associate and joint venture for the year under review.

As a testament to its business growth, the Kenanga Group continued to garner a host of awards and accolades reflecting its strong market position.

At the annual Bursa Malaysia Brokers' Awards ceremony in March 2016, the Kenanga Group was recognised for its contributions and achievements in building Malaysia's capital market. The Group's Equity Broking division retained its top three positions in the Best Retail Equities Broker and Best Online Broker categories for the third consecutive year. In terms of trading volume, the Kenanga Group was ranked 2nd. The Kenanga Group also won the Lead Manager Award (Sukuk) 2015 - Programme Value Category (3rd Placing) at the RAM League Awards 2016.

In addition, the business won several international awards which included Best Investment Bank Malaysia 2016 at the Global Business Outlook Awards event and Best Investment Bank for Online Trading, Malaysia 2016 at the International Finance Magazine Awards event.

The Kenanga Group's investment management subsidiary comprising Kenanga Investors Berhad (KIB) and Kenanga Islamic Investors Berhad (KIIB) also ended FY 2016 on a positive note. As a testament to its growth, KIB's Kenanga Growth Fund was also a proud recipient of Best Performing Equity Malaysia Fund award for the fourth consecutive year under the 5 and 10-year categories at the Lipper Fund Awards 2016 (Malaysia) event. KIB's Kenanga Growth Fund and Kenanga Shariah Growth Fund were selected as Fundsupermart.com's Recommended Unit Trusts under the Core Equity – Malaysia and Core Equity – Malaysia (Islamic) categories for 2015/16. This is the sixth consecutive year that the Kenanga Growth Fund and the fifth consecutive year that the Kenanga Shariah Growth Fund have been awarded in these categories. In addition, KIB was also recognised for its efforts at the Malaysia Rising Star Award while its Chief Investment Officer was named the Malaysia CIO of the Year at Asia Asset Management's 2016 Best of the Best Awards event held in Hong Kong.

Kenanga Deutsche Futures Sdn Bhd (KDF) has been at the forefront of the derivatives industry for more than a decade, securing several awards for excellence on the derivatives front. In 2016, KDF won the Best Derivatives Trading Broker (Champion) and Best Trading Broker - Equity Derivatives (Champion) at the Bursa Malaysia Broker Awards 2016 event, as well as Best Derivatives Clearing Broker (1st Runner-Up) and Best for Capital Market Investment - Malaysia at the APAC Insider Business Awards 2016 event.

2016 was a notable year for the Kenanga Group. In a bid to expand its footprint and explore more business opportunities, Kenanga Group entered into a joint venture with Rakuten Securities, Inc., the second largest online broker in Japan, who is growing rapidly with current operations throughout Asia Pacific. Rakuten Securities is one of the main subsidiaries of Rakuten, Inc. one of the largest and most successful e-commerce and Fintech companies in the world. Rated one of the most innovative companies by Forbes, Rakuten, Inc. is an organisation that has a dynamic business model cutting across online securities broking, internet banking, online mall, online travel reservations, and includes brands such as Viber and Kobo as part of their portfolio. The Kenanga Group is collaborating with Rakuten Securities, Inc. to develop a new online broking platform, bringing new exciting digital innovations to the Malaysian online broking scene. The joint venture has received approval-in-principle for a restricted Capital Markets Services License from the Securities Commission of Malaysia, the first of its kind, to deal in listed securities and provide investment advice.

KKB ENGINEERING BERHAD

The Group 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.

KKB is focusing its efforts on expanding its steel fabrication activities so that it can undertake larger and more complex projects, including those from the oil and gas sector. In line with this, KKB is leveraging 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 2016, OMSB secured another project from Repsol Oil & Gas Malaysia Limited for Engineering, Procurement and Construction (EPC) works on the Bunga Pakma Wellhead Riser following a major project awarded in 2015 for EPC works relating to the wellhead platforms for the Kinabalu Redevelopment Project. Both projects are scheduled for completion by mid-2017.

The slump in crude oil prices globally has inevitably affected oil and gas producing countries, including Malaysia. The capital expenditure cut and deferment of most field developments by PETRONAS has resulted in the slowdown on both the upstream and downstream fronts. OMSB is undertaking several measures, including strengthening its operational efficiencies, to remain resilient amidst this challenging period.

In FY 2016, KKB recorded a net loss of RM5.74 million (FY 2015: PAT of RM29.10 million) on the back of lower consolidated revenue of RM103.11 million (FY 2015: RM127.91 million). Notwithstanding this, the sound track record of the KKB Group, its experienced and prudent management team, coupled with its strong cash position, will enable the Group to steady itself and pursue new business opportunities. Moving forward, the KKB Group of Companies will focus their efforts on increasing their order book amidst a highly competitive market environment. 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.

STRATEGIC INVESTMENTS – OTHERS

CMS EDUCATION SDN BHD

The Group continues to be involved in the development of our nation's future leaders through our subsidiary CMS Education Sdn Bhd which owns and operates the Tunku Putra School situated on an 18.51-acre campus in Kuching's Petra Jaya. The Tunku Putra School first opened its doors to students in January 1997 and today provides kindergarten, primary and secondary-level classes for national and international streams.

Classes at the School are purposefully kept small, ensuring students have the assurance of quality attention. At the same time, a high standard of teaching by specialist expatriate and Malaysian teachers coupled with a wide range of sporting and extracurricular activities, ensure students reap the benefits of a holistic education. Students who would benefit from additional English tuition are offered English as a Second Language. The School'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 continues to play a key role as a strategic asset that is contributing towards the State's development by ensuring employees of overseas investors working in Sarawak, as well as local parents, have access to a high standard of international schooling for their children.

In FY 2016, Tunku Putra generated gross revenue of RM9.59 million with 632 students enrolled at the end of the academic year. During the year, there were 133 new applications, comparable to the number of the previous year.

CMS OPUS PRIVATE EQUITY SDN BHD

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 Funds under Management (FUM) of RM291.00 million, is one of a few private equity firms that have adopted Shariah-compliant investment principles for some of its funds.

For FY 2016, CMS Opus successfully closed two transactions involving companies in the consumer segment. It also entered into an exit agreement with one of its investee companies in the logistics sector that will see a return of 14.1% IRR representing a money multiple return of 1.51 times. From these proceeds, the funds under management by CMS Opus declared returns on capital and a gain amounting to RM30,000,010.00 to its investors. In addition, one of its investee companies successfully received approval for an Initial Public Offering (IPO) listing by the Securities Commission. The IPO took place in the first quarter of 2017 and was one of the largest Malaysian IPOs over the past 18 months.

CMS OPUS CURRENT FUNDS UNDER MANAGEMENT (FUM) OF

RM291.00 million

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

BUSINESS RISKS

As CMS ventures forth amidst difficult market and operating conditions, we are aware of certain risks that we may be exposed to, particularly as a result of global uncertainties that could impact our operational and financial performance. We outline our key risks below, as well as our respective risk mitigation strategies.

Risk #1 - Strategic Risk: Flawed strategic business development/investment strategies and execution

Even as the Group considers participating in investment opportunities both within its existing businesses, within its portfolio of strategic investments and beyond, it may be exposed to flawed strategic choices or direction, flawed investment decisions and flawed execution.

To mitigate these risks, the Group has identified mitigation actions which include: seeking external advice and data which is cross-verified; carrying out proper feasibility studies with third party consultants involved; and working closely with proven joint venture/strategic partners who have both industry knowledge and can make the appropriate financial commitment. On top of this, we ensure measures such as a multi-tiered approval process and a Project Risk Scorecard reviewed, approved and periodically updated by the relevant Group Board, among other things, are in place in every new venture.

Risk #2 - External Risk: Adverse economic and market conditions affecting the main markets of energy-intensive industries in Sarawak

Whilst the Group has strong confidence in its two energy-intensive industry investments at the SIP, namely OM Materials (Sarawak) Sdn Bhd, OM Materials (Samalaju) Sdn Bhd and Malaysian Phosphate Additives (Sarawak) Sdn Bhd, as well as Samalaju Properties Sdn Bhd, we acknowledge that these operations can be affected by adverse economic and market conditions. These may include the fluctuation of global commodity prices, as well as overall market supply and demand.

Recognising that very limited mitigation actions can be done to materially downgrade this risk, the Group aims to reduce this risk by putting in initiatives, in relation to the two industrial plants, to carefully evaluate and limit CAPEX to only critical items. At the same time, we are taking measures to improve the overall efficiency and productivity of the plants to minimise operating costs and improve profit margins. This risk is further mitigated by the competitive power prices which are a major cost of production and which ensure these two plants are in the first quartile of production costs when measured against their competitors.

With regard to risks pertaining to Samalaju Properties such as the slow take up of space at the SIP among other things, we have identified mitigation actions which include CAPEX deferrals, reductions to land premiums payable, strictly controlling costs and editing product offerings so as to customise prices and supply to be in line with market demand and trends.

Risk #3 – Financial Risk: Funding risks for large-scale projects and/or investments (projects)

The Group's ability to fund is crucial to existing and future projects as failure in obtaining sufficient project funding may lead to delays in project implementation/completion, as well as may impact negatively on the Group's financial position and its reputation. This is all the more important particularly during recessions and slowdowns in the global economy. It is then that obtaining project funding from financial institutions becomes challenging, in terms of availability of funds, as well as with regard to the terms and rates offered.

To mitigate this, prior to entering into any such projects, the Group will conduct feasibility studies and due diligence exercises to ensure that these projects are viable and able to generate sufficient cashflow readily to meet their financial obligations. We will also ensure that we (and any of our joint venture partners) have sufficient financial resources to meet our share of a project's funding requirements, as well as any reasonably foreseeable contingency.

Apart from this, the Group is constantly engaging with and communicating effectively with our bankers to ensure positive relationships with them, so that our bankers will have a better understanding of our projects and thus be more willing to lend us their support. To further mitigate this risk, the Group is also prudent in its financial planning to ensure its gearing levels are kept within defined ratios and its cash reserves are sustained through judicious management of its free cash flows and its capital commitment. The Group is also finalising plans to put into place long-term funding through a RM2.00 billion 20-year Sukuk Ijarah and/or Murabahah programme.

Risk #4 – External Risk: Adverse changes in the political landscape and government policies

There is today an increasing destabilisation in what was generally once an increasingly stable world where trans-border collaboration and trade was leading towards a globally integrated economy. This has started to change the dynamics of international trade and political relationships leading to more uncertainty. Within Sarawak, leadership changes have inevitably resulted in policy shifts which the Group needs to factor into its strategies. Developments on the political and regulatory fronts may affect the growth and sustainability of the Group both in the short and in the longer-term at different levels. Even though the Group has visibly positioned itself as an ally supporting the State's overall economic development, thanks to its extensive pan-State presence, its strong balance sheet and its experienced management team, this risk remains one of the Group's top risks.

Recognising these constraints, the Group has implemented several "detective" controls to minimise the impact of this risk. The Group maintains an active and positive rapport with regulatory authorities and government ministries to monitor new plans, strategies and pertinent political changes through regular multi-tiered engagement with all relevant political, governmental, private sector and community leaders. In addition, the Group has been constantly playing an active role as a socially responsible entity as part of its multi-stakeholder business model, which has helped to improve the Group's image and positioning in the community generally and in corporate and governmental settings as a valuable partner and ally to the State to achieve its development goals.

MOVING FORWARD INTO 2017 AND BEYOND

Global economic growth is projected to touch 3.4% and 3.6% in 2017 and 2018 respectively on the back of growth in emerging and developing economies. Amidst the continued weakness of the Malaysian Ringgit against major currencies like the US Dollar, Malaysia's economic growth rate is expected to grow at a modest 4.4% (2016: 4.2%) spurred by gradual economic recovery and resilient domestic demand. Domestic demand is expected to be supported by sustained infrastructure spending from Government-driven mega infrastructure projects and this positive momentum is expected to be further fuelled by several catalyst projects under the 11th Malaysian Plan (2016-2020) or 11MP.

Sarawak's 2017 State Budget, will see some 73% of the budget being devoted towards development, with some 23% of this earmarked for rural development. The remaining 27% of the State Budget will be utilised for operational expenditure. This augurs well for the Group given the infrastructure needs of the State and expectations of a reduction in the urban-rural development gap. This development will include much needed infrastructural projects such as roads, bridges, wharves and jetties, telco infrastructure, drainage and utilities, among others. Taking all these elements into account, we are hopeful that 2017 will be a better year for the Group.

As CMS ventures forth to sustain its transformational and sustainable growth plans, we are focused on bolstering the strong foundations laid thus far. 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 notable 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 buffeted Sarawak in 2016, the State with its strong underlying fundamentals, is back on track to achieve its economic ambitions. Several factors are being brought into play to ensure Sarawak maintains its good growth momentum. One of these is the Sarawak Socio-Economic Transformation Plan or SETP (2016-2030), a comprehensive, integrated and balanced plan, which aims to spur 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. Under the SETP, a total allocation of some RM180.00 billion is required to transform the State from all angles. The first phase of SETP will be carried out under the 11MP from 2016 to 2020 with Sarawak's nominal GDP expected to increase from RM122.50 billion in 2015 to RM171.30 billion in 2020. During the same period, nominal GDP per capita is also expected to increase from RM46,489.00 to RM61,406.00. While macroeconomic headwinds may put a damper on some of the State's economic ambitions in the short-run, in the long-run, 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 RM334.00 billion expected to be injected into Sarawak's economy by 2030 (approximately 20% from the Government and 80% from the private sector), we are confident that both investment opportunities and demand for the Group's construction materials, our construction and road maintenance services and our property and township developments, will increase.

Eight years on, SCORE is on track with its aspiration of diversifying and 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 solid track record, potential partners know they can count on us to strengthen their projects' 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) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd, and 40% equity stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd, 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 RM27.00 billion

1,663km-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.

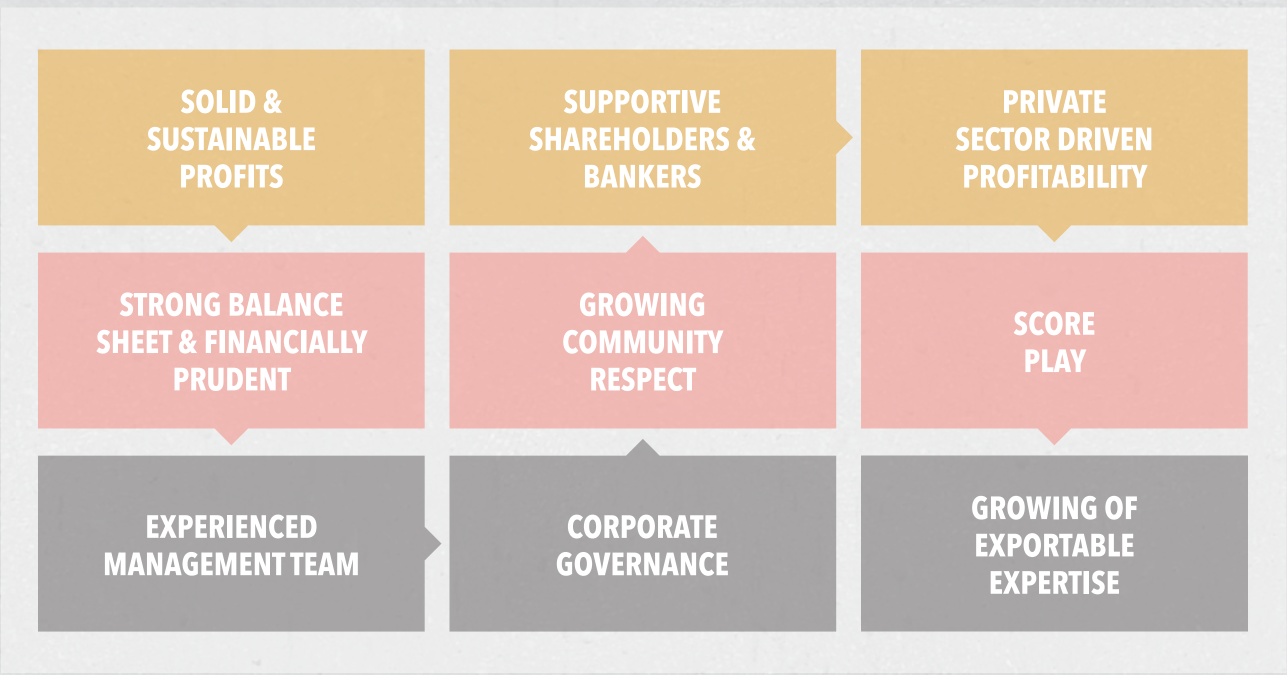
The Group aims to ride the Sarawak growth story through our involvement in the energy-intensive industry investments in SCORE, as well as through the provision of infrastructure, construction materials and related services across the State. Our investment in SACOFA, which also ties in with our strategies, bodes well for us.

STRATEGIES FOR SUCCESS

Even as we have set out to secure sustainable business growth these last few years, we have been guided by the Group's two business blueprints, namely the strategies under our Nine-Point Scorecard and our *ROAR V.2 Strategy*, both of which have helped us maintain our good growth momentum.

The strategies under our Nine-Point Scorecard have certainly helped us maintain our good growth momentum. Their value was very evident in 2016 when we continued to leverage on them to guide us through the year's challenges. We will continue to look to them to fuel growth and ensure we deliver a consistent, robust performance. Our nine strategies advocate that we maintain 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 implement strong corporate governance measures, strengthen ties and build respect among the communities that we serve, as well as garner strong support from our shareholders and bankers. Finally, we are to focus our efforts 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 9-POINT SCORECARD



We also have in place our *ROAR V.2 Strategy*, which we introduced in 2012, following the success of the first *ROAR Strategy* introduced in late 2006. Standing for Restructure, Organise, Advance and Roar, this Strategy continues to play a key role in ensuring we deliver a proven flow of sustainable profits from a portfolio of synergised businesses. 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 2017. Even as 2017 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 RM10.00 billion in market capitalisation.

In 2016, we rolled out a third strategy - the *Edging Strategy* – to complement our existing initiatives, as well as to counter sluggish market conditions, the lack of large scale greenfield opportunities and operating constraints. This Strategy calls for us to maximise opportunities on the "edges" of our current businesses to create significant growth. Often overlooked by companies, businesses in the "near field of vision" or on the "edge" of a company's range of focus, often carry opportunities for success with lower risks than a *Blue Ocean Strategy* or a greenfield expansion. In line with our efforts to in this area, senior management in all our core Divisions, with the exception of our Samalaju Development and ICT Divisions, have incorporated an *Edging Strategy* into their management plans and budgets for 2017.

As we go about our business, we recognise that we need to stand out from other businesses, while remaining relevant to our diverse stakeholders. To this end, CMS is focusing its efforts on becoming an *Extraordinary Organisation* where we will leverage on four criteria 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 advocates the setting up of a workplace environment with an abundance of moral values, loyalty, common purpose, empathy, team spirit and a sense of fairness.

As CMS works towards becoming an *Extraordinary Organisation*, we will look to our PRIDE Mission Statement to keep us on track. We will also tap into several other proven elements to advance forward. We will continue leverage on 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 workforce. We are indeed very fortunate to have a dynamic management team and dedicated employees who not only have a keen understanding of how best to leverage our diverse strategies and initiatives, but have shown great resilience in weathering the storms over the years to deliver robust performances.

IN APPRECIATION

Forty-two years' on and CMS continues to be recognised as one of Sarawak's leading infrastructure facilitators. Our success comes on the back of the steadfast support of many parties.

On behalf of the Board of Directors, I wish to convey my sincere gratitude to our valued customers, suppliers, business partners, the Federal and State Governments and agencies, as well as our joint venture partners and associate companies. Thank you for your unswerving trust and confidence in CMS, as well as for extending us your unstinting support and cooperation.

My heartfelt appreciation goes to our Board of Directors for their wise counsel and astute insights which helped us keep an unwavering focus on our priorities and enabled us to surmount the year's many challenges. To the CMS family of employees, please accept my utmost gratitude for your unswerving loyalty, diligence and commitment to excellence. Your amazing resilience and worthy efforts continue to take us from strength to strength in our journey of transformational growth and I am positive they will continue to hold us in good stead in the next phase of our journey.

As CMS moves towards truly becoming the 'PRIDE of Sarawak and Beyond', we call upon all our stakeholders to continue lending us their staunch support. Thank you.

Yours sincerely,

DATO' RICHARD CURTIS
Group Managing Director
14 March 2017

BOARD OF DIRECTORS' PROFILE

Y A M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Group Chairman
Independent, Non-Executive Director

MALAYSIAN AGED 65 MALE

Chairman

Nomination & Remuneration Committee

Member

Group Audit Committee

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 10 years, Tan Sri Syed Anwar was re-appointed as an Independent Non-Executive Director at the Company's 41st Annual General Meeting held last year. He is also the Chairman of the Nomination & Remuneration Committee and Member of the Group Audit Committee. 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 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 and has no family relationship with any other director and/or major shareholder of the CMS Group.

Tan Sri Syed Anwar has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2016.

Y BHG DATO SRI MAHMUD ABU BEKIR TAIB

Deputy Group Chairman
Non-Independent, Non-Executive Director

MALAYSIAN AGED 53 MALE

Member

Nomination & Remuneration Committee

Dato Sri Mahmud Abu Bekir Taib is Deputy Group Chairman of CMS. He was appointed to the Board of CMS as Group Executive Director on 23 January 1995. Having pursued his tertiary education in USA and Canada, Dato Sri Mahmud has extensive experience in the stock-broking and corporate sectors. He was a founding member of Sarawak Securities Sdn Bhd, Sarawak's first stock-broking company which is now under Kenanga Investment Bank 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 Sri Sulaiman Abdul Rahman Taib (a substantial shareholder of CMS), Dato Hajjah Hanifah Hajar Taib-Alsree and Jamilah Hamidah Taib (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 five (5) meetings of the Board of Directors in the financial year ended 31 December 2016.

Y BHG DATUK SYED AHMAD ALWEE ALSREE

Group Executive Director

SINGAPOREAN
(Permanent Resident of Malaysia)

AGED
51

MALE

Chairman

Group Risk Committee

Datuk Syed Ahmad Alwee Alsree is Group Executive Director of CMS, having been appointed to the Board on 4 September 2006. He joined the CMS Group in February 2004 as Group General Manager - Human Resources, was appointed as Deputy Group Managing Director in September 2006, and was subsequently re-designated as Group Executive Director in August 2008.

Datuk Syed Ahmad is the Deputy Chairman of Kenanga Investment Bank Berhad and SACOFA Sdn Bhd. 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.

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 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 substantial shareholder of CMS), Jamilah Hamidah Taib (a major shareholder of CMS) and Dato Sri Sulaiman Abdul Rahman Taib (a substantial shareholder 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 five (5) meetings of the Board of Directors in the financial year ended 31 December 2016.

Y D H DATO' RICHARD ALEXANDER JOHN CURTIS

Group Managing Director

BRITISH
(Permanent Resident of Malaysia)

AGED **65**

MALE

Member

Group Risk Committee

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

Dato' Richard is a director of Kenanga Investment Bank Berhad and a number of CMS subsidiaries in cement, construction materials and trading, construction and road maintenance and property development. Dato' Richard is a trustee of Yayasan Raja Muda Selangor. Dato' Richard has no family relationship with any director and/or major shareholder of the Company.

Dato' Richard has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2016.

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

Non-Independent, Non-Executive Director

MALAYSIAN

AGED 68

MALE

General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Hj Zainuddin (Retired) was appointed to the Board of CMS on 8 July 2005. He has 39 years of 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 Mohd 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 SOGO (K.L.) Department Store Sdn Bhd. General Mohd Zahidi was made a Member of Dewan Negara Perak by DYMM Paduka Seri Sultan Perak on 25 November 2006 and is a trustee 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 with the consent of Dewan Negara Perak Darul Ridzuan.

General Mohd 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 Mohd 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 and has no family relationship with any other director and/or major shareholder of the CMS Group.

General Mohd Zahidi has attended four (4) out of five (5) meetings of the Board of Directors in the financial year ended 31 December 2016.

Y BHG DATU HUBERT THIAN CHONG HUI

Independent, Non-Executive Director

MALAYSIAN

AGED 69

MALE

Member

Group Audit Committee

Member

Nomination & Remuneration Committee

Member

Group Risk Committee

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

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, PPESW BPSB JV 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 and road maintenance. Prior to this, he served in the Sarawak State's 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 and has no family relationship with any other director and/or major shareholder of the CMS Group.

Datu Hubert has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2016.

Y BHG DATUK SERI YAM KONG CHOY

Independent, Non-Executive Director

MALAYSIAN

AGED 63

MALE

Member

Nomination & Remuneration Committee

Member

Group Risk Committee

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 and Malaysia Airports (Niaga) Sdn Bhd, a director of the Construction Industry Development Board and also EPF subsidiary, Kwasa Land Sdn Bhd. He is the Immediate Past President and Patron of the Real Estate and Housing Developers' Association of Malaysia.

Datuk Seri Yam also sits on the boards of Malaysia Airports Holdings Berhad and Paramount Corporation Berhad as a senior independent director and as an independent non-executive director of 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.

Datuk Seri Yam has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2016.

MR CHIN MUI KHIONG

Independent, Non-Executive Director

MALAYSIAN | AGED 62 | MALE

Chairman

Group Audit Committee

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. He is a director of ASSAR Corporate Services Sdn Bhd.

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 and has no family relationship with any other director and/or major shareholder of the CMS Group.

Mr Chin has attended all five (5) meetings of the Board of Directors in the financial year ended 31 December 2016.

1. None of the Directors has been convicted of any offence (other than traffic offences) within the past five years and any public sanction/penalty imposed by the relevant regulatory bodies during the financial year.

2. Details of the Directors' shareholdings are outlined on page 198 of this Annual Report.

SENIOR MANAGEMENT TEAM

Y BHG DATUK SYED AHMAD ALWEE ALSREE

Group Executive Director
Male / Aged 51 / Singaporean, Permanent Resident of Malaysia

Datuk Syed Ahmad Alwee Alsree joined CMS on 17 February 2004 and assumed his current position as the Group Executive Director on 19 August 2008.

RESPONSIBILITIES

Datuk Syed Ahmad is responsible for developing strong partnerships with the CMS' Board of Directors and its corresponding committees and management in formulating and driving critical board agendas which will impact positively on shareholders' returns, and CMS' long-term sustainable growth and profitability.

EXPERIENCE

Prior to joining CMS, he practised law in Singapore for over 10 years.

QUALIFICATIONS

Datuk Syed Ahmad graduated with a Bachelor of Law (LL.B.) degree from the National University of Singapore. He completed the Advanced Management Program at Harvard Business School.

DIRECTORSHIPS

Datuk Syed Ahmad is the Deputy Chairman of Kenanga Investment Bank Berhad and SACOFA Sdn Bhd. 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.

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

Datuk Syed Ahmad is the brother-in-law of Dato Sri Mahmud Abu Bekir Taib (a director and a substantial shareholder of CMS), Jamilah Hamidah Taib (a major shareholder of CMS) and Dato Sri Sulaiman Abdul Rahman Taib (a substantial shareholder 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).

Y D H DATO' RICHARD ALEXANDER JOHN CURTIS

Group Managing Director
Male / Aged 65 / British, Permanent Resident of Malaysia

Dato' Richard Curtis joined CMS as Group Managing Director on 4 September 2006.

RESPONSIBILITIES

Dato' Richard Curtis is responsible for reporting to the Board, for managing CMS' operations, overseeing its strategic investments and developing and implementing its strategic plans in line with Board approvals and the Group's Vision and Mission for the benefit of the Group's stakeholders.

EXPERIENCE

Prior to joining CMS, he was 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 Curtis 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.

QUALIFICATIONS

Dato' Richard Curtis graduated with a Bachelor of Law (LL.B.) (Honours) degree from the University of Bristol, United Kingdom, was admitted to practise as a solicitor in England, Wales and Hong Kong and is a Sloan Fellow of the London Business School.

DIRECTORSHIPS/APPOINTMENTS

Dato' Richard Curtis is a director of Kenanga Investment Bank Berhad and many CMS subsidiaries in cement, construction materials and trading, construction and road maintenance and property development. Dato' Richard Curtis is a trustee of Yayasan Raja Muda Selangor.

SYED HIZAM ALSAGOFF

Group Chief Financial Officer
Male / Aged 49 / Singaporean

Syed Hizam Alsagoff joined CMS on 17 January 2005 and assumed his current position as the Group Chief Financial Officer on 1 September 2009.

RESPONSIBILITIES

Syed Hizam is responsible for all finance and treasury-related matters in CMS which covers overall financial management and planning to support decision-making on operational and strategic issues of the Group.

EXPERIENCE

Prior to joining CMS, he has had 15 years of experience in finance management through positions held in complex organisations in various industries in several countries such as education in Queensland University of Technology, Australia, textile business operations in Eclipse Textiles Pty Ltd, Brisbane, semi-conductor components and technology-related industry in Zac International, Inc., California and satellite manufacturing coupled with R&D in Space Systems Loral, a public listed company in the New York Stock Exchange, USA.

QUALIFICATIONS

Syed Hizam graduated with a Bachelor of Science degree from San Jose State University, California, USA, majoring in Finance with a minor in Economics. He was a recipient of the University's Cum Laude award for Outstanding Scholastic Achievement.

DIRECTORSHIPS

Syed Hizam is a director of KKB Engineering Berhad, Al Wasatah Al Maliah Company (Closed Joint Stock Company), Saudi Arabia, and several CMS subsidiaries and associates.

Y BHG DATO ISAAC LUGUN

Chief Executive Officer, Samalaju Industries Sdn Bhd
Male / Aged 59 / Malaysian

Dato Isaac Lugun joined CMS on 8 January 1996 and assumed his current position as the Chief Executive Officer of Samalaju Industries Sdn Bhd on 1 August 2007.

RESPONSIBILITIES

Dato Isaac Lugun is responsible to drive the Group's business interests at Samalaju Industrial Park including identifying potential investment opportunities in energy-intensive and downstream industries. This includes the responsibility to monitor and oversee such projects' implementation, which are typically capital-intensive, and their subsequent operations.

EXPERIENCE

Dato Isaac Lugun has held various senior management positions in CMS, including Group General Manager for Corporate Affairs covering Legal, Human Resources, Corporate Communications and Company Secretarial functions. In 2009, he initiated CMS' focus on the development of its businesses at Samalaju and helped to convert the CMS' first-mover advantage into a strategic business advantage that the Group has at Samalaju today. Prior to joining CMS, he had worked in various senior management positions at PETRONAS and EXXON-Mobil.

QUALIFICATIONS

Dato Isaac Lugun graduated with a Bachelor of Law (LL.B) (Honours) degree from the University of Malaya.

DIRECTORSHIPS

Dato Isaac Lugun is a director and Chief Executive Officer of Samalaju Industries Sdn Bhd, and a director of Samalaju Properties Sdn Bhd and SACOFA Sdn Bhd.

MOHAMED ZAID ZAINI

Head, Information & Communication Technology Division
Male / Aged 43 / Singaporean

Mohamed Zaid Zaini joined CMS on 17 March 2014 and assumed his current position as the Head of the ICT Division and Chief Information Officer of Group Management Information Systems Department on 1 January 2016 and he was also appointed as the Managing Director of SACOFA Sdn Bhd, an associate company of CMS on 4 March 2016.

RESPONSIBILITIES

Mohamed Zaid is responsible for the overall management and operation of the Group Management Information Systems Department, overseeing a team of IT employees, systems, networks/servers, applications and support services throughout the Group, as well as to oversee and drive CMS' investment in SACOFA Sdn Bhd.

EXPERIENCE

Prior to joining CMS, he was the Regional Director, Asia Pacific of Callbox Inc. based in Sydney, Australia, and before that he was CEO for 10 years at Webvisions Australia. Throughout his career, he has held various positions in the areas of Business Development, Sales, Marketing, Accounts and Project Management companies across Singapore and Australia.

QUALIFICATIONS

Mohamed Zaid graduated with a Bachelor of Commerce, Finance and Accounting degree from the University of New South Wales, Australia.

DIRECTORSHIP

Mohamed Zaid is the Managing Director of SACOFA Sdn Bhd.

FAMILY RELATIONSHIP WITH ANY DIRECTOR AND/OR MAJOR SHAREHOLDER

Mohamed Zaid is the brother-in-law of Datuk Syed Ahmad Alwee Alsree.

DAVID LING KOAH WI

Group General Counsel
Male / Aged 47 / Malaysian

David Ling Koah Wi joined CMS as the Group General Counsel on 1 August 2007. Currently, he also heads the Group Risk Management Unit which was established in March 2009.

RESPONSIBILITIES

David Ling is responsible for CMS' Legal Services Department and the Group Risk Management Unit which respectively handle the Group's legal issues and oversees the risk management functions of the Group reporting to CMS' Group Risk Committee.

EXPERIENCE

Prior to joining CMS, David Ling was with ZICOlaw Malaysia and before that, he was practising law in Australia.

QUALIFICATIONS

David Ling graduated with a double degree in Bachelor of Laws (Honours) and Bachelor of Economics (majoring in Accounting and Economics) from the University of Sydney. He then pursued his studies at the College of Law, Sydney and graduated with a Post Graduate Diploma in Legal Practice. He was admitted in New South Wales, Australia as a Solicitor and subsequently as an Advocate of the High Court in Sabah and Sarawak.

DIRECTORSHIPS

David Ling is a director of SACOFA Sdn Bhd and CMS I-Systems Berhad.

DANNY SIM WEI MIN

Senior General Manager, Group Procurement
Male / Aged 51 / Malaysian

Danny Sim Wei Min joined CMS on 1 March 2001 and assumed his current position as the Head of the Group Procurement Department on 1 January 2015.

RESPONSIBILITIES

Danny Sim is responsible for overseeing the department and for continuously enhancing the efficiency of the procurement system and plays a key role in the efficient centralisation of procurement throughout the Group.

EXPERIENCE

Danny Sim has more than 25 years of experience in the fields of quantity surveying. Prior to joining CMS, he worked as a researcher to 'Royal Commission Into The Building and Construction Industry, Australia' and as a Quantity Surveyor at Kumpulan Ukor Bahan Sarawak, where he was responsible for preparing tender/contract documents and acting as a Contract Administrator for various infrastructure projects.

QUALIFICATIONS

Danny Sim graduated with a degree in Bachelor of Building from The University of New South Wales, Australia.

DIRECTORSHIP

Danny Sim does not hold directorship in other companies and listed companies.

TAN MEI FUNG

General Manager, Group Finance
Female / Aged 57 / Malaysian

Tan Mei Fung joined CMS on 1 August 1997 and assumed her current position as the General Manager of Group Finance Department on 1 January 2010.

RESPONSIBILITIES

Tan Mei Fung is responsible for overseeing the planning of financial policies and procedures, budgeting, forecasting, management reporting and financial reporting processes, as well as implementing/maintaining relevant controls. She also creates short to medium financial strategies that support CMS' strategies and expansion.

EXPERIENCE

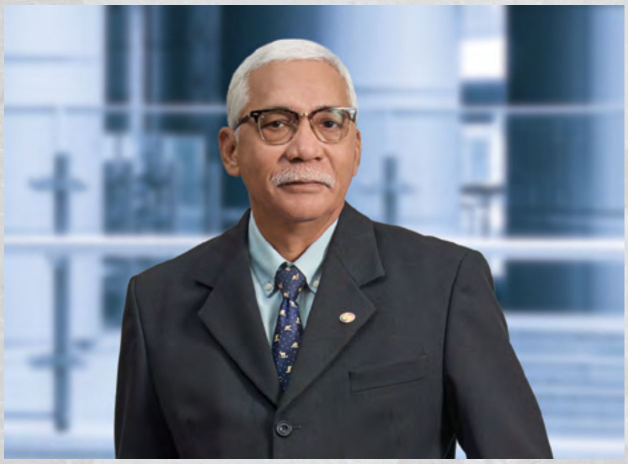
Prior to joining CMS, Tan Mei Fung served as a Senior Audit Manager at Ernst & Young in Kuching. She has more than 15 years of experience in audits of public listed companies, limited companies, statutory bodies and financial institutions.

QUALIFICATIONS

Tan Mei Fung obtained a professional qualification from the Malaysian Association of Certified Public Accountants. She is a Chartered Accountant registered with The Malaysian Institute of Accountants and also a member of The Chartered Tax Institute of Malaysia.

DIRECTORSHIP

Tan Mei Fung does not hold directorship in other companies and listed companies.



ABDUL NASSER BIN MOHD SANUSI

Senior General Manager, Special Projects
Male / Aged 60 / Singaporean, Permanent Resident of Malaysia

Abdul Nasser Bin Mohd Sanusi joined CMS on 16 February 2004 and assumed his current position as the Senior General Manager of the Special Projects Department on 16 February 2015.

RESPONSIBILITIES

Abdul Nasser is responsible for overseeing the various group projects involving insurance negotiations, project viability studies, special inquiries and investigations, community engagement issues, cost saving initiatives and investigations into new business ventures.

EXPERIENCE

Abdul Nasser has more than 30 years of experience in human resources, procurement, sales, administration, accounts, aeronautics, property and real estate industries and has held various managerial positions in these sectors. Prior to joining CMS, he was the Administrative Manager at Rice World Pte Ltd and the Sales & Procurement Manager at Mal-Euro Sdn Bhd.

DIRECTORSHIP

Abdul Nasser is an alternate director on the board of PPESW BPSB JV Sdn Bhd.

WENDY YONG SAN SAN

Senior General Manager, Group Human Resources
Female / Aged 46 / Malaysian

Wendy Yong San San joined CMS on 16 May 1999 and assumed her current position as the Senior General Manager of the Group Human Resources Department on 1 January 2014.

RESPONSIBILITIES

Wendy Yong is responsible for overseeing the department's strategic and operational functions which encompass human capital planning, succession planning, recruitment, payroll, employee development, performance management, employee engagement, employee relations, as well as employee safety and health. She is also involved in various corporate due diligence exercises, ESOS implementation and the introduction and implementation of the Management Trainee Development Programme, Work-Life Balance and In-House Training initiatives for the Group.

EXPERIENCE

Prior to joining CMS, she had held various human resources roles at RHB Bank Berhad in Kuching and Kuala Lumpur.

QUALIFICATIONS

Wendy Yong graduated with a Bachelor of Science degree from the University of Melbourne, Australia and obtained a Master of Science degree from the University of Leicester, UK.

DIRECTORSHIP

Wendy Yong is a director of CMS Education Sdn Bhd, overseeing Tunku Putra School.

FRANCIS LOU CHEE NGEE

Group Internal Auditor
Male / Aged 49 / Malaysian

Francis Lou Chee Ngee joined CMS on 1 September 2012 and assumed his current position as the Head of the Group Internal Audit Department on 1 July 2014.

RESPONSIBILITIES

Francis Lou is responsible for overseeing the department which provides independent and objective investigating, audit and consulting activities to help CMS realise its vision and achieve its business objectives. He is responsible for ensuring that the internal audit activities of the Group are carried out in a systematic and disciplined manner to evaluate and improve the effectiveness of risk management, control and governance processes in line with the Board's direction and regulatory and legal requirements.

EXPERIENCE

Francis Lou has more than 25 years of experience in the fields of auditing, investment banking, treasury and collective investment schemes. Prior to joining CMS, he was the Head of Finance at Kenanga Investors Berhad where he was responsible for the financial management of the company including its financial accounts and those of the funds under management.

QUALIFICATIONS

Francis Lou graduated with a degree in Bachelor of Management Studies from The University of Waikato, New Zealand. He is a member of the Institute of Internal Auditors Malaysia (IIAM) and also the current Chairman of the IIAM Sarawak District Society.

DIRECTORSHIP

Francis Lou does not hold directorship in other companies and listed companies.

LIM JIT YAW

Head, Construction & Road Maintenance Division
Male / Aged 49 / Malaysian

Lim Jit Yaw joined CMS on 1 January 2006 and assumed his current position as the Head of the Construction & Road Maintenance Division and Chief Executive Officer of CMS Works Sdn Bhd, the holding company of PPES Works (Sarawak) Sdn Bhd, CMS Roads Sdn Bhd, CMS Pavement Tech Sdn Bhd and PPESW BPSB JV Sdn Bhd on 1 July 2012.

RESPONSIBILITIES

Lim Jit Yaw is responsible for the strategic direction, management and performance of the Division's construction, fleet management and State and Federal road maintenance businesses in Sarawak.

EXPERIENCE

Lim Jit Yaw has more than 20 years of experience in design, engineering, procurement, construction, operation and maintenance of infrastructure and building projects. Prior to joining CMS, he was an associate director of Maunsell NVOF Sdn Bhd, a consulting engineering company focusing on overall project conceptualisation and system planning, designing, project management, administration, tendering and contract administration.

QUALIFICATIONS

Lim Jit Yaw graduated with a Bachelor of Mechanical Engineering Degree from The University of New South Wales, Australia. He is a member of The Board of Engineers in Malaysia and was previously, the first Vice Chairman of Kuching Section, Malaysia Chapter of American Society of Heating, Refrigerating and Air-conditioning Engineers, Inc. (ASHRAE).

DIRECTORSHIP

Lim Jit Yaw does not hold directorship in other companies and listed companies.

GOH CHII BING

Head, Cement Division
Male / Aged 55 / Malaysian

Goh Chii Bing joined CMS on 26 October 1992 and assumed his current position as the Head of the Cement Division on 1 January 2013.

RESPONSIBILITIES

Goh Chii Bing is responsible for the strategic direction, performance and management of the Division. This includes the production of Portland Cement and Blended Cement to cater for Sarawak's growing market, as well as for the production of clinker, ready-mix and range of precast concrete products including Industrialised Building System (IBS) products and solutions.

EXPERIENCE

Before assuming his current role, he has more than 20 years of experience in CMS' Construction Materials Division, which comprises quarrying, premix and wire manufacturing. His expertise lends support for cement and construction businesses in Sarawak. Prior to returning to Malaysia, he has had wide experience in the bitumen and asphalt concrete industry in New Zealand.

QUALIFICATIONS

Goh Chii Bing graduated from The University of Otago, New Zealand with a Bachelor Degree in Minerals Technology Engineering. He is a fellow of the Institute of Quarrying Malaysia, Treasurer of Sarawak Quarries Association, Member of The Federation of Malaysian Manufacturers and Council Member of The Cement and Concrete Association of Malaysia.

DIRECTORSHIPS

Goh Chii Bing is the Executive Director/Chief Executive Officer of CMS Cement Sdn Bhd, and a director of CMS Clinker Sdn Bhd and CMS Concrete Products Sdn Bhd.

VINCENT KUEH HOI CHUANG

Head, Property Development Division
Male / Aged 60 / Malaysian

Vincent Kueh Hoi Chuang joined CMS as the Head of the Property Development Division on 16 August 2012.

RESPONSIBILITIES

Vincent Kueh is responsible for the strategic direction, management and performance of the Division's buildings, property development and management and township development businesses.

EXPERIENCE

Prior to joining CMS, he has held various key positions in leading property development and construction companies with over 30 years of experience in the property management, development and construction sectors.

QUALIFICATIONS

Vincent Kueh graduated with a Bachelor of Arts degree from The University of Guelph, Canada.

DIRECTORSHIPS

Vincent Kueh is the Executive Director/Chief Executive Officer of CMS Property Development Sdn Bhd, and a director of CMS Property Management Sdn Bhd, CMS Land Sdn Bhd, Projek Bandar Samariang Sdn Bhd, Samalaju Properties Sdn Bhd and Samalaju Hotel Management Sdn Bhd.

CHONG SWEE SIN

Head, Construction Materials & Trading Division
Male / Aged 53 / Malaysian

Chong Swee Sin joined CMS on 6 June 1991 and assumed his current position as the Head of the Construction Materials & Trading Division and Chief Executive Officer of CMS Resources Sdn Bhd on 1 September 2013.

RESPONSIBILITIES

Chong Swee Sin is responsible for the strategic direction, management and performance of the Division's quarrying, premix, wires and related services businesses.

EXPERIENCE

Chong Swee Sin has held various positions in accounts and business development in CMS. He was the Premix Manager in 2003 before being promoted to General Manager, Marketing for the Construction Materials Division in 2011. He has more than 25 years of experience in the quarry and asphaltic concrete (premix) industries in Sarawak.

QUALIFICATIONS

Chong Swee Sin is a Chartered Management Accountant and is an associate member of The Chartered Management Accountants (ACMA), U.K.

DIRECTORSHIPS

Chong Swee Sin is a director of several CMS subsidiaries in the Construction Materials & Trading Division.

GOH CHII YEW

Chief Executive Officer, Samalaju Properties Sdn Bhd
Male / Aged 48 / Malaysian

Goh Chii Yew joined CMS on 1 July 1995 and assumed his current position as the Chief Executive Officer of Samalaju Properties Sdn Bhd, part of the Property Development Division on 1 January 2016.

RESPONSIBILITIES

Goh Chii Yew is responsible for the strategic direction, management and performance of Samalaju Properties Sdn Bhd which is developing the township, light industrial park, service centre and providing workers accommodation and other services within the Samalaju Industrial Park, Bintulu.

EXPERIENCE

Goh Chii Yew joined PJT Sdn Bhd (Rimbunan Hijau Group) in 1993 as an Engineer. He then joined CMS Steel Bhd in 1995. While in CMS Steel, he was the prime coordinator during the project stage. After commissioning of the steel plant, he continued in plant operations before being promoted to Plant Manager.

QUALIFICATIONS

Goh Chii Yew graduated from The University of Sydney, Australia with a Bachelor of Engineering (Mechanical) (Honours). He is a registered professional engineer of The Board of Engineers Malaysia.

DIRECTORSHIP

Goh Chii Yew does not hold directorship in other companies and listed companies.

Save for Y Bhg Datuk Syed Ahmad Alwee Asree and Mohamed Zaid Zaini, none of the Senior Management members has any family relationship with any Director/ Major Shareholder and has no conflict of interest with the Company. None of the Senior Management members has been conflicted of any offence (other than traffic offences) within the past five years and any sanction/penalty imposed by the relevant regulatory bodies during the financial year.

CMS' COMMITMENT TO SUSTAINABILITY



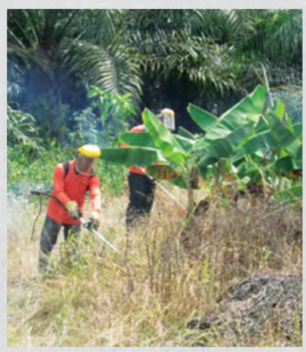



CMS' COMMITMENT TO SUSTAINABILITY

Here at CMS, we remain committed to upholding responsible management and sustainable development on the economic, environmental and social (EES) fronts. This is going a long way in helping secure the future of the Group and creating long-term shared value for our stakeholders. Value is derived by making the most of top-line growth opportunities, bottom-line improvements and risk mitigation activities. As we continue to embed sustainability throughout the Group, we continue to uphold excellence and drive innovation throughout our operations. This in turn is helping us bolster business efficiency and hone our competitive edge.

In 2016, the Group continued to strengthen existing initiatives on the EES fronts while rolling out new ones. This year's sustainability initiatives and activities can be found in our second standalone Sustainability Report titled 'Strengthening Our Sustainability Momentum' which is available for download from our CMS corporate website at www.cmsb.com.my/investor-relations/reports/sustainability-reports/.










This Statement was approved by the Board on 14 March 2017.

STATEMENT ON CORPORATE GOVERNANCE

OVERVIEW

The Board of Directors of Cahya Mata Sarawak Berhad ("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 2016 outlining the application of the principles and recommendations as set out in the following guides:

- Companies Act 2016 ("the Act");
- Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities");
- Malaysian Code of Corporate Governance 2012 ("the Code"); and
- Second Edition of Corporate Governance Guide issued by Bursa Malaysia Berhad ("CG Guide").

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 annually, 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 the 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 2016, the Board Strategic Retreat was held in Kuching in September together with an official visit to the newly commissioned integrated cement plant in Mambong. This was immediately followed by the Senior Management Retreat which was also held in Kuching. The Board subsequently approved the Group Management Plan 2017–2019 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 an electronic-based risk management reporting system (Q-Radar) on a Group-wide basis with the aim of enhancing the efficiency of our current risk management process. With the successful roll out of Q-Radar system, the C-Radar system which aim is to cascade risk management to the staff that are not captured under Q-Radar system has been rolled out in the Cement Division and has been extended to other Divisions across the Group. Risk reports are produced by respective business divisions' management focusing on the risks they themselves have identified.

- 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 and orderly 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 2016 were:

- Approved the re-establishment of the SUKUK Ijarah Programme of RM2.00 billion.
- Implementation of succession planning for the Board.
- Approved the CMS Sustainability Initiatives.
- Revisions to the Group Limits of Authority ("LOA") Manual to improve its effectiveness.

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 own 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. The Whistleblowing Policy is available on the Company's website at www.cmsb.com.my.

Access to Information and Advice

The Directors have independent access to the advice and dedicated support services of the Group Company Secretary to facilitate the discharge of their duties. The Directors may seek clarification and/or explanation from Management on issues pertaining to their respective jurisdictions or request for further information and/or updates on the Group's operations.

The Board, whether as a group or individually, may seek independent professional advice at the Company's expense in discharging its duties. The Company has in place guidelines allowing the Board to seek independent professional advice through the Group LOA Manual.

Qualified and Competent Company Secretary

The Group Company Secretary is a person qualified to act as a company secretary under Section 235(2) of the Act and the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") Practising Scheme. The Group Company Secretary is an Associate Member of MAICSA with more than twenty (20) years of experience in company secretarial practice. The Group Company Secretary provides support to the Board in fulfilling its fiduciary duties. In this respect, the Group Company Secretary plays an advisory role to the Board on Board policies and procedures and its compliance with regulatory requirements, codes and 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 constantly keeps herself abreast of the regulatory changes and development in corporate governance and MMLR through continuous training. She has attended relevant continuous professional development programmes as required by MAICSA. The Board is satisfied with the performance and support rendered by the Group Company Secretary to the Board in discharging its functions.

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 2016, one (1) Independent Non-Executive Director retired as part of the Board succession plan and renewal programme. The Board currently comprises eight (8) members, which is within the maximum size of eighteen (18) as provided under the Company's Articles of Association. Four (4) 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 Executive Director ("ED") respectively] and two Non-Independent Non-Executive Directors. The Non-Executive Deputy Chairman and Group ED are major shareholders of the Company.

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 three (3) 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 36 to 43 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 COMMITTEES

The Board has established three (3) Committees to assist in discharging its duties. All Board Committees have written TOR which are in accordance with the recommendations of the Code and/or MMLR. The said Board Committees' TOR are reviewed annually by the Board and are available on the Company's website 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 composition and a summary of the work of the Group AC are set out under the Group AC Report which is presented on pages 68 to 71 of this Annual Report. The Group AC meets at least four (4) times a year.

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
Datu Hubert Thian Chong Hui (Independent, Non-Executive)	Member
Datuk Seri Yam Kong Choy (Independent, Non-Executive)	Member

The detailed risk management report and key activities of the GRC are set out under the Statement on Risk Management and Internal Control which is presented on pages 72 to 77 of this Annual Report. The GRC meets at least once every quarter. In 2016, GRC held four (4) meetings.

NRC

The Board is satisfied that the NRC has effectively discharged its roles and responsibilities with respect to its nomination and remuneration functions. Members of the NRC 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. As such the Board is of the view that there is no need to separate the nomination and remuneration functions into separate committees. The Board is pleased to report on the NRC's activities in the discharge of its duties for 2016.

The NRC meets at least twice a year. In 2016 NRC held three (3) 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

The key roles of the NRC are as follows:

- Determine the criteria and recommend any 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 the term of office and performance of the Group AC and each of its members.
- 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 rewards 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 continues to undertake 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 line with this the Board had reviewed its composition in 2016 via the "Traffic Lights Dashboard" and also carried out a Board Skills Assessment Matrix in order to comply with evolving best practices, as well as changing requirements on directorships.

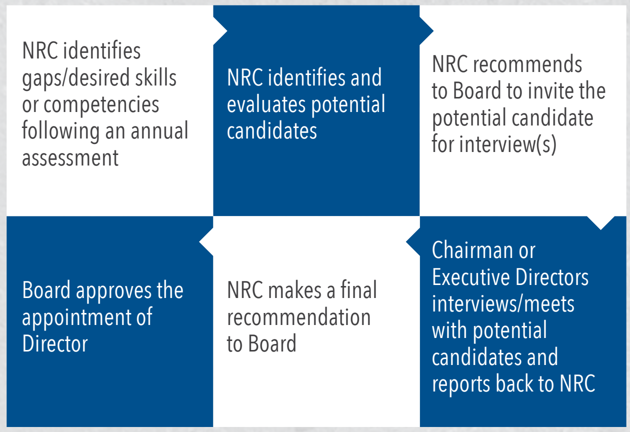
In February 2017, the Board approved the NRC's recommendation to carry out the Board Effectiveness Evaluation ("BEE") annually instead of once every two (2) years. The Board carried out the BEE for the year 2016 via an in-house BEE survey questionnaire, comprising a Board and Board Committee Effectiveness Self/Peer Assessment. The BEE was facilitated by the Group Company Secretary and there was 100% participation in the said BEE exercise. The NRC reviewed the outcome of the BEE and recommended to the Board the areas identified for continuous improvement. The Board's effectiveness was assessed in the areas of Board composition, meeting process, administration and conduct, interaction and communication with Management, Board and stakeholders, roles and responsibilities, training and financial reporting. The Board Committees' effectiveness was assessed in the areas of composition, process and interaction, duties, roles and responsibilities, as well as effectiveness of the Chairmen of the respective Board Committees. The self/peer assessment examines the Board and Board Committees' dynamics and participation, competency and capability, exercise of independent judgement and objectivity, as well as skills and other qualities.

In regard to the assessment for 2016, the NRC noted the results of the BEE conducted on the Board and Board Committees with an average overall rating of 4.37 out of 5 (excellent performance). This was adopted by the Board in February 2017 as recommended by the NRC. The results generally reflected the Board's consensus that each director had performed above expectations and had met the performance criteria in the BEE. Where the areas/questions had scored below a rating of 4 (good performance), these are areas which will be the focus for the NRC for the ensuing year to ensure further discussion amongst Board members which warrant their attention and/or action.

The results of the BEE form the basis of the NRC's recommendations to the Board for the re-election and retention of Directors at the 42nd Annual General Meeting ("AGM").

The NRC was satisfied that, presently, the Board is at an optimum size and that there is an appropriate mix of knowledge, skills, attributes and core competencies in the Board's composition. The NRC was also satisfied that all the Board members and key officers are suitably qualified to hold their positions as Directors and/or key officers of CMS in view of their respective academic and professional qualifications, experience, industry knowledge and qualities.

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



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.

The key activities of the NRC carried out and/or fulfilled in 2016 are summarised as follows:

- Nominating Function

  In relation to the Board of the Company and its Group
  - Review of Board and Board Committees Succession Planning.
  - Review and recommend the re-election of Directors and retention of Independent Non-Executive Directors at the 41st 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 assess 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.
  - Review of Strategic Performance Management/KPI for Senior Management.

- Remuneration Function

  In relation to the Board of the Company and its Group
  - Renewal of contract for Group Chairman and Group MD.

  In relation to the Management
  - Evaluate the performance of the Group MD and Senior Management and recommend their performance contract payment ("PCP") and annual salary increment.
  - Recommend the guidelines on PCP 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 Article 110 of 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 NRC is responsible to recommend the Directors who are eligible to stand for re-election based on the schedule of retirement by rotation. In assessing the suitability of candidates, the NRC takes into account the competencies, contribution, commitment, tenure and other attributes as well as the self/peer assessment based on the BEE. The NRC also assesses the Board structure and balance including independence criteria. Directors are requested to give their written consent on their intention to seek re-election at an AGM. The NRC's recommendations are then submitted to the Board and shareholders respectively for approval.

In February 2017, the Board approved the NRC's recommendation that the Directors due to retire by rotation at the 42nd AGM namely, Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail, Dato Sri Mahmud Abu Bekir Taib and Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi B. Hj Zainuddin (Retired), be eligible to stand for re-election. This recommendation is based on the outcome of the 2016 BEE. Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail and Dato Sri Mahmud Abu Bekir Taib have expressed their intention via written consent to seek re-election at the 42nd AGM. As Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi B. Hj Zainuddin (Retired) will be reaching his twelve (12th) year of service by July 2017, he had informed the Board in February 2017 that he would retire at the conclusion of the 42nd AGM and will not be offering himself for re-election.

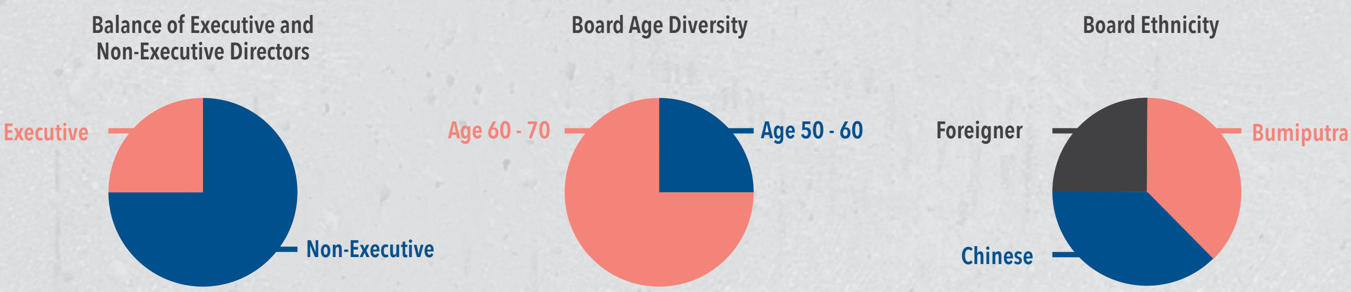
In February 2017, the NRC reviewed the composition of the three (3) Board Committees in accordance with its TOR and have recommended that the Board Committees composition to remain as status quo based on the results of the 2016 BEE. This was approved by the Board in February 2017.

Board Diversity

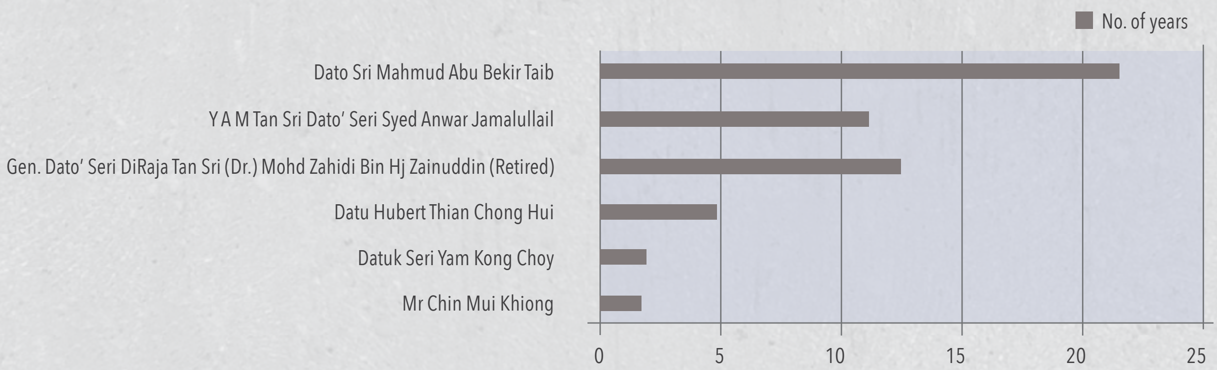
The Board recognises that diversity is one of the key drivers to enhance board effectiveness. This includes diversity in terms of skills, background, knowledge, international/ local industry experience, culture, independence, age, ethnicity and gender among many other factors, which are all taken into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

The Board, via the NRC, continues to deliberate on its diversity targets in 2016 in conjunction with the Board succession planning exercise and overall assessment of the Board composition. The NRC had initiated efforts in 2015 to recruit suitable lady director(s) to join the Board and this initiative was pursued vigorously throughout 2016. The Board is mindful to improve gender diversity, however its 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.

Board Diversity as at March 2017



Length of service of Non-Executive Directors



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, PCP, 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 entitled to Directors' fees or meetings allowances for Board and Board Committee meetings that they attend and are members of. The Executive Directors who are appointed as nominated representatives on the Boards of subsidiary companies are also not entitled to Directors' fees and/or meetings allowances paid to the Boards of subsidiary companies. However, they are entitled to Directors' fees and/or meetings allowances paid to the Boards of listed associate companies of the Group in view of their duties, responsibilities and time commitment on them.

The Non-Executive Directors are not entitled to participate in any 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 expenses.

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.

The Directors' fee was recently increased for financial year 2015 following an independent review conducted by an external consultant. In view of the foregoing and that they remain on par with prevailing market rate, the Directors' fees for financial year 2016 shall remain unchanged at 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. The proposed Directors' fee for financial year 2016 will be tabled to the shareholders for approval at the 42nd AGM.

Board Committee fees as approved by the Board in 2015 shall remain the same as set out in the table below:

Type of Committee	Chairman	NED/Member
Group AC	RM24,000	RM16,000
NRC	RM16,000	RM12,000
GRC	RM16,000	RM12,000

Meeting allowance for Directors as approved by the Board in 2015 shall remain the same as set out in the table below:

Type of Meeting Allowance (per meeting)	Chairman	NED/Member
Board of CMS	RM2,000	RM2,000
General meeting of CMS	RM2,000	RM2,000
Board Committee	RM2,000	RM2,000
Board of Subsidiary	RM3,000	RM2,000

Directors' fee for subsidiary companies in the Group as approved by the Board in 2007 shall remain the same as set out in the table below:

Subsidiary Company Directors' Fee (per annum)	Chairman	NED/Member
Subsidiary company which achieves an annual turnover > RM90 million	RM18,000	RM12,000

Due to the wide range of businesses within the Group, it is a policy that each Division (outside of the Information & Communication Technology Division for the moment) should have at least one (1) active Board meeting at least quarterly comprising Senior Management of the Division and/or Executive Directors of CMS, Non-Executive Directors of CMS and, if appropriate, representative(s) of joint venture partners. These Boards are tasked with overseeing in more detail, than is possible at the CMS Board level, each Division's operations, performance and plans and, under the Group LOA Manual, certain approving and endorsing functions are delegated to such Boards giving them a meaningful role both to oversee and to ensure the operations of the Divisions are optimised and in line with CMS Board approved budgets, directions and strategies. With Non-Executive Directors of CMS sitting on these Boards as well it provides a direct link between the apex CMS Board and the Boards of CMS' subsidiaries thus ensuring more two-way information flows and informed discussions take place at Board meetings.

In November 2016, the Board approved the NRC's recommendation for an interim PCP for the year 2016 to all eligible employees in the Group including the Executive Directors. In February 2017, the NRC reviewed the proposed final PCP for 2016 and annual salary increment for 2017 for the Group. Consideration was given to the Group's financial performance and profitability, inflation rate and industry/market data. At the same meeting the NRC assessed the Senior Management's performance based on their respective Strategic Performance Management and/or KPIs. The Executive Directors and Senior Management's proposed final PCP and salary increment for 2016 were put to the Board for decision in February 2017.

Directors' remuneration for the financial year 2016 is broadly categorised into the following bands:

Range of Remuneration (RM)	Executive	Non-Executive
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
RM1,550,001 to RM1,600,000	1	-
RM1,900,001 to RM1,950,000	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 2016 is as follows:

Remuneration (RM'000)	Executive	Non-Executive	Total
Salaries & other emoluments	3,109	1,591	4,700
Defined contribution plans	374	130	504
Fees	-	853	853
Estimated money value of benefits-in-kind	292	108	400
Total	3,775	2,682	6,457

The Board will seek shareholders' approval at the 42nd AGM for the payment of Non-Executive Directors' remuneration other than directors' fees payable to the Non-Executive Chairman and each of the Non-Executive Directors for financial year ending 2017 pursuant to Section 230(1) of the Act which extends to all benefits payable to Directors.

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

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 four (4) Independent Non-Executive Directors (including Independent Non-Executive Chairman) for 2016 in conjunction with the BEE for 2016. 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 2016 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 2016:

- 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 recommended the proposal to re-elect him as a Director of the Company in accordance with Article 110 of the Company's Articles of Association and to retain him to act as an independent director of the Company. In line with Recommendation 3.3 of the Code, a proposal is being submitted to shareholders for their approval at the 42nd AGM.

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 new 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 2016, members of the Board attended an official site visit to the new Cement Plant and the launching of East Malaysia's first integrated cement plant at CMS Clinker plant in Mambong, Kuching and on 5 September 2016 and 8 November 2016 respectively.

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 2016, the Board had five (5) scheduled Board meetings. There was no unscheduled Board meeting in 2016. 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.

All Directors have complied with the minimum attendance of at least 50% of Board meetings held in the year 2016 pursuant to the MMLR. All Directors have also attended the 41st AGM in 2016. This reflects Board members' commitment and dedication in fulfilling their duties and responsibilities. The meeting attendance at the Board and Board Committee meetings is set out in the table.

	Board of Directors		Group AC		NRC		GRC	
	Attended/Held	%	Attended/Held	%	Attended/Held	%	Attended/Held	%
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	5/5 (Chairman)	100	6/6	100	3/3 (Chairman)	100	-	-
Dato Sri Mahmud Abu Bekir Taib	5/5 (Deputy Chairman)	100	-	-	3/3	100	-	-
Datuk Syed Ahmad Alwee Alsree	5/5	100	-	-	-	-	3/4 (Chairman)	75
Dato' Richard Curtis	5/5	100	-	-	-	-	4/4	100
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi B. Hj Zainuddin (Retired)	4/5	80	-	-	-	-	-	-
Datu Hubert Thian Chong Hui	5/5	100	6/6	100	3/3	100	4/4	100
Datuk Seri Yam Kong Choy	5/5	100	-	-	3/3	100	4/4	100
Mr Chin Mui Khiong	5/5	100	6/6@ (Chairman)	100	-	-	-	-
Datuk Kevin How Kow*	2/2	100	2/2 (Chairman)	100	-	-	1/1	100

@ Appointed as Chairman with effect from 27 April 2016
* Retired on 27 April 2016

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. The Board has delegated the responsibility to the NRC to ensure that orientation and education programmes are provided to new Board members and to review and recommend appropriate continuing training programmes for Directors.

In 2016, the NRC carried out a Board Skills Assessment Matrix which enabled each Director to identify the area of training that he may require for further personal development as a Director or Board Committee member. Based on the training needs analysis of Directors, the NRC has recommended that the Directors undergo training programmes which concentrate on the focus areas which have been identified.

To facilitate identification of appropriate training programmes, many such programmes are made available to the Directors for their attendance. The Group Company Secretary facilitates this 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.

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 2016. All the Directors have attended training programmes, talks, conferences, seminars, courses and/or workshops covering areas relevant to their duties and responsibilities. In addition, the Board engaged an external legal advisor in November 2016 to brief them on the new Companies Act 2016 which was implemented on 31 January 2017. Details of training programmes attended by the respective Directors are tabulated below:

Name of Directors	Topics
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	• Update on Human Resource in Nestlé World • PwC Building Trust Award 2015 • Overview on Ready To Drink Business Unit • Overview on Creating Shared Value • Overview on Nestlé Health Science • Update on Sales Business Unit • Update on Security of Nestle Malaysia/Singapore • Overview on Nestlé Zone Asia Oceania Africa (including CSV & Sustainability) • Capturing Value From Disruption • Power Sector Outlook for Selected Geographies • Amendments to the Listing Requirements by KPMG • Companies Bill 2015 by Messrs. Wong & Partners • Update of Human Resource in Nestlé Asean • Overview on Marketing Services & Social Media • Overview on e-Commerce • Overview on Healthier Choice Logo & Selective Food Tax • Update Raw Material Sourcing • Update on Innovation & Renovation Award • Investment in Myanmar 2016
Dato Sri Mahmud Abu Bekir Taib	• Bursa Malaysia's Sector Specific Sustainability Reporting Workshop (Property Development/ Investment)
Datuk Syed Ahmad Alwee Alsree	• Capital Market Director Programme for Equities and Futures Broking (Modules 1, 2A, 3 & 4) • Capital Market Director Programme for Fund Management (Modules 1, 2B, 3 & 4)
Dato' Richard Curtis	• Capital Market Director Programme: Module 3: Risk oversight and compliance - Action plan for Board of Directors • Cyber Security • Advocacy Sessions on Management Discussion & Analysis for Chief Executive Officers and Chief Financial Officers • Briefing on the New Companies Act 2016 • Leadership in Crisis Situations: Preparation for and Response to Rapidly-Evolving Events
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi B. Hj Zainuddin (Retired)	• Independent Directors Program: The Essence of Independence • Risk Management Workshop by IBM • 35th Management Conference (Plantation Division) of Genting Plantations Berhad: "Integrating Innovation, Sustainability and Productivity for Value-Creation" • Malaysia Financial Reporting Standard; Internal Capital Adequacy Assessment Process and Shariah Non-Compliance Risk and Its Impact to Islamic • Corporate Governance Statement Workshop: "The Interplay between Corporate Governance, Non-Financial Information and Investment Decisions"

Name of Directors	Topics
Gen. Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi B. Hj Zainuddin (Retired)	• Lecture Series by DYMM Sultan Perak, Sultan Nazrin Shah: "Bahasa Melayu dalam Kesultanan Melayu" • Kuala Lumpur SOGO Conference 2016: "Between Us, Our Journey into the Future" • 3rd World Conference on Islamic Thought and Civilization – Future World • 12th Khazanah Global Lecture by Dr. Jane Goodall – Preservation and Awareness for World Environment • Tax/Budget 2017 by Deloitte • Sultan Azlah Shah Law Lecture – The Supreme Court: Guardian of the Articles of Association by the Right Honorable the Baroness Hale of Richmond • Director's Training - Listing requirements by Bursa Malaysia; Companies Act 2016; Code of Corporate Governance 2016; Policy Document on Corporate Governance by Bank Negara Malaysia • Lecture Series by DYMM Sultan Perak, Sultan Nazrin Shah: Education is the First Line for the Defence and Security of the Nation • Corporate Governance Breakfast Series – Thought Leadership Session for Director: "The Cybersecurity Threat and How Boards Should Mitigate Risk"
Datu Hubert Thian Chong Hui	• Sustainability Engagement Series for Directors/Chief Executive Officers • How Effective Boards Engage on Succession Planning for the CEO and Top Management • Corporate Governance Seminar - Managing Risks in Challenging Times • Risk Management & Internal Control: Workshop for Audit Committee Members – "An Integrated Assurance on Risk Management and Internal Control - Is our line of defence adequate and effective?"

Datuk Seri Yam Kong Choy	• REHDA Mini Property Forum 2016. Looking Into The Crystal Ball – REHDA Market 2016: What to Expect?
	• Breakfast Talk: Driving Performance Through Human Governance
	• New Companies Act
	• 2016 Global & Malaysian Economic Outlook – Another Sluggish Growth Year Through Low Risk of a Global Economic Recession
	• Shaping the ASEAN Agenda for Inclusion & Growth
	• The Fourth Industrial Revolution & Sustainable Growth: What Next?
	• 2016 CEO Series – Forward Economic Outlook & Global Winning Real Estate Strategies in an Uncertain Market
	• The 19th National Housing & Property Summit 2016
	  – Revitalising the Housing & Property Industry
	  – What Next for the Housing & Property Sector
	• NOVUS Malaysia Convention 2016 – Challenges of the Young Professionals for the Built Environment. "My Way". Success Never by Chance
	• The Inaugural Conference & Launch of the Jeffrey Sachs Centre on Sustainable Development – "Moving Decisively Forward on Sustainable Development Now!"

Mr Chin Mui Khiong	• The (Proposed) Companies Act 2015 – Changes & Developments • 8th Annual Corporate Governance Summit: "Decoding uncertainties, delivering value" • Corporate Governance Seminar - Managing Risks in Challenging Times • 2016 National Conference – Navigate Waves of the Digital Revolution • Seminar on MFRS 15 – Revenue from Contracts with Customers • 2017 Budget and Tax Conference – Strengthening Growth

In addition, Datuk Seri Yam Kong Choy was a panel speaker at the MAICSA Annual Conference 2016 – Sustainability Shaping the Future.

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 Companies Act, 1965. 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. Two (2) of the members of the Group AC including the AC Chairman are qualified accountants and members of professional accounting organisations. The Group AC reviews the quarterly financial reports which are presented by the Group CFO in the presence of the Group Internal Auditor and Group MD prior to recommending them for approval by the Board and issuance to Bursa Securities. Group CFO's quarterly financial reports include comparisons of key financial ratios compared against the previous corresponding period and approved budget. The Group AC met on a quarterly basis and carried out their duties in accordance with the TOR.

The Board, via the NRC, reviews the term of office and performance of the Group AC and each of its members annually to determine whether the Group AC members have carried out their duties in accordance with their TOR. The Group AC also carries out a similar self-assessment once every three (3) years.

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 79 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 2016 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 2017, the Group AC assessed the independence of Messrs. Ernst & Young ("EY") as external auditors of the Company for 2016. Overall, the Group AC was satisfied with EY's suitability based on the quality of services and sufficiency of resources they provided to the Group. The Group AC was also satisfied with the review of provision of non-audit services for 2016 by EY to the Group did not impair their objectivity and independence as external auditors. Based on the outcome of the annual assessment of external auditors, the Board approved, in March 2017, the Group AC's recommendation for shareholders' approval to be sought at the forthcoming 42nd AGM for EY's re-appointment as external auditors for financial year ending 31 December 2017.

The details of the fees paid/payable for statutory audit, audit-related and non-audit fees approved in 2016 to the external auditors are set out below:

	Company RM'000	Group RM'000
Fees paid/payable to Messrs Ernst & Young and its affiliates		
• Statutory Audit	150	824
• Non-audit services including tax services	391	764
Total	**541**	**1,588**

Internal Audit Department

The Company has an established Internal Audit Department which is led by the Group Internal Auditor who reports directly to the Group AC. Its role is to provide an independent and objective review of the effectiveness of the Group's governance, risk management and control procedures that Management has put into place.

The Group AC met with the Group Internal Auditor twice in 2016 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's findings and recommendations are communicated to the Board via the Group AC.

A statement on the Internal Audit Function is presented on pages 70 to 71 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 72 to 77 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 2016, the Board approved the CMS Sustainability Initiative to be rolled out across the Group effective 1 January 2016. The main focuses are towards the implementation of Sustainability KPIs, introduction of sustainability-related office guidelines and issuance of a stand-alone Sustainability Report.

The Board is pleased to report that CMSB was included in the FTSE4Good Bursa Malaysia ("F4GBM") Index with effective from 19 December 2016. The F4GBM Index is globally recognised and measures and recognises companies which demonstrates strong Environmental, Social and Governance ("ESG") practices across the world. CMSB's confirmation as a F4GBM constituent is a significant achievement as it recognises the Group's ESG practices based on a sustainable business model via an internationally recognised index.

The Group's second Sustainability Report titled 'Strengthening Our Sustainability Momentum' has been issued as a separate statement to the 2016 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 the Notes to the Financial Statements on pages 177 to 179 of this Annual Report.

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.

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/videos, financial results, AGM slide presentations, 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, Board Charter, Board Committees TOR and sustainability initiatives. The quarterly financial results are announced via Bursa LINK immediately after the Board's approval followed by analyst briefings no less than two (2) business days thereafter. This ensures equal and fair access to information is provided to the investing public. All the aforementioned information disseminated by the Company can be accessed on 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 shareholders such as 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 42nd AGM details all relevant information in regard to shareholders' rights and explanatory notes on resolutions to be tabled as special business. All the resolutions set out in the Notice of Meeting for the 42nd AGM will be put to vote by poll as required under the MMLR.

Investor Relations (IR)

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 4 and on 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 2016, the Company has fully applied the broad Principles set out in the Code and the MMLR.

This Statement was approved by the Board on 14 March 2017.

GROUP AUDIT COMMITTEE REPORT

THIS REPORT PROVIDES DETAILS OF THE COMPOSITION OF THE GROUP AUDIT COMMITTEE ("THE COMMITTEE"), A SUMMARY OF THE WORK OF THE COMMITTEE AND HOW IT HAS MET ITS RESPONSIBILITIES, AND A SUMMARY OF THE WORK OF THE INTERNAL AUDIT FUNCTION DURING THE YEAR ENDED 31 DECEMBER 2016.

Composition

The Committee comprises the following Board members:

Mr Chin Mui Khiong
Appointed Chairman on 27 April 2016
(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)

Datuk Kevin How Kow
Retired as Director and Chairman on 27 April 2016
(Independent, Non-Executive Director)

Meetings in 2016

During the year ended 31 December 2016, the Committee held six (6) meetings which were attended by the members as follows:

Name of Directors	Total Meetings Attended
Mr Chin Mui Khiong - Chairman	6/6 (100%)
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	6/6 (100%)
Datu Hubert Thian Chong Hui	6/6 (100%)
Datuk Kevin How Kow – Retired on 27 April 2016	2/2 (100%)

The Committee held three (3) meetings with the external auditors on 29 February 2016, 11 March 2016 and 29 November 2016 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.

Summary of the Work of the Committee in 2016

The Committee carried out its duties in accordance with its term of reference during the financial year and up to 14 March 2017. The work undertaken by the Committee to meet its responsibilities during the period of reporting was as follows:

Financial Reporting

In overseeing financial reporting, the Committee:

a) 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 in or implementation of accounting policies and practices, accounting treatments, significant judgements made by Management, adjustments arising from the audits, compliance with accounting standards ("MFRS") used and disclosure 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;

b) Deliberated significant accounting/audit issues and unusual events or transactions and reasonableness of accounting standards application highlighted by the external auditor and/or Management to derive the Company's financial statements, and ensured that appropriate action was taken; and

c) Assessed the effectiveness of the Company's internal control system over financial reporting by both internal and external auditors, including information security and control for effective and efficient financial reporting.

Internal Audit

During the year, the Committee carried out the following activities to ensure the internal audit function is adequately resourced and competent in carrying out the planned activities for the next three (3) years.

The Committee in discharging its duties:

a) Reviewed and approved the adequacy of the risk-based internal audit plan, scope of examination and internal audit reports for the Company and its subsidiaries issued by Group Internal Audit Department and external parties on the effectiveness and adequacy of governance, risk management, operational and compliance processes;

b) Reviewed the adequacy and effectiveness of appropriate actions taken by Management in respect of the audit findings and the Committee's recommendations through review of the status of implementation reports tabled by Group Internal Auditor at each meeting;

c) Reviewed the effectiveness of the internal audit function through the following ways:
   - Ensured the Internal Audit function is in conformance with The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing in achieving an acceptable level of auditing performance;
   - Appraised the annual performance of the internal audit staff and set and/or review the Key Performance Indicators and Management Performance Appraisal of the Group Internal Auditor to ensure that the quality of team members' performances are maintained and/or improved;
   - Reviewed results of internal self-assessment performed by the internal audit function and Management's feedback on the quality of internal audit services rendered to ensure quality of internal audit work;
   - Assessed the competency of the internal audit staff and adequacy of resources to achieve the scope as outlined in the annual audit plan;
   - Reviewed and approved annual training budget to equip the internal audit team with an appropriate level of skills and knowledge to carry out the function effectively;
   - Ensured that an external Quality Assessment Review of the internal audit function is conducted at least once every five (5) years; and
   - Reviewed and approved the charter and policies and procedures manual of the Group Internal Audit Department.

d) Discussed problems and reservations arising from internal audits and any matters in the absence of Management or the Executive Directors of the Company.

   The Committee held two (2) meetings with the Group Internal Auditor on 29 February 2016 and 30 August 2016 without the presence of Management to discuss 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.

External Audit

In ensuring the credibility and reliability of the Company's financial statements, the Committee:

a) Conducted a formal assessment of the external auditor's performance, independence and objectivity to assess the suitability and independence of the external auditors before recommending to the Board their reappointment as 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 and transparency in communication);
   - Audit team competency (Senior personnel involvement and staff expertise);
   - Independence and objectivity (compliance to By-Laws on professional independence of Malaysian Institute of Accountants, partner rotation and non-audit services rendered);
   - Audit scope and planning;
   - Fees (compared to organisations of similar size, fees in relation to overall external audit firm's income and limit of non-audit fee size); and
   - Communications (timeliness and transparency).

b) Based on the satisfactory assessment of the suitability of services rendered by the external auditor and the review of the reasonableness of the proposed audit fee (benchmarked to audit fees incurred by other organisations of similar size), recommended to the Board the audit fee payable and their re-appointment as external auditors for the financial year ended 31 December 2017. The reviewed fee is also deemed sufficient to enable a quality audit to be conducted;

c) Ensured full compliance with the policy where the cumulative non-audit fee incurred in excess of 50% of the preceding year's approved audit fee for the Group would require the Committee's prior approval. In this regard, the Committee had deliberated, during the year, on the appointment of two (2) associate companies affiliated to the external auditor for consultancy services to subsidiary companies of the Group. The Committee considered and was satisfied that the said associate companies affiliated to the external auditor had the relevant expertise and knowledge and recommended their appointment to the Board;

d) Reviewed the audit engagement letter on the audit scope, timelines and how key risks (e.g. fraud risk) are factored into their plan including written assurance of independence and objectivity to give assurance that the financial statements are free of material misstatement, whether caused by fraud or error;

e) Reviewed the audit plan with the external auditor and their evaluation of the system of internal control;

f) Reviewed and deliberated on the external auditor's report with regard to the relevant disclosures in the annual financial statement;

g) Reviewed and deliberated on the external auditor's findings arising from audits including the comments and responses in management letters;

h) Reviewed the assistance given by the Company's and Group's officers to the external auditor;

i) Noted new and revised Auditing Standards on external auditor reporting; and

j) Held three (3) private meetings with the external auditors without the presence of Management to reinforce the independence of the external audit function.

Risk Management

a) Reviewed and recommended the Statement on Risk Management and Internal Control for Board approval for inclusion in the Company's Annual Report; (Refer to Statement of Risk Management and Internal Control on pages 72 to 77); and

b) One of the Committee members is also a member of the Group Risk Committee ("GRC"). He along with the Group Internal Auditor have attended all four (4) meetings of the GRC in 2016 and reviewed quarterly status reports on Enterprise Risk Management focusing on key risks reporting. Post mortem of risk events were also deliberated in the same meetings.

Related Party Transactions

a) Reviewed the Statement of Related Party Transactions and Procedures taking note of any possible conflict of interest transactions, ensuring all related party transactions are taken on arm's length basis and on normal commercial terms and consistent with the Company's procedures; and

b) Reviewed the estimated recurrent related party transaction mandate for the year and recommended to the Board to seek renewal of shareholders' mandate and new shareholders' mandate at the forthcoming Annual General Meeting of the Company.

Others

a) Reviewed its Terms of Reference to ensure all the mandatory requirements under the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, as well as other corporate governance best practices are met;

b) Ensured succession planning for the Committee in consultation with the Board and its Nomination & Remuneration Committee;

c) Reviewed major litigation, claims and/or issues that may have substantial financial impact;

d) Reviewed disclosure statements on the Statement of Corporate Governance and Group Audit Committee Report for the financial year ended 31 December 2016 for inclusion in the Annual Report 2016 and recommended their adoption by the Board; and

e) Reviewed the recommendation to the Board on proposed first and final dividend for the year ended 31 December 2016.

Training

The training attended by the members of the Committee during the financial year is reported under the Statement of Corporate Governance on pages 63 to 64.

Summary of Work of Internal Audit Function

It is the policy of the BOD to maintain and support an internal audit function for the provision of independent and objective assurance and consulting activities that is guided by a philosophy of adding value to improve the operations of the CMS group of companies.

The internal audit reports functionally to the Committee to ensure independence and objectivity, and administratively to the Group Managing Director.

The Internal Audit Department's 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 risk-based audit plan is built on a structured risk assessment framework to allow the plan to be more focused, concentrating limited resources on the areas of higher concerns to ensure the best use of resources. The annual Group internal audit plan 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 twenty-six (26) years of working experience. He is an associate member of the Institute of Internal Auditors and has internal audit experience to execute the roles and responsibilities of internal audit function.

The Internal Audit function, which is independent of the activities they audit, has carried out twenty-seven (27) planned audits, two (2) ad-hoc reviews and all related audit follow-up activities during the year. Areas reviewed include:

- Sales Order Management and Logistics Distribution
- Procurement Management
- Production, Supervision and Control
- Authorisation Policies and Procedures including school management system ("Engage") optimisation
- Sub-contractor Management
- Procurement and Management of Raw Materials and Finished Goods
- Project Management
- Physical stocktakes
- Occupational permits tracking
- Business Risk & Control Assessment on manufacturing processes
- Credit Control and Accounts Payable Management
- External Quality Assurance Review of the internal audit function

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 2016, twelve (12) such reports were tabled 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 2016 amounted to RM1,234,918 (2015: RM1,165,938).

The Board is satisfied that the Committee has effectively discharged its roles and responsibilities as set out under its Terms of Reference ("TOR"). The TOR is available on the Company's website at www.cmsb.com.my.

This Statement was approved by the Board on 14 March 2017.

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 2016.

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

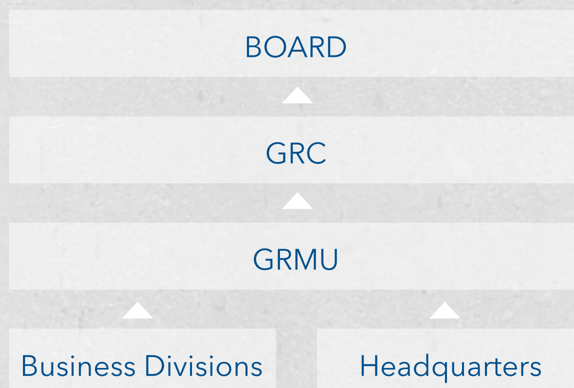
   Risk management is regarded by the Board as an integral part of the business operations. Management at all levels have a collective responsibility for creating a risk-aware culture and ensuring that business risk assessment becomes an explicit part of both Headquarters and the Business Divisions' ("Divisions") 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 four (4) members, namely the Group Executive Director, Group Managing Director and any two (2) Directors, one (1) 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 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 organisation.



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 necessary actions 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 order to achieve 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 is responsible for managing risks that can impact the achievement of their business objectives.
- Integrate risk management into business activities and decision-making processes at all levels.
- All significant risks are to be identified, analysed, prioritised, mitigated, monitored, 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:

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.

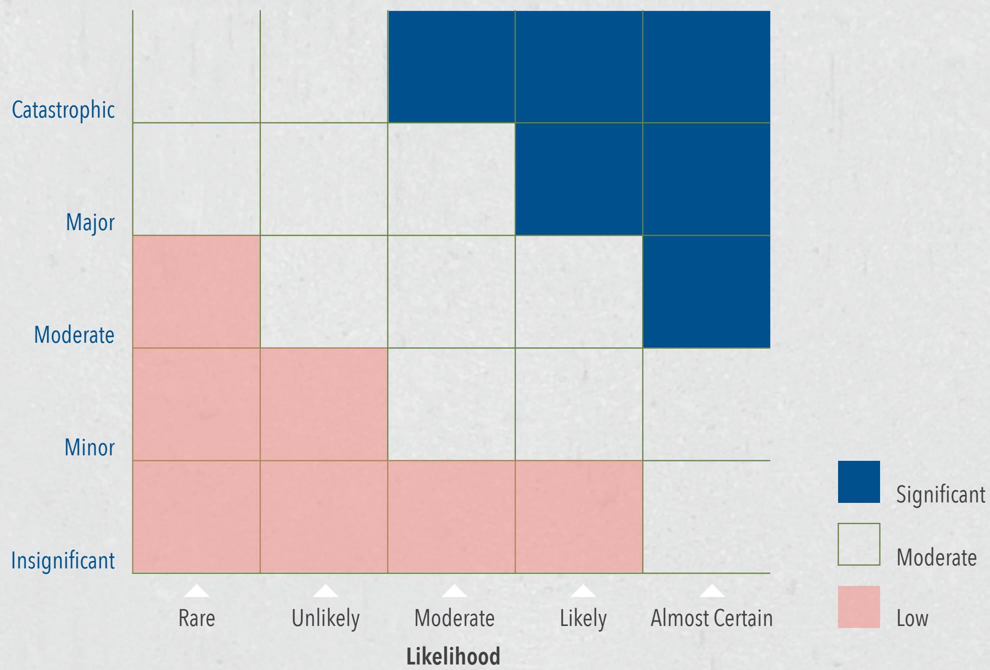
On a quarterly basis, the respective risk owners will review and update their risk profile during their management meeting. The risk owners will also use the platform to review the control and management actions for each of the identified risks.

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.

RISK RATING HEAT MAP 5 X 5 MATRIX



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 or 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 "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 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.

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 severe weather conditions) to managing controllable day-to-day operational risks (such as shortage of raw materials/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 its financial resources to keep the gearing and cash balances at an acceptable level. A more detailed disclosure on the Group's financial risk management is contained in Section 7, Note 41 to the financial statements "Financial Risk Management Objectives and Policies".

(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 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 any gaps; and
- 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 the Group.

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 technological advancements, 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 four (4) of the major Divisions in 2016, and will gradually be rolled out to other Divisions going forward.

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 risk reporting and risk management will not be confined to only the management level but also all executives and non-executives levels to further ensure and enhance the adequacy of our risk management framework, especially in relation to operational risk related matters.

As reported in the previous financial year, the Group has successfully rolled out the bottom-up risk management approach to a 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. As such, the Group has formulated a business continuity plan to minimise potential disruptions to business and operations due to, inter alia, 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 critical business functions are able to resume within a critical timeframe to fulfil statutory and regulatory requirements.

During the financial year, the Group has engaged an external consultant to carry out a desktop testing to assess the effectiveness of the implemented BCP initiatives. The tests were successfully executed and the findings from these tests were presented to the GRC.

Additionally, in order to ensure that the Group's business continuity plan initiatives remained relevant, these plans will continue to be reviewed and updated periodically.

7. Limits of Authority

The Group has an established Group Limits of Authority ("GLOA") manual which sets out the authorisation limits for the Group's management and staff and also those matters requiring Board approval to ensure accountability, segregation of duties and control over the Group's financial commitments. The GLOA manual is reviewed and updated from time to time to be aligned with business, operational and structural needs and changes.

8. 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 GLOA 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.
- 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.

The Board is not aware of any 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 associate companies through representations on the respective Boards of the associate companies and the receipt of quarterly financial reports thereon. This allows the Group's interests to be served. While the Board does not regularly review the risk management and internal control system of its associate 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 was approved by the Board on 14 March 2017.

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. Audit and Non-Audit Fees

The fees paid/payable to the external auditors, Messrs Ernst & Young for the financial year ended 31 December 2016 are set out below:

	Company RM'000	Group RM'000
Fees paid/payable to Messrs Ernst & Young and its affiliates		
• Statutory Audit	150	824
• Non-audit services including tax services	391	764
Total	541	1,588

3. Material Contracts

There was no material contract involving Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2016 or entered into since the end of the previous financial year.

4. Recurrent Related Party Transactions of a Revenue Nature

At the 41st Annual General Meeting held on 27 April 2016, the Company obtained Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature.

Details of recurrent related party transactions conducted during the financial year ended 2016 pursuant to the Shareholders' Mandate are disclosed in Note 39 to the Audited Financial Statements 2016.

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 2016.

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 2016 set out on pages 90 to 196, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates.

The Directors have responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Act and MMLR.

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

This Statement was approved by the Board on 14 March 2017.

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 2016.

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	169,177	30,305
- Non-controlling interests	48,134	-
	217,311	30,305

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 paid on 26 May 2016 a final tax exempt (single-tier) dividend of 3 sen per ordinary share, totalling RM32,231,272 in respect of the financial year ended 31 December 2015.

At the forthcoming Annual General Meeting, a first and final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2016, of 6.3 sen per share on 1,074,375,720 ordinary shares, amounting to a dividend payable of RM67,685,670 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 2017.

DIRECTORS

The names of the directors of the Company in office since the beginning of the financial year to 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 Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)	
Datu Hubert Thian Chong Hui	
Datuk Seri Yam Kong Choy	
Chin Mui Khiong	
Datuk Kevin How Kow	(Retired on 27 April 2016)

In accordance with Article 110 of the Company's Articles of Association, Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail, Dato Sri Mahmud Abu Bekir Taib and General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired) retire at the forthcoming Annual General Meeting.

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail and Dato Sri Mahmud Abu Bekir Taib, being eligible, offer themselves for re-election whilst General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired) does not wish to seek for re-election. Hence, he will retire at the conclusion of the coming Annual General Meeting.

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.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 39 to the financial statements.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM0.50 each		
	At 1.1.2016	**Disposed**	**At 31.12.2016**
Direct interest:			
Dato Sri Mahmud Abu Bekir Taib	88,200,255	(1,200,000)	87,000,255
Datuk Syed Ahmad Alwee Alsree	1,000,000	-	1,000,000
Dato' Richard Alexander John Curtis	1,550,000	-	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

* Deemed interest pursuant to Section 59(11)(c) of the Companies Act 2016.

DIRECTORS' INTERESTS (CONT'D.)

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

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.

(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.

SIGNIFICANT EVENT

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

AUDITORS

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

Auditors' remuneration are disclosed in Note 8 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 March 2017.

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail

Dato' Richard Alexander John Curtis

STATEMENT BY DIRECTORS

pursuant to Section 251(2) of the Companies Act 2016

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 90 to 196 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 2016 and of the financial performance and the cash flows for the year then ended.

The supplementary information set out in Note 46 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the directors dated 14 March 2017.

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail

Dato' Richard Alexander John Curtis

STATUTORY DECLARATION

pursuant to Section 251(1)(b) of the Companies Act 2016

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 90 to 197 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 14 March 2017.

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 (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of **Cahya Mata Sarawak Berhad**, which comprise the statements of financial position as at 31 December 2016 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 90 to 196.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, 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.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment testing of goodwill

As at 31 December 2016, the Group recorded a goodwill of RM61.7 million resulting from the acquisition of a subsidiary in prior years. The annual impairment test for goodwill is significant to our audit as the assessment process is complex and highly judgemental. Significant judgement is required in determining the assumptions used to estimate the recoverable amount of the cash generating unit to which the above goodwill has been allocated to and is based on assumptions that are affected by expected future demand or economic conditions of the construction and related industries. The assumptions used include estimates of future sales volumes, prices, operating costs, terminal value growth rate and the discount rate. As such, we determined this to be a key audit matter.

Our procedures included, among others, involving a valuation expert to assist in evaluating the discount rate applied which included comparing the weighted average cost of capital with sector averages for the industry and markets in which the cash generating unit operates, evaluating the assumptions used by management, in particular those relating to sales volume and prices, profit margins, operating costs and growth rates. Our procedures also include reviewing the sensitivity analysis to assess the effect of how reasonable changes in certain key assumptions affect the recoverable amount of the cash generating unit. We further focused on the adequacy of the disclosures set out in Note 18 to the financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Revenue recognition relating to construction and road maintenance contracts

Revenue arising from construction and road maintenance contracts involves the application of the percentage of completion method. The amount of revenue and profit skepticism is dependent on the costs incurred to-date over the total estimated costs or the completion of a physical proportion of work to-date for the assessment of the percentage of completion of contracts. The process to measure the revenue, including the determination of the appropriate timing of recognition, involves significant management judgement. In making the judgement and estimation, the management considers past experience and relies on the work of experts. As such, we determined this to be a key audit matter.

Our audit procedures included assessing the management's assumptions in determining the percentage of completion of projects, estimations to revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables. We also assessed the reliability of the reports provided by external parties (i.e. architects, quantity surveyors etc.) and the competency of the external experts. Specific additional procedures have been performed over the recording of contract costs and contract revenues and the estimation of costs to be incurred. We also considered the adequacy of the disclosures on revenue recognition included in the summary of significant accounting policies in Note 2.15 and Note 2.16 to the financial statements, as well as in the significant accounting judgements and estimates in Note 3.2(c) to the financial statements.

Investments in associates

As disclosed in Note 20 to the financial statements, included in investments in associates is the Group's equity interest in an unquoted entity with a cost of investment amounting to RM244 million. As at 31 December 2016, the Group's carrying amount on the investment stood at RM206 million. In view of the current depressed market price for its finished products coupled by the losses incurred, the Group undertook a review to determine whether any impairment is required on the carrying amount of its investment. This area was significant to our audit due to the size of the investment, the entity is still in its start-up phase and the judgement involved in the impairment assessment. The management determined the value-in-use of the investment by estimating its share of the present value of the estimated future cash inflows expected to be generated by the associate, including the proceeds from the ultimate disposal of the investment.

Our audit procedures included, among others, evaluating the key assumptions, such as revenue growth, gross margin assumptions, cost inflation and long-term growth rates, used to prepare the cash flow projections against the associate's latest financial performance. This included comparison of the key assumptions to external data as well as our own assessments in relation to key inputs based on our knowledge of the industry.

We also focused on the disclosure on impairment of investment in associates included in the significant accounting judgements and estimates in Note 3.2(f) to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 46 on page 197 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 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young

ERNST & YOUNG
AF: 0039
Chartered Accountants

AU YONG SWEE YIN
3101/02/18 (J)
Chartered Accountant

Kuching, Malaysia
Date: 14 March 2017

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Revenue	4	1,551,319	1,788,008	109,053	86,415
Cost of sales		(1,192,743)	(1,374,266)	(30,070)	(25,681)
Gross profit		358,576	413,742	78,983	60,734
Other items of income					
Interest income	5	4,753	2,005	-	-
Other income	6	39,705	20,157	1,336	11,950
Other items of expense					
Administrative expenses		(52,295)	(70,474)	(19,042)	(41,931)
Selling expenses		(13,712)	(13,215)	-	-
Finance costs	7	(10,600)	(1,066)	(237)	(30)
Other expenses		(12,394)	(8,460)	(29,463)	-
Share of results of associates		(35,169)	34,430	-	-
Share of results of joint ventures		23,275	11,477	-	-
Profit before tax	8	302,139	388,596	31,577	30,723
Income tax expense	11	(84,828)	(83,996)	(1,272)	(848)
Profit net of tax		217,311	304,600	30,305	29,875
Other comprehensive income					
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:					
Foreign currency translation, net of tax		1	30	-	-
Share of other comprehensive income of associates, net of tax		58,236	265	-	-
Share of other comprehensive income of a joint venture, net of tax		280	275	-	-
Other comprehensive income for the year, net of tax		58,517	570	-	-
Total comprehensive income for the year		275,828	305,170	30,305	29,875

		Group		Company	
	Note	2016	2015	2016	2015
(cont'd.)		RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		169,177	248,149	30,305	29,875
Non-controlling interests		48,134	56,451	-	-
		217,311	304,600	30,305	29,875
Total comprehensive income attributable to:					
Owners of the Company		227,566	248,677	30,305	29,875
Non-controlling interests		48,262	56,493	-	-
		275,828	305,170	30,305	29,875

		2016	2015
Earnings per share attributable to owners of the Company (sen per share):			
Basic/Diluted	12	15.75	23.31

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	721,567	730,028	1,925	4,595
Prepaid land lease payments	14	15,210	15,974	9,286	9,712
Land held for property development	15(a)	234,333	297,022	-	-
Investment properties	16	5,390	5,508	-	26,545
Intangible assets	17	3,823	4,142	101	348
Goodwill	18	61,709	61,709	-	-
Investments in subsidiaries	19	-	-	1,094,745	902,845
Investments in associates	20	869,179	671,280	243,853	243,853
Investments in joint ventures	21	46,611	34,090	-	-
Deferred tax assets	22	34,989	38,709	-	993
Other receivables	24	86,242	64,561	62,418	59,775
Investment securities	27	300	300	-	-
		2,079,353	1,923,323	1,412,328	1,248,666
Current assets					
Property development costs	15(b)	354,748	265,972	-	-
Inventories	23	185,361	143,765	-	-
Trade and other receivables	24	289,145	400,324	256,437	258,027
Other current assets	25	37,442	37,102	-	-
Investment securities	27	9,662	98,116	9,662	98,116
Derivative financial asset	28	35,414	35,414	35,414	35,414
Tax recoverable		3,142	1,996	472	-
Cash and bank balances	29	457,070	325,067	391,129	256,881
		1,371,984	1,307,756	693,114	648,438
TOTAL ASSETS		3,451,337	3,231,079	2,105,442	1,897,104

(cont'd.)	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
EQUITY AND LIABILITIES					
Current liabilities					
Income tax payable		23,147	21,730	-	548
Loans and borrowings	30	142,880	68,356	35,000	-
Trade and other payables	31	395,057	474,732	996,749	820,974
Other current liabilities	32	126,783	46,294	-	-
		687,867	611,112	1,031,749	821,522
Net current assets/(liabilities)		684,117	696,644	(338,635)	(173,084)
Non-current liabilities					
Deferred tax liabilities	22	39,292	41,805	37	-
Loans and borrowings	30	105,076	95,322	-	-
Trade and other payables	31	84,363	170,113	-	-
		228,731	307,240	37	-
TOTAL LIABILITIES		916,598	918,352	1,031,786	821,522
Net assets		2,534,739	2,312,727	1,073,656	1,075,582
Equity attributable to owners of the Company					
Share capital	33	537,188	537,188	537,188	537,188
Share premium	34	330,716	330,716	330,713	330,713
Other reserves	35	40,090	(18,760)	168,000	168,000
Retained earnings		1,304,842	1,168,357	37,755	39,681
		2,212,836	2,017,501	1,073,656	1,075,582
Non-controlling interests		321,903	295,226	-	-
TOTAL EQUITY		2,534,739	2,312,727	1,073,656	1,075,582
TOTAL EQUITY AND LIABILITIES		3,451,337	3,231,079	2,105,442	1,897,104

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 2016

Group	Note	Total equity	Total	Share capital (Note 33)	Share premium (Note 34)	Other reserves (Note 35)	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
At 1 January 2016		2,312,727	2,017,501	537,188	330,716	(18,760)	1,168,357	295,226
Profit net of tax		217,311	169,177	-	-	-	169,177	48,134
Other comprehensive income, net of tax		58,517	58,389	-	-	58,389	-	128
Total comprehensive income		275,828	227,566	-	-	58,389	169,177	48,262
Transactions with owners								
Dividends to owners of the Company	44(a)	(32,231)	(32,231)	-	-	-	(32,231)	-
Dividends to non-controlling interests		(24,585)	-	-	-	-	-	(24,585)
Issuance of shares to a non-controlling interest	19(b)	3,000	-	-	-	-	-	3,000
Total transactions with owners		(53,816)	(32,231)	-	-	-	(32,231)	(21,585)
Share of associates' reserves		-	-	-	-	461	(461)	-
At 31 December 2016		2,534,739	2,212,836	537,188	330,716	40,090	1,304,842	321,903

			Attributable to owners of the Company					
				Non-distributable			Distributable	
Group (cont'd.)	Note	Total equity RM'000	Total RM'000	Share capital (Note 33) RM'000	Share premium (Note 34) RM'000	Other reserves (Note 35) RM'000	Retained earnings RM'000	Non-controlling interests RM'000
At 1 January 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	-
Deconsolidation of a subsidiary		(1,718)	-	-	-	-	-	(1,718)
Dividends to owners of the Company	44(a)	(90,945)	(90,945)	-	-	-	(90,945)	-
Dividends to non-controlling interests		(22,351)	-	-	-	-	-	(22,351)
Total transactions with owners		(66,934)	(42,865)	17,436	41,412	(10,916)	(90,797)	(24,069)
Share of associates' reserves		(42)	(42)	-	-	6,957	(6,999)	-
At 31 December 2015		2,312,727	2,017,501	537,188	330,716	(18,760)	1,168,357	295,226

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 2016

Company	Note	Total equity RM'000	Share capital (Note 33) RM'000	Share premium (Note 34) RM'000	Other reserves (Note 35) RM'000	Retained earnings RM'000
			Non-distributable			Distributable
At 1 January 2016		1,075,582	537,188	330,713	168,000	39,681
Profit net of tax, representing total comprehensive income		30,305	-	-	-	30,305
Transaction with owners						
Dividends to owners of the Company	44(a)	(32,231)	-	-	-	(32,231)
At 31 December 2016		1,073,656	537,188	330,713	168,000	37,755
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
Transaction 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	44(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

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 2016

Group	Note	2016 RM'000	2015 RM'000
Operating activities			
Profit before tax		302,139	388,596
Adjustments for:			
Amortisation of intangible assets	8	1,399	376
Amortisation of prepaid land lease payments	8	764	764
Bad debts written off	8	23	6
Depreciation of property, plant and equipment	8	60,605	52,836
Depreciation of investment properties	8	118	118
Gain on disposal of land	6	(25,000)	-
Gain on redemption of redeemable preference shares	6	-	(993)
Grant of equity-settled share options to employees	9	-	4,497
Gross dividend income	4	(9,599)	(21,473)
Impairment loss on trade and other receivables	8	1,746	1,200
Impairment loss on amount due from an associate	8	1,972	-
Interest expense	7	10,035	363
Interest income	4/5	(10,430)	(3,489)
Inventories written down	8	84	97
Inventories written off	8	117	1,571
Inventories written back	8	-	(210)
Loss on liquidation of subsidiaries	8	-	35
Net fair value changes in investment securities held as fair value through profit and loss	6	(1,030)	(706)
Net gain on disposal of property, plant and equipment	8	(162)	(398)
Net realised gain on disposal of investment securities	6	(12)	(1,070)
Project development cost (written back)/written off	8	(149)	1,310
Property, plant and equipment written off	8	1,037	101
Reversal of allowance for obsolete inventory	8	(8)	-
Reversal of impairment loss on trade and other receivables	6	(1,836)	(2,109)
Share of results of associates		35,169	(34,430)
Share of results of joint ventures		(23,275)	(11,477)
Unrealised foreign exchange gain	6	(4,507)	(4,921)
Total adjustments		37,061	(18,002)
Operating cash flows before changes in working capital		339,200	370,594

Group (cont'd.)	Note	2016 RM'000	2015 RM'000
Operating activities (cont'd.)			
Changes in working capital			
Increase in property development costs		(82,438)	(101,214)
Decrease/(increase) in land held for development		67,775	(224,495)
Increase in inventories		(41,789)	(23,703)
(Increase)/decrease in other current assets		(288)	9,114
Decrease/(increase) in receivables		125,951	(86,203)
(Decrease)/increase in payables		(166,383)	104,958
Increase in other current liabilities		80,489	23,039
Total changes in working capital		(16,683)	(298,504)
Cash flows from operations		322,517	72,090
Interest received		7,217	1,978
Interest paid		(21,188)	(18,810)
Income taxes paid, net of refund		(83,350)	(92,978)
Net cash flows from/(used in) operating activities		225,196	(37,720)
Investing activities			
Acquisition of an associate		-	(186,790)
Acquisition of an derivative financial asset	28	-	(35,414)
Acquisition of property, plant and equipment (excluding interest expense capitalised)	13	(55,795)	(183,223)
Acquisition of investment securities		(19,239)	(52,666)
Acquisition of additional interests in associates	20(a)/(c)	(176,900)	(65,962)
Additional costs incurred on intangible assets	17	(1,080)	(2,266)
Advancement of shareholder's loan		-	(47,840)
Additional investments in joint ventures	21	(3,601)	(102)
Dividends received from associates		2,068	3,901
Dividends received from investments		9,599	21,473
Distribution of profit from joint ventures		9,834	3,884
Net proceeds from liquidation of subsidiaries		-	87
Net cash outflow from deconsolidation of a subsidiary		-	(69)
Proceeds from disposal of property, plant and equipment		2,724	955
Proceeds from disposal of investment securities		108,735	83,626
Redemption of redeemable preference shares		-	4,431
Net cash flows used in investing activities		(123,655)	(455,975)

Group (cont'd.)	Note	2016 RM'000	2015 RM'000
Financing activities			
Drawdown of borrowings		256,490	242,758
Decrease in wholesale fund pledged to a licensed bank		-	23,000
Decrease/(increase) in deposits pledged to licensed banks	29(b)	67	(150)
Repayment of borrowings		(172,212)	(183,876)
Proceeds from exercise of employees' share options	36(b)	-	43,586
Proceeds from issuance of shares to a non-controlling interest	19(b)	3,000	-
Dividends paid to owners of the Company	44(a)	(32,231)	(90,945)
Dividends paid to non-controlling interests		(24,585)	(22,351)
Net cash flows from financing activities		30,529	12,022
Net increase/(decrease) in cash and cash equivalents		132,070	(481,673)
Cash and cash equivalents at 1 January		323,003	804,676
Cash and cash equivalents at 31 December	29	455,073	323,003

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 2016

Company	Note	2016 RM'000	2015 RM'000
Operating activities			
Profit before tax		31,577	30,723
Adjustments for:			
Amortisation of intangible assets	8	-	24
Amortisation of prepaid land lease payments	8	426	426
Depreciation of investment properties	8	-	715
Depreciation of property, plant and equipment	8	293	644
Grant of equity-settled share options to employees	9	-	646
Gross dividend income	4	(93,776)	(74,089)
Impairment loss on amount due from a subsidiary	8	29,140	-
Interest expense	7	30,277	25,681
Interest income	4	(15,277)	(11,726)
Net fair value changes in investment securities	6	(1,030)	(706)
Net realised gain on disposal of investment securities	6	(12)	(1,070)
Waiver of amount due from subsidiaries	8	63	-
Total adjustments		(49,896)	(59,455)
Operating cash flows before changes in working capital		(18,319)	(28,732)
Changes in working capital			
Increase in receivables		(30,256)	(212,885)
Increase in payables		175,700	91,505
Total changes in working capital		145,444	(121,380)
Cash flows from/(used in) operations		127,125	(150,112)
Interest received		15,277	11,726
Interest paid		(30,202)	(25,681)
Tax paid		(1,262)	(554)
Net cash flows from/(used in) operating activities		110,938	(164,621)

Company (cont'd.)	Note	2016 RM'000	2015 RM'000
Investing activities			
Acquisition of an associate		-	(186,790)
Acquisition of a derivative financial asset	28	-	(35,414)
Acquisition of investment securities		(19,239)	(52,667)
Acquisition of property, plant and equipment	13	(13)	(889)
Additional costs incurred on intangible assets	17	-	(254)
Additional costs incurred on investment properties	16	-	(338)
Dividends received		93,776	74,089
Proceeds from disposal of investment securities		108,735	83,626
Proceeds from disposal of property, plant and equipment		2,390	-
Proceeds from disposal of investment properties		26,545	-
Proceeds from disposal of intangible assets		247	-
Subscription of additional shares in an existing subsidiaries	19(b)	(191,900)	(90,952)
Net cash flows from/(used in) investing activities		20,541	(209,589)
Financing activities			
Dividends paid to owners of the Company	44(a)	(32,231)	(90,945)
Drawdown of borrowings	30	35,000	-
Decrease in wholesale fund pledged to a licensed bank		-	23,000
Proceeds from subsidiaries for allocation of share options to their employees		-	3,850
Proceeds from exercise of employees' share options	36(b)	-	43,586
Net cash flows from/(used in) financing activities		2,769	(20,509)
Net increase/(decrease) in cash and cash equivalents		134,248	(394,719)
Cash and cash equivalents at 1 January		256,671	651,390
Cash and cash equivalents at 31 December	29	390,919	256,671

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 2016

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 2016, the Group and the Company adopted the following new and amended MFRSs and Annual Improvements which are mandatory for annual financial periods beginning on or after 1 January 2016.

Effective for annual periods beginning on or after	Description
1 January 2016	Annual Improvements to MFRSs 2012 - 2014 Cycle
1 January 2016	Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
1 January 2016	Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants
1 January 2016	Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception
1 January 2016	Amendments to MFRS 11: Accounting for Acquisitions: of Interests in Joint Operations
1 January 2016	Amendments to MFRS 101: Disclosure Initiatives
1 January 2016	Amendments to MFRS 127: Equity Method in Separate Financial Statements
1 January 2016	MFRS 14: Regulatory Deferral Accounts

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

2.2 Changes in accounting policies (cont'd.)

(a) 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. These amendments do not have a significant impact on the Group's and the Company's financial statements.

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

The amendment to MFRS 5 clarifies that changing from one 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 applied prospectively.

(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. This amendment is applied retrospectively.

(iii) MFRS 134: Interim Financial Reporting

MFRS 134 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'.

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

(b) 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 do not have any impact to the Group as the Group has not used a revenue-based method to depreciate its non-current assets.

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

2.2 Changes in accounting policies (cont'd.)

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

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

The amendments are applied retrospectively and do not have any impact on the Group's and the Company's financial statements.

(d) Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments to MFRS 11 require that a joint operator which acquires an interest in a joint operations which constitutes a business to apply the relevant MFRS 3 Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments do not have any impact on the Group's consolidated financial statements as there has been no interest acquired in a joint operation during the year.

(e) 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 amendments do not have a material impact on the Group's and the Company's financial statements.

(f) 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.

These amendments do not have any impact on the Group's and the Company's financial statements.

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

2.3 Standards issued but not yet effective

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.

Effective for annual periods beginning on or after	Description
1 January 2017	Amendments to MFRS 107: Disclosures Initiatives
1 January 2017	Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses
	Annual Improvements to MFRSs 2014 - 2016 Cycle:
1 January 2017	(i) Amendments to MFRS 12: Disclosure of Interests in Other Entities
1 January 2018	(ii) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards
1 January 2018	(iii) Amendments to MFRS 128: Investments in Associates and Joint Ventures
1 January 2018	Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
1 January 2018	Amendments to MFRS 140: Transfers of Investment Property
1 January 2018	MFRS 15: Revenue from Contracts with Customers
1 January 2018	MFRS 9: Financial Instruments
1 January 2018	IC Interpretation 22: Foreign Currency Transactions and Advance Consideration
1 January 2018	Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
1 January 2019	MFRS 16: Leases
Deferred	Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(a) Amendments to MFRS 107: Disclosures Initiatives

The amendments to MFRS 107 Statement of Cash Flows require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosures to be provided by the Group and the Company.

(b) Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

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

(b) Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses (cont'd.)

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies this amendments for an earlier period, it must disclose that fact. 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.

(c) Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments to MFRS 2 address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The amendments have no impact on the Group's financial statements.

(d) 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 depicts 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.

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

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

(e) 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.

(f) MFRS 16: Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

(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 of assets to an associate of a joint venture 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.

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

2.4 Basis of consolidation

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

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

(a) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(b) Exposure, or rights, to variable returns from its investment with the investee; and

(c) The ability to use its power over the investee to affect its returns.

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

(a) The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(b) Potential voting rights held by the Company, other vote holders or other parties;

(c) Rights arising from other contractual arrangements; and

(d) Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

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

2.4 Basis of consolidation (cont'd.)

Business combinations

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

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

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

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

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

2.5 Subsidiaries

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

(a) Power over the investee (i.e existing rights that give it the current ability to direct the relevant activities of the investee);

(b) Exposure, or rights, to variable returns from its investment with the investee; and

(c) The ability to use its power over the investee to affect its returns.

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

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

2.7 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

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

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

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

(c) Foreign operations

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

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

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

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

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.

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

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

(b) Development properties (cont'd.)

The costs of development properties include:

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

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

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

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

2.11 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. These include land held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at cost less accumulated depreciation and impairment losses consistent with the accounting policies for property, plant and equipment as stated in Note 2.8.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year in which they arise.

2.12 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.

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

2.12 Intangible assets (cont'd.)

(a) Goodwill (cont'd.)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.7.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Computer software	3 years to 5 years
Other intangible assets	20 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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

2.13 Impairment of non-financial assets

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

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

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

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

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

2.14 Inventories

Inventories are stated at the 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.

- Completed development units: cost associated with the acquisition of land, direct costs and appropriate proportions of common costs.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 Construction contracts

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

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

2.15 Construction contracts (cont'd.)

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.

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

On initial recognition, the fair value of a financial instrument is the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments measured at fair value in accordance with the valuation methodologies as set out in Note 40.

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

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

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

2.19 Fair value measurement (cont'd.)

The carrying values of current financial instruments approximate their fair value due to the short-term maturity of these instruments and the disclosures of fair values are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair values. The fair values of non-current financial instruments are disclosed separately unless there are significant differences at the end of the reporting date.

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

2.20 Cash and cash equivalents

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

2.21 Financial liabilities

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

Financial liabilities, within the scope of MFRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities.

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

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.

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

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 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).

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

2.26 Revenue (cont'd.)

(d) Development properties (cont'd.)

(ii) Sale of development property under construction (cont'd.)

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

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

(e) Road maintenance contracts

Revenue for routine maintenance work is based on fixed rates and is recognised upon performance of work in accordance with the terms as stipulated in the road maintenance agreements. Revenue from work orders outside the scope of the road maintenance agreements is based on schedule of rates approved by client.

(f) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established, which is generally when shareholders approve the dividend.

(g) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(h) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.27 Taxes

(a) Income tax

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes, also include other taxes, such as withholding taxes, which are payable by foreign subsidiaries, associates or joint ventures on distributions to the Group and the Company, and real property gains taxes payable on disposal of properties.

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

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

2.27 Taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax liabilities are recognised for all temporary differences, except (cont'd.):

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

(c) Goods and Services Tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other current assets or liabilities in the statements of financial position.

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

2.28 Employee benefits

(a) Defined contribution plans

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

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

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employees' share option reserve over the vesting period. The cumulative expense is recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employees' share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employees' share option reserve is transferred to share premium reserve if new shares are issued.

2.29 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 43, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 Share capital and share issuance expenses

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

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

2.31 Contingencies

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Critical judgements made in applying accounting policies

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

Classification between investment properties and property, plant and equipment

The Group and the Company have developed certain criteria based on MFRS 140 in making their judgement on whether a property qualifies as an investment property. An investment property is a property held to earn rentals or for capital appreciation or both.

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 50 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's and the Company's property, plant and equipment at the reporting date is disclosed in Note 13.

(b) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculation is undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are given in Note 18.

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

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

(c) 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.

(d) 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.

(e) Classification of development properties for sale

The Group recognises revenue on property development projects based on the completion method, when the risks and ownership of the properties have been transferred to the customers and the Group does not have a substantial continuing involvement with the properties. These usually coincide upon the receipt of the certificate of practical completion. In determining this, management makes judgements to the expected date of completion of the project and when the risks and ownership and ownership for the Group's development properties will be transferred to third parties.

(f) 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. Impairment exists if the former value is greater than the latter.

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

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

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

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Sale of goods	878,010	1,016,987	-	-
Sale of land	10,399	-	-	-
Sale of properties	29,005	51,207	-	-
Construction and road maintenance	182,281	233,832	-	-
Rendering of services	435,538	462,223	-	-
Interest income	5,677	1,484	15,277	11,726
Dividend income from investments	9,599	21,473	9,599	21,472
Rental income:				
- Investment properties (Note 16)	528	528	-	600
- Land and buildings	282	274	-	-
Dividend income from subsidiaries	-	-	82,110	50,249
Dividend income from associates	-	-	2,067	2,368
	1,551,319	1,788,008	109,053	86,415

5. INTEREST INCOME

	Group	
	2016	2015
	RM'000	RM'000
Interest income from:		
- Loans and receivables	4,610	1,739
- Short term deposits	143	266
	4,753	2,005

6. OTHER INCOME

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fee income	2	3	1	10,125
Gain on disposal of land	25,000	-	-	-
Gain on disposal of property, plant and equipment	174	398	-	-
Gain on redemption of redeemable preference shares	-	993	-	-
Insurance settlement	2	2,708	-	11
Miscellaneous income	3,680	4,698	293	38
Net realised gain on disposal of investment securities	12	1,070	12	1,070
Net fair value changes in investment securities held as fair value through profit or loss	1,030	706	1,030	706
Net foreign exchange gain:				
- Realised	1,307	1,966	-	-
- Unrealised	4,507	4,921	-	-
Reversal of impairment loss on trade and other receivables (Note 24(a))	1,836	2,109	-	-
Supervision fees	2,155	585	-	-
	39,705	20,157	1,336	11,950

7. FINANCE COSTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- Bank borrowings and bank overdraft	16,280	6,760	207	-
- Corporate shareholder's loan	-	47	-	-
- Amount due to subsidiaries under central cash management account	-	-	30,070	25,681
- Amount due to a joint venture	82	-	-	-
- Unwinding of discount	-	55	-	-
- Land premium payable	4,948	11,755	-	-
	21,310	18,617	30,277	25,681
Interest expense capitalised in:				
- Property, plant and equipment (Note 13(d))	-	(3,368)	-	-
- Land held for property development (Note 15(a))	(5,086)	(10,712)	-	-
- Property development costs (Note 15(b))	(6,189)	(4,174)	-	-
	(11,275)	(18,254)	-	-
	10,035	363	30,277	25,681
Other finance costs:				
- Trade facility charges	530	665	-	-
- Facility fee and commitment fee	40	38	30	30
	570	703	30	30
	10,605	1,066	30,307	25,711
Recognised in profit or loss as:				
- Cost of sales	5	-	30,070	25,681
- Finance costs	10,600	1,066	237	30
	10,605	1,066	30,307	25,711

8. PROFIT BEFORE TAX

Results from operating activities is arrived at after charging:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets (Note 17)	1,399	376	-	24
Amortisation of prepaid land lease payments (Note 14)	764	764	426	426
Auditors' remuneration:	1,152	841	461	196
- Statutory audit				
Current year	824	767	150	150
(Over)/under provision in previous years	(3)	8	-	-
- Other services	331	66	311	46
Bad debts written off	23	6	-	-
Depreciation of property, plant and equipment (Note 13)	60,605	52,836	293	644
Depreciation of investment properties (Note 16)	118	118	-	715
Employee benefits expense (Note 9)	125,375	132,133	7,770	26,345
Impairment loss on:				
- Amount due from a subsidiary (Note 24)	-	-	29,140	-
- Amount due from an associate (Note 24)	1,972	-	-	-
- Trade and other receivables (Note 24(a))	1,746	1,200	-	-
Inventories written down	84	97	-	-
Inventories written off	117	1,571	-	-
Loss on liquidation of subsidiaries	-	35	-	-
Minimum operating lease payments on:	15,714	15,141	797	1,468
- Land and buildings	5,837	5,005	797	1,468
- Plant and equipment	7,866	7,645	-	-
- Wharf	2,011	2,491	-	-
Non-executive directors' remuneration (Note 10)	2,574	2,622	2,342	2,410
Project development cost written off (Note 15(b))	-	1,310	-	-
Property, plant and equipment written off	1,037	101	-	-
Waiver of amount due from subsidiaries	-	-	63	-

8. PROFIT BEFORE TAX (CONT'D.)

Results from operating activities is arrived at after crediting (cont'd.):

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Inventories written back	-	210	-	-
Project development cost written back (Note 15(b))	149	-	-	-
Reversal of allowance for obsolete inventory	8	-	-	-
Net gain on disposal of property, plant and equipment	162	398	-	-

9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	111,523	113,592	6,945	22,904
Contributions to defined contribution plan	12,817	13,129	810	2,711
Social security contributions	1,035	915	15	84
Share options granted under ESOS	-	4,497	-	646
	125,375	132,133	7,770	26,345

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM3,483,000 (2015: RM6,420,000) and RM3,169,000 (2015: RM6,420,000), respectively, 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Executive:				
Salaries and other emoluments	3,109	5,699	2,829	5,699
Defined contribution plans	374	684	340	684
Share options granted under ESOS	-	37	-	37
Total executive directors' remuneration (excluding benefits-in-kind) (Note 9)	3,483	6,420	3,169	6,420
Estimated money value of benefits-in-kind	292	7,036	286	7,036
Total executive directors' remuneration (including benefits-in-kind)	3,775	13,456	3,455	13,456

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-executive:				
Fees	853	851	733	739
Other emoluments	1,591	1,641	1,479	1,541
Defined contribution plans	130	130	130	130
Total non-executive directors' remuneration (excluding benefits-in-kind) (Note 8)	2,574	2,622	2,342	2,410
Estimated money value of benefits-in-kind	108	115	77	84
Total non-executive directors' remuneration (including benefits-in-kind)	2,682	2,737	2,419	2,494
Total directors' remuneration	6,457	16,193	5,874	15,950

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	
	2016	2015
Executive Directors:		
RM1,550,001 to RM1,600,000	1	-
RM1,900,001 to RM1,950,000	1	-
RM2,200,001 to RM2,250,000	-	1
RM4,150,001 to RM4,200,000	-	1
Non-executive Directors:		
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	2	2
RM150,001 to RM200,000	2	2
RM250,001 to RM300,000	1	1
RM750,001 to RM800,000	1	1
RM850,001 to RM900,000	1	1

11. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Statements of profit or loss and other comprehensive income:				
Current income tax:				
- Malaysian income tax	78,896	88,232	60	1,050
- Real property gains tax	2,872	-	-	-
- Under/(over) provision in respect of previous years	1,853	4,623	182	(127)
	83,621	92,855	242	923
Deferred income tax (Note 22):				
- Origination and reversal of temporary differences	1,910	(10,226)	1,030	(232)
- Effect of reduction in income tax rate	(1,116)	454	-	-
- Under provision in respect of previous years	413	913	-	157
	1,207	(8,859)	1,030	(75)
Income tax expense recognised in profit or loss	84,828	83,996	1,272	848

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Accounting profit before tax	302,139	388,596
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	72,513	97,149
Adjustments:		
Share of results of associates	8,441	(8,608)
Share of results of joint ventures	(5,586)	(2,869)
Non-deductible expenses	23,128	19,395
Income not subject to tax	(13,204)	(10,688)
Benefits from previously unrecognised tax losses and unabsorbed capital allowances	(15)	(115)
Deferred tax asset recognised on reinvestment allowance	(6,431)	(17,582)
Deferred tax assets not recognised	4,258	1,324
Difference between corporate income tax and real property gains tax	574	-
Effect of reduction in income tax rate	(1,116)	454
Under provision of income tax in respect of previous years	1,853	4,623
Under provision of deferred tax in respect of previous years	413	913
Income tax expense recognised in profit or loss	84,828	83,996

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 2016 and 2015 are as follows (cont'd.):

	Company 2016 RM'000	Company 2015 RM'000
Accounting profit before tax	31,577	30,723
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	7,578	7,681
Adjustments:		
Group tax relief transferred from subsidiaries	(240)	(875)
Non-deductible expenses	16,422	12,885
Income not subject to tax	(22,670)	(18,873)
Under/(over) provision of income tax in respect of previous years	182	(127)
Under provision of deferred tax in respect of previous years	-	157
Income tax expense recognised in profit or loss	1,272	848

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

Tax savings during the financial year arising from:

	Group 2016 RM'000	Group 2015 RM'000
Utilisation of current year tax losses	98	69
Unutilised of tax losses brought forward	62	-
	160	69

12. EARNINGS PER SHARE

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 2016	Group 2015
Profit net of tax attributable to owners of the Company (RM'000)	169,177	248,149
Weighted average number of ordinary shares in issue ('000)	1,074,376	1,064,741
Basic earnings per share (sen)	15.75	23.31

There are no dilutive potential ordinary shares. As such, the diluted earnings per share of the Group is equivalent to basic earnings per share.

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 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 and 1 January 2016	73,222	372,773	900,548	117,695	1,464,238
Additions	3,795	16,504	21,664	13,832	55,795
Disposals	-	-	(238)	(7,938)	(8,176)
Written off	(56)	(583)	(785)	(2,342)	(3,766)
At 31 December 2016	76,961	388,694	921,189	121,247	1,508,091
Accumulated depreciation:					
At 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 and 1 January 2016	11,045	121,661	521,295	80,209	734,210
Depreciation charge for the year:	1,213	10,991	38,952	9,501	60,657
- Recognised in profit or loss (Note 8)	1,213	10,991	38,934	9,467	60,605
- Capitalised in construction costs (Note 26)	-	-	18	34	52
Disposals	-	-	(202)	(5,412)	(5,614)
Written off	-	(215)	(268)	(2,246)	(2,729)
At 31 December 2016	12,258	132,437	559,777	82,052	786,524
Net carrying amount:					
At 31 December 2015	62,177	251,112	379,253	37,486	730,028
At 31 December 2016	64,703	256,257	361,412	39,195	721,567

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

Company	Motor vehicles RM'000	Equipment and others RM'000	Total RM'000
Cost:			
At 1 January 2015	7,121	7,505	14,626
Additions	726	163	889
Written off	-	(1,628)	(1,628)
At 31 December 2015 and 1 January 2016	7,847	6,040	13,887
Additions	-	13	13
Disposals	(3,954)	(3,189)	(7,143)
At 31 December 2016	3,893	2,864	6,757
Accumulated depreciation:			
At 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 and 1 January 2016	3,738	5,554	9,292
Depreciation charge for the year (Note 8)	237	56	293
Disposals	(1,820)	(2,933)	(4,753)
At 31 December 2016	2,155	2,677	4,832
Net carrying amount:			
At 31 December 2015	4,109	486	4,595
At 31 December 2016	1,738	187	1,925

(a) Assets under construction

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

	Group 2016 RM'000	Group 2015 RM'000
Buildings and infrastructure	1,054	-
Plant and machinery	15,905	46,330
	16,959	46,330

(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 RM448,606,114 (2015: RM196,532,968) and RM3,435,620 (2015: RM9,537,369) for the Group and the Company, respectively.

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

(c) Land

Included in the carrying amount of land are:

	Group 2016 RM'000	Group 2015 RM'000
Freehold land	417	416
Leasehold land	64,286	61,761
	64,703	62,177

(d) Capitalisation of borrowing costs

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

14. PREPAID LAND LEASE PAYMENTS

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Cost:				
At 1 January and 31 December	24,014	24,014	11,925	11,925
Accumulated amortisation:				
At 1 January	8,040	7,276	2,213	1,787
Amortisation for the year (Note 8)	764	764	426	426
At 31 December	8,804	8,040	2,639	2,213
Net carrying amount	15,210	15,974	9,286	9,712
Amount to be amortised:				
- Not later than one year	764	764	426	426
- Later than one year but not later than five years	3,053	3,053	1,704	1,704
- Later than five years	11,393	12,157	7,156	7,582

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 8 to 40 years (2015: 9 to 41 years) and 22 to 40 years (2015: 23 to 41 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 2015	54,395	7,420	61,815
Additions	228,675	12,075	240,750
Transferred to property development costs (Note 15(b))	(4,500)	(1,043)	(5,543)
At 31 December 2015 and 1 January 2016	278,570	18,452	297,022
Additions	-	8,789	8,789
Adjustments	(67,879)	(2,803)	(70,682)
Disposals	(226)	(160)	(386)
Transferred to property development costs (Note 15(b))	(102)	(308)	(410)
At 31 December 2016	210,363	23,970	234,333

Certain long term leasehold land of the Group with a carrying amount of RM18,327,899 (2015: RM18,327,899) are charged to secure revolving financial facilities granted to the subject subsidiary (Note 30).

Included in land held for property development were finance costs capitalised during the year amounting to RM5,086,000 (2015: RM10,712,000) (Note 7).

The adjustments to the leasehold land and development expenditure of the current financial year were due to the reduction in land premium payable approved by the relevant authority.

(b) Property development costs

Group	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Cumulative property development costs:			
At 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 (Note 15(a))	4,500	1,043	5,543
Reversal of completed projects	(521)	(371)	(892)
Project written off (Note 8)	-	(1,310)	(1,310)
Unsold units transferred to inventories	(12)	(6,232)	(6,244)
At 31 December 2015 and 1 January 2016	89,955	761,913	851,868
Adjustment	(3,012)	(446)	(3,458)
Costs incurred during the year	-	157,731	157,731
Transferred from land held for property development (Note 15(a))	102	308	410
Project written back (Note 8)	-	149	149
Unsold units transferred to inventories	(370)	(44,705)	(45,075)
At 31 December 2016	86,675	874,950	961,625

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

(b) Property development costs (cont'd.)

Group	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
Cumulative costs recognised in profit or loss:			
At 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 and 1 January 2016	(3,541)	(582,355)	(585,896)
Recognised during the year	(228)	(20,753)	(20,981)
At 31 December 2016	(3,769)	(603,108)	(606,877)
Property development costs:			
At 31 December 2015	86,414	179,558	265,972
At 31 December 2016	82,906	271,842	354,748

Included in property development costs were finance costs capitalised during the year amounting to RM6,189,000 (2015: RM4,174,000) (Note 7).

16. INVESTMENT PROPERTIES

Group	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
Cost:			
At 31 December 2015 and 31 December 2016	3,177	2,918	6,095
Accumulated depreciation:			
At 1 January 2015	153	316	469
Depreciation charge for the year (Note 8)	39	79	118
At 31 December 2015 and 1 January 2016	192	395	587
Depreciation charge for the year (Note 8)	39	79	118
At 31 December 2016	231	474	705
Net carrying amount:			
At 31 December 2015	2,985	2,523	5,508
At 31 December 2016	2,946	2,444	5,390

16. INVESTMENT PROPERTIES (CONT'D.)

Company	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
Cost:			
At 1 January 2015	5,828	24,514	30,342
Additions	-	338	338
At 31 December 2015 and 1 January 2016	5,828	24,852	30,680
Disposals	(5,828)	(24,852)	(30,680)
At 31 December 2016	-	-	-
Accumulated depreciation:			
At 1 January 2015	514	2,906	3,420
Depreciation charge for the year (Note 8)	103	612	715
At 31 December 2015 and 1 January 2016	617	3,518	4,135
Disposals	(617)	(3,518)	(4,135)
At 31 December 2016	-	-	-
Net carrying amount:			
At 31 December 2015	5,211	21,334	26,545
At 31 December 2016	-	-	-

The Company's investment property was disposed to a subsidiary during the year.

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

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2016 RM'000
Rental income (Note 4)	(528)	(528)	-	(600)
Direct operating expenses:				
- income generating investment properties	144	1,331	-	1,130
- non-income generating investment properties	37	37	-	-
Fair value of investment properties	7,100	6,800	-	26,545

17. INTANGIBLE ASSETS

Group	Computer software RM'000	Others RM'000	Total RM'000
Cost:			
At 1 January 2015	7,195	1,095	8,290
Additions	2,266	-	2,266
Deconsolidation of a subsidiary	-	(68)	(68)
At 31 December 2015 and 1 January 2016	9,461	1,027	10,488
Additions	1,080	-	1,080
At 31 December 2016	10,541	1,027	11,568
Accumulated amortisation:			
At 1 January 2015	5,234	736	5,970
Amortisation charge for the year (Note 8)	370	6	376
At 31 December 2015 and 1 January 2016	5,604	742	6,346
Amortisation charge for the year (Note 8)	1,393	6	1,399
At 31 December 2016	6,997	748	7,745
Net carrying amount:			
At 31 December 2015	3,857	285	4,142
At 31 December 2016	3,544	279	3,823

Company	Computer software RM'000	Others RM'000	Total RM'000
Cost:			
At 1 January 2015	2,306	101	2,407
Additions	254	-	254
At 31 December 2015 and 1 January 2016	2,560	101	2,661
Disposals	(2,560)	-	(2,560)
At 31 December 2016	-	101	101
Accumulated amortisation:			
At 1 January 2015	2,289	-	2,289
Amortisation charge for the year (Note 8)	24	-	24
At 31 December 2015 and 1 January 2016	2,313	-	2,313
Disposals	(2,313)	-	(2,313)
At 31 December 2016	-	-	-
Net carrying amount:			
At 31 December 2015	247	101	348
At 31 December 2016	-	101	101

18. GOODWILL

	Group 2016 RM'000	Group 2015 RM'000
At 1 January and 31 December	61,709	61,709

Goodwill arising from business combinations has been allocated to the cash-generating unit ("CGU") for impairment testing.

The carrying amount of goodwill allocated to the Group's CGU is as follows:

	Group 2016 RM'000	Group 2015 RM'000
Manufacturing of cement and clinker	61,709	61,709

Key assumptions used in value-in-use calculations:

The recoverable amount of the 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	
	2016	2015	2016	2015
CMS Clinker Sdn. Bhd.	24%	16%	12%	12%

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 2016 RM'000	Company 2015 RM'000
Unquoted shares, at cost	1,040,622	958,722
Redeemable preference share, at cost	110,000	-
Less: Accumulated impairment losses	(55,877)	(55,877)
	1,094,745	902,845

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 2016 %	Proportion of ownership interest 2015 %
Direct subsidiaries of the Company				
Cahya Mata Sarawak Management Services Sdn. Bhd.	Malaysia	Provision of management services and rental of investment properties	100.0	100.0
CMS Capital Sdn. Bhd.	Malaysia	Investment holding	95.2	95.2
CMS Cement Sdn. Bhd.	Malaysia	Manufacture and trading of cement	100.0	100.0
CMS Education Sdn. Bhd.	Malaysia	Education	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. (i)	Malaysia	Production and sale of premix and road construction	40.0	40.0
CMS Premix (Miri) Sdn. Bhd. (i)	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 Wires Sdn. Bhd.	Malaysia	Manufacture and sale of wire mesh and related products	69.1	69.1
CMS Works Sdn. Bhd.	Malaysia	Investment holding, construction and provision of technical, machinery and motor vehicle rental services	100.0	100.0
Projek Bandar Samariang Sdn. Bhd.	Malaysia	Property development and construction works	100.0	100.0
Samalaju Industries Sdn. Bhd.	Malaysia	Investment holding and provision of supervisory services	100.0	100.0
Subsidiaries of CMS Cement Sdn. Bhd.				
CMS Clinker Sdn. Bhd.	Malaysia	Manufacture and trading of cement and 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
Subsidiary of CMS Infra Trading Sdn. Bhd.				
CMS Agrotech Sdn. Bhd. (ii)	Malaysia	Organic waste management and related consultancy services	-	100.0

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 2016 %	2015 %
Subsidiary of CMS I-Systems Berhad				
CMS I-Systems (India) Pte. Ltd. (iii)	India	Dormant	99.9	99.9
Subsidiaries of CMS Property Development Sdn. Bhd.				
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	Property management and consultancy	51.0	51.0
PPESW BPSB JV Sdn. Bhd. (formerly known as CMS Development Services Sdn. Bhd.) (iv)	Malaysia	Dormant	-	100.0
Subsidiaries of CMS Resources Sdn. Bhd.				
CMS Penkuari Sdn. Bhd. (v)	Malaysia	Quarry operations	60.0	60.0
CMS Premix Sdn. Bhd.	Malaysia	Production and sale of premix 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, trading and sale of aggregates	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
Subsidiary of PPES Works (Sarawak) Sdn. Bhd.				
PPESW BPSB JV Sdn. Bhd. (formerly known as CMS Development Services Sdn. Bhd.) (iv)	Malaysia	Developing and upgrading the Pan Borneo Highway from Sg. Awik Bridge to Bintangor Junction	70.0	-

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 2016 %	2015 %
Subsidiary of Samalaju Industries Sdn. Bhd.				
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) Another 60% is held by CMS Resources Sdn. Bhd.
(ii) Placed under members' voluntary liquidation.
(iii) Audited by firms other than Ernst & Young.
(iv) Disposed to PPES Works (Sarawak) Sdn. Bhd. on 19 August 2016.
(v) Another 40% is held by CMS Premix Sdn. Bhd.

(a) Changes in shareholding in PPESW BPSB JV Sdn. Bhd. ("PBJV")

On 19 August 2016, PPES Works (Sarawak) Sdn. Bhd. ("PPESW") acquried two ordinary shares of RM1 each, representing the entire equity interest in PBJV from CMS Property Development Sdn.Bhd., a wholly-owned subsidiary of the Company.

(b) Increase in paid-up share capital of subsidiaries

(i) PBJV increased its issued and paid-up share capital from RM2 to RM10,000,000 dividend into 9,999,998 ordinary shares of RM1 each, with PPESW and Bina Puri Sdn. Bhd. subscribing to 6,999,998 and 3,000,000 ordinary shares, respectively.

(ii) During the year, the Company subscribed for an additional 46,900,000 (2015: 90,952,000) ordinary shares of RM1 each in Samalaju Industries Sdn. Bhd. for a total cash consideration of RM46,900,000 (2015: RM90,952,000).

The Company also subscribed 110,000,000 redeemable preference shares of RM1 each in Samalaju Industries Sdn. Bhd. for a total cash consideration of RM110,000,000 (2015: Nil).

(iii) On 29 February 2016, the Company subscribed for an additional 35,000,000 ordinary shares of RM1 each in Cahya Mata Sarawak Management Services Sdn. Bhd. for a total cash consideration of RM35,000,000.

19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(c) Non-controlling interests 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.

2016	PPES Works (Sarawak) Sdn. Bhd. (Group) RM'000	CMS Land Sdn. Bhd. RM'000	CMS Resources Sdn. Bhd. (Group) RM'000
Summarised Statements of Financial Position			
As at 31 December			
Non-current assets	3,478	20,907	59,452
Current assets	269,447	164,429	355,172
Total assets	272,925	185,336	414,624
Current liabilities	71,298	73,670	168,599
Non-current liabilities	11	5,326	563
Total liabilities	71,309	78,996	169,162
Net assets	201,616	106,340	245,462
Equity attributable to owners of the Company	101,338	51,468	138,603
Non-controlling interests	100,278	54,872	106,859
Summarised Statements of Profit or Loss and Other Comprehensive Income			
Year ended 31 December			
Revenue	158,451	60,892	476,270
Profit for the year	19,588	9,155	75,649
Profit attributable to owners of the Company	10,034	4,669	63,359
Profit attributable to non-controlling interests	9,554	4,486	12,290
Dividends paid to non-controlling interests	7,938	-	14,686
Summarised Statements of Cash Flows			
Net cash from operating activities	1,532	6,274	71,632
Net cash from/(used in) investing activities	9,312	-	(8,039)
Net cash (used in)/from financing activities	(13,200)	600	(33,881)
Net (decrease)/increase in cash and cash equivalents	(2,356)	6,874	29,712
Cash and cash equivalents at beginning of the year	186,070	39,005	248,962
Cash and cash equivalents at end of the year	183,714	45,879	278,674

19. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

(c) Non-controlling interests 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.)

2015	PPES Works (Sarawak) Sdn. Bhd. (Economic Entity) RM'000	CMS Land Sdn. Bhd. RM'000	CMS Resources Sdn. Bhd. (Group) RM'000
Summarised Statements of Financial Position			
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
Summarised Statements of Profit or Loss and Other Comprehensive Income			
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
Summarised Statements of Cash Flows			
Net cash (used in)/from operating activities	(4,032)	17,577	23,534
Net cash 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	196,528	17,307	269,433
Cash and cash equivalents at end of the year	186,070	39,005	248,962

20. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 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	435,198	368,298	186,790	186,790
Irredeemable Convertible Preference Shares	110,000	-	-	-
	812,431	635,531	243,853	243,853
Share of post-acquisition reserves	56,748	35,749	-	-
	869,179	671,280	243,853	243,853
Fair value of investments in associates for which there is published price quotation	149,440	183,804	81,965	100,993

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

Name of associates	Principal activities	Proportion of ownership interest 2016 %	2015 %
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
Kenanga Investment Bank Berhad	Investment holding stockbroking and financial services business	4.2	-
Sacofa Sdn. Bhd.	Telecommunication infrastructure providers	50.0	50.0

20. INVESTMENTS IN ASSOCIATES (CONT'D.)

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

		Proportion of ownership interest	
		2016	2015
Name of associates	**Principal activities**	%	%
Held through subsidiaries:			
K & N Kenanga Holdings Berhad	Investment holding, stockbroking and financial services business	-	21.0
Kenanga Investment Bank Berhad	Investment holding, stockbroking and financial services business	21.2	-
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	25.0
OM Materials (Sarawak) Sdn. Bhd. (ii)	Processing, smelting and trading of ferro alloy products	25.0	25.0

(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.

(a) Subscription of Irredeemable Convertible Preference Shares ("ICPS") in an associate

On 7 April 2016, the Group subscribed 110,000,000 number of ICPS in OM Materials (Sarawak) Sdn. Bhd., through its wholly-owned subsidiary, Samalaju Industries Sdn. Bhd. for a total cash consideration of RM110 million.

(b) Internal reorganisation of an associate

On 1 November 2016, the Kenanga Group completed its merger and capital restructuring under its Group Internal Reorganisation. In this connection, the Group and Company ceased to be the substantial shareholders of K&N Kenanga Holdings Berhad but instead, became substantial shareholders of Kenanga Investment Bank Berhad on even date.

(c) Acquisition of additional interests and additional investments in associates

During the year the Group acquired 66,900,000 (2015: 550,000) ordinary shares in Malaysian Phosphate Additives (Sarawak) Sdn. Bhd., through its wholly owned subsidiary, Samalaju Industries Sdn. Bhd. for a total cash consideration of RM66,900,000 (2015: RM550,000).

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%.

20. INVESTMENTS IN ASSOCIATES (CONT'D.)

(d) Acquisition of an associate

On 23 October 2015, the Group and the Company completed the acquisition of a new associate, Sacofa Sdn. Bhd. ("Sacofa"), which entailed 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.

The acquistion of Sacofa was accounted for using the provisional values which resulted in a provisional surplus of the Group's share of the fair value of net identifiable assets of Sacofa over the purchase consideration as reflected in the share of associates' results in the previous financial year. A purchase price allocation ("PPA") exercise on Sacofa's identifiable assets and liabilities was carried out to determine the share of net fair value as at the acquisition date. The PPA exercise was completed during the year and there is no change to the provisional values accounted for as at the acquisition date.

(e) 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.

2016	Kenanga Investment Bank 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	548,113	146,992	1,922,585	508,254
Current assets	5,521,667	184,836	1,058,787	257,570
Current liabilities	(5,173,588)	(29,650)	(502,098)	(178,579)
Non-current liabilities	-	(5,299)	(2,133,857)	(72,005)
Net assets	896,192	296,879	345,417	515,240
Year ended 31 December				
Revenue	585,317	103,111	481,554	194,769
Profit/(loss) for the year	20,207	(5,743)	(257,645)	73,902
Other comprehensive income	11,254	-	220,434	(97)
Total comprehensive income	31,461	(5,743)	(37,211)	73,805
Dividends received by the Group during the year	-	2,068	-	-

20. INVESTMENTS IN ASSOCIATES (CONT'D.)

(e) Material associates (cont'd.)

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

2016	Kenanga Investment Bank 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	896,192	296,879	345,417	515,240
Total ICPS issued by an associate	-	-	(161,423)	-
Non-controlling interests	(10,236)	(11,618)	-	-
	885,956	285,261	183,994	515,240
Effective interests in associates	25.38%	20.00%	25.00%	50.00%
Group's share of net assets	224,856	57,052	45,999	257,620
Goodwill	14,342	4,991	49,760	-
ICPS subscribed by the Group	-	-	110,000	-
Group's carrying amount	239,198	62,043	205,759	257,620
Group's share of results for the year ended 31 December				
Group's share of profit or loss	4,950	(1,156)	(64,411)	36,810
Group's share of other comprehensive income	2,856	-	55,428	(48)
Group's share of total comprehensive income	7,806	(1,156)	(8,983)	36,762

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

20. INVESTMENTS IN ASSOCIATES (CONT'D.)

(e) 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. (cont'd.)

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
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	2,949	-	(25,354)	(85)
Total comprehensive income	15,410	29,105	(57,677)	90,043
Dividends received by the Group during the year	1,835	2,067	-	-

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	739	-	(476)	(43)
Group's share of total comprehensive income	3,573	5,206	(9,708)	34,067

21. INVESTMENTS IN JOINT VENTURES

	Group 2016 RM'000	Group 2015 RM'000
Unquoted shares, at cost	2,504	2,504
Redeemable preference share, at cost	26,569	27,189
Less: Accumulated impairment losses	(6,973)	(6,973)
	19,596	20,216
Share of post-acquisition reserves	24,511	11,370
	46,611	34,090

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. Under the contractual arrangements, unanimous consent is required from all parties to the agreements for all relevant activities.

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Proportion of ownership interest 2016 %	Proportion of ownership interest 2015 %
CMS Opus Private Equity Sdn. Bhd. (i)	Management of private equity investments	51.0	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 - Naim Land JV (i)	Construction of bridges	55.0	55.0
PPES Works Larico JV (i) & (iii)	Construction of 275kV Balingian - Selangau transmission line and 275kV Selangau - Mapai transmission line	51.0	51.0
PPES Works - PCSB JV (i)	Design and build interchange via shallow underpasses	51.0	-

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

Name of joint ventures	Principal activities	Proportion of ownership interest 2016 %	2015 %
PPES Works Wibawa JV	Connection of water supply and all submarine related works	50.0	50.0
PPES Works (Sarawak) Sdn. Bhd. - PN Construction Sdn. Bhd.	Construction of Aquatic Centre	49.0	49.0
UEM Construction Sdn. Bhd. - PPES Works (Sarawak) Sdn. Bhd. JV	Construction of Lawas Hospital Phase 2A	30.0	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 relevant activities unilaterally.

(ii) Ownership interests in COPE-KPF Opportunities 1 Sdn. Bhd. and COPE Opportunities 2 Sdn. Bhd. are held through redeemable preference shares vide respective shareholders' agreements. During the financial year, the Group increased its investments in the joint ventures by subscribing to new redeemable preference shares for a total cash consideration of RM3,601,092.

(iii) In the previous financial year, the Group invested RM102,000 into PPES Works Larico JV for initial capital requirements.

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.

	COPE-KPF Opportunities 1 Sdn. Bhd. RM'000	COPE Opportunities 2 Sdn. Bhd. RM'000
2016		
As at 31 December		
Non-current assets	127,066	115,814
Cash and cash equivalents	2,239	3,827
Other current assets	10,208	25,918
Current liabilities	(21,530)	(38,651)
Net assets	117,983	106,908
Year ended 31 December		
Revenue	687	1,609
Profit for the year	30,792	38,680
Total comprehensive income	30,792	38,680

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. (cont'd.)

	COPE-KPF Opportunities 1 Sdn. Bhd. RM'000	COPE Opportunities 2 Sdn. Bhd. RM'000
2015		
As at 31 December		
Non-current assets	84,481	90,993
Cash and cash equivalents	623	634
Other current assets	3,927	966
Current liabilities	(4,840)	(7,065)
Net assets	84,191	85,528
Year ended 31 December		
Revenue	1,551	2,374
Profit for the year	34,345	20,265
Total comprehensive income	34,345	20,265

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

	COPE-KPF Opportunities 1 Sdn. Bhd. RM'000	COPE Opportunities 2 Sdn. Bhd. RM'000
2016		
As at 31 December		
Net assets	117,983	106,908
Effective interest in joint ventures	26.67%	16.39%
	31,466	17,522
Accumulated impairment losses	(6,973)	-
Group's carrying amount	24,493	17,522
2015		
As at 31 December		
Net assets	84,191	85,528
Effective interest in joint ventures	26.67%	16.39%
	22,454	14,018
Accumulated impairment losses	(6,973)	-
Group's carrying amount	15,481	14,018

22. DEFERRED TAX

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	(3,096)	(11,995)	993	918
Recognised in statements of profit or loss and other comprehensive income (net) (Note 11)	(1,207)	8,859	(1,030)	75
Deconsolidation of a subsidiary	-	40	-	-
At 31 December	(4,303)	(3,096)	(37)	993

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	34,989	38,709	-	993
Deferred tax liabilities, net	(39,292)	(41,805)	(37)	-
	(4,303)	(3,096)	(37)	993

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	76,405	74,125	-	993
Deferred tax liabilities	(80,708)	(77,221)	(37)	-
	(4,303)	(3,096)	(37)	993

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 2015	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
Recognised in statements of profit or loss and other comprehensive income	(2,159)	(3,542)	7,981	2,280
At 31 December 2016	-	62,854	13,551	76,405

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 2015	(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)
Recognised in statements of profit or loss and other comprehensive income	(4,335)	833	15	(3,487)
At 31 December 2016	(74,159)	(5,562)	(987)	(80,708)

22. DEFERRED TAX (CONT'D.)

Company	Unabsorbed capital allowances RM'000
Deferred tax assets:	
At 1 January 2015	918
Recognised in statements of profit or loss and other comprehensive income	75
At 31 December 2015	993
Recognised in statements of profit or loss and other comprehensive income	(1,030)
At 31 December 2016	(37)

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

	Group 2016 RM'000	2015 RM'000
Unutilised tax losses	41,033	37,204
Unabsorbed capital allowances	13,786	4,737
Other deductible temporary differences	4,489	-
	59,308	41,941

At the reporting date, the Group has allowances as shown above that are available for offset against future taxable profits of the companies in which the allowances arose, for which no deferred tax assets are recognised due to uncertainty of their recoverability. The availability of these 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.

23. INVENTORIES

	Group 2016 RM'000	2015 RM'000
Cost		
Raw materials	33,508	38,881
General stores	88,817	79,583
Work-in-progress	56	57
Goods in transit	66	41
Finished goods	12,538	18,118
Completed development units	50,376	7,043
	185,361	143,723
Net realisable value		
Finished goods	-	42
	185,361	143,765

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM429,942,724 (2015: RM677,993,257).

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current				
Trade receivables				
Third parties	231,898	350,002	-	-
Retention sums on construction contracts (Note 26)	8,782	4,759	-	-
Amount due from associates	6,373	1,059	-	-
Amount due from joint ventures	167	123	-	-
	247,220	355,943	-	-
Less: Allowance for impairment				
- Third parties	(3,084)	(3,174)	-	-
Trade receivables, net	244,136	352,769	-	-
Other receivables				
Amount due from subsidiaries:				
- Central cash management accounts	-	-	235,417	246,595
- Current accounts	-	-	52,258	13,240
- Loans	-	-	574	574
Amount due from joint ventures	23,904	8,934	-	-
Amount due from an associate	4,000	17,360	-	7
Interest receivable	-	4	-	-
Deposits	5,579	5,058	405	588
Sundry receivables	11,595	16,330	100	200
Retention sum on construction contracts (Note 26)	479	417	-	-
	45,557	48,103	288,754	261,204
Less: Allowance for impairment				
- Amount due from subsidiaries under current account	-	-	(32,317)	(3,177)
- Others	(548)	(548)	-	-
Other receivables, net	45,009	47,555	256,437	258,027
	289,145	400,324	256,437	258,027
Non-current				
Other receivables				
Amount due from subsidiaries under loans	-	-	62,418	59,775
Amount due from an associate under shareholders' loans	70,964	64,561	-	-
Amount due from an associate	17,250	-	-	-
Less: Allowance for impairment				
- Amount due from an associate	(1,972)	-	-	-
	86,242	64,561	62,418	59,775
Total trade and other receivables (current and non-current)	375,387	464,885	318,855	317,802
Add: Cash and bank balances (Note 29)	457,070	325,067	391,129	256,881
Total loans and receivables	832,457	789,952	709,984	574,683

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

(a) Trade receivables

Trade receivables, inclusive of amount due from associates and joint ventures, are non-interest bearing and are generally on 30 to 120 day (2015: 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	
	2016	**2015**
	RM'000	**RM'000**
Neither past due nor impaired	162,467	225,203
1 to 30 days past due not impaired	21,481	39,927
31 to 60 days past due not impaired	10,813	38,413
61 to 90 days past due not impaired	10,950	8,071
91 to 120 days past due not impaired	4,243	7,546
More than 121 days past due not impaired	27,460	31,600
	74,947	125,557
Impaired	9,806	5,183
	247,220	355,943

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 RM74,947,000 (2015: RM125,557,000) which are past due but not impaired. These receivables are unsecured. None of the past due account holders have history of default records.

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	
	2016 RM'000	2015 RM'000
Trade receivables	9,806	5,183
Less: Allowance for impairment	(3,084)	(3,174)
	6,722	2,009
Movement in allowance accounts:		
At 1 January	3,174	4,083
Charges for the year (Note 8)	1,746	1,200
Reversal of impairment loss (Note 6)	(1,836)	(2,109)
At 31 December	3,084	3,174

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 4.10% to 5.31% (2015: 5.00% to 5.25%) 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 RM62,131,204 (2015: RM58,914,575) included in amount due from subsidiaries under loans is unsecured and earns interest at 4.75% to 5.56% (2015: 4.55% to 4.85%) 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 30(c).

(iv) Amount due from joint ventures and associate

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

(v) Amount due from an associate under shareholders' loans

The amount is unsecured and earns interest at 4.75% to 5.56% (2015: 4.55% to 4.85%) per annum.

25. OTHER CURRENT ASSETS

	Group 2016 RM'000	Group 2015 RM'000
Prepaid operating expenses	3,282	6,219
Amount due from customers for contracts work (Note 26)	28,986	30,883
Progress billings in respect of property development cost	5,174	-
	37,442	37,102

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

	Group 2016 RM'000	Group 2015 RM'000
Construction contract costs incurred to-date	531,384	394,513
Attributable profits less recognised losses	53,021	48,982
	584,405	443,495
Less: Progress billings	(605,683)	(436,709)
	(21,278)	6,786
Presented as:		
Amount due from customers for contracts work (Note 25)	28,986	30,883
Amount due to customers for contracts work (Note 32)	(50,264)	(24,097)
	(21,278)	6,786
Retention sums on construction contracts included in:		
Trade receivables (Note 24)	8,782	4,759
Other receivables (Note 24)	479	417
Trade payables (Note 31)	12,411	8,907

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

	Group 2016 RM'000	Group 2015 RM'000
Depreciation of property, plant and equipment (Note 13)	52	46
Operating leases:		
- minimum lease payments on land and buildings	141	62
- minimum lease payments on equipment	-	9

27. INVESTMENT SECURITIES

	Group			
	2016		2015	
	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)	5,062	5,062	64,053	64,053
Equity instruments (quoted in Malaysia)	4,600	4,600	34,063	34,063
Total current investment securities	9,662	9,662	98,116	98,116
Non-current				
Available-for-sale financial assets				
Equity instruments (unquoted in Malaysia), at cost	300	-	300	-
Total non-current investment securities	300	-	300	-

	Company			
	2016		2015	
	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)	5,062	5,062	64,053	64,053
Equity instruments (quoted in Malaysia)	4,600	4,600	34,063	34,063
Total current investment securities	9,662	9,662	98,116	98,116

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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash in hand and at banks	61,041	73,762	181	10,074
Short-term deposits with licensed banks	68,287	7,003	63,206	2,505
Wholesale fund	327,742	244,302	327,742	244,302
Total cash and bank balances	457,070	325,067	391,129	256,881

(a) In the previous financial year, included in cash at banks was RM9,441,334 money 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 2016 for the Group and the Company were 4.17% (2015: 2.96%) and 4.31% (2015: 3.64%), respectively.

As at 31 December 2016, included in short-term deposits with licensed banks of the Group and the Company is an amount of RM10,000,000 (2015: Nil) being deposits placed with an associate.

Short-term deposits of the Group and the Company amounting to RM1,996,636 (2015: RM2,064,391) and RM210,000 (2015: RM210,000), respectively, have been pledged as security for banking facilities.

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash and short-term deposits	457,070	325,067	391,129	256,881
Less: Deposits pledged to licensed banks	(1,997)	(2,064)	(210)	(210)
Cash and cash equivalents	455,073	323,003	390,919	256,671

30. LOANS AND BORROWINGS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current				
Secured:				
Revolving credits	20,600	21,000	-	-
Unsecured:				
Shareholders' loan	551	551	-	-
Revolving credits	50,000	11,000	35,000	-
Bankers' acceptances	50,300	33,500	-	-
Term loans	21,429	2,305	-	-
	122,280	47,356	35,000	-
	142,880	68,356	35,000	-
Non-current				
Unsecured:				
Shareholders' loan	276	827	-	-
Term loans	104,800	94,495	-	-
	105,076	95,322	-	-
Total loans and borrowings	247,956	163,678	35,000	-

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
On demand or within 1 year	142,880	68,356	35,000	-
More than 1 year and less than 5 years	85,989	56,142	-	-
5 years or more	19,087	39,180	-	-
	247,956	163,678	35,000	-

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

30. LOANS AND BORROWINGS (CONT'D.)

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

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Bankers' acceptances	3.50 to 3.95	3.68 to 4.95	-	-
Revolving credits	4.53 to 5.80	4.80 to 5.35	4.53 to 4.58	-
Term loans	4.58 to 4.84	3.68 to 4.90	-	-

(c) The shareholders' loan is charged interest at 5% (2015: 5%) per annum and is repayable from June 2014 to June 2018.

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current				
Trade payables				
Third parties	268,822	304,655	-	-
Deposits payable	1,626	949	-	-
Retention sums on construction contracts (Note 26)	12,411	8,907	-	-
Amount due to joint ventures	6,345	4,000	-	-
	289,204	318,511	-	-
Other payables				
Sundry payables	52,703	70,722	1,220	4,141
Accrued operating expenses	30,230	49,232	877	900
Amount due to subsidiaries under				
- Central cash management accounts	-	-	993,014	815,933
- Current accounts	-	-	1,563	-
Amount due to joint ventures	3,890	3,043	-	-
Deposits payable	5,812	2,896	-	-
Interest payable	327	205	75	-
Land premium payable	7,848	25,129	-	-
Retention monies	5,043	4,994	-	-
	105,853	156,221	996,749	820,974
	395,057	474,732	996,749	820,974

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-current				
Trade payables				
Deposit payable	23	746	-	-
Other payables				
Land premium payable	84,340	169,367	-	-
	84,363	170,113	-	-
Total trade and other payables (current and non-current)	479,420	644,845	996,749	820,974
Add: Loans and borrowings (Note 30)	247,956	163,678	35,000	-
Total financial liabilities carried at amortised cost	727,376	808,523	1,031,749	820,974

(a) Trade payables

Trade payables, inclusive of amount due to joint ventures, are non-interest bearing and the normal trade credit terms granted to the Group range from one month to four months (2015: one month to four months).

(b) Land premium payable

Included in the Group's land premium payable (current and non-current) is an amount of RM84,076,531 (2015: RM178,537,742) relating to the acquisition of land held for property development by a subsidiary and is payable by 2024.

Included there is another amount of RM8,110,980 (2015: RM15,958,563) relating to other parcels of leasehold land acquired by subsidiaries which are payable by 2018.

These amounts are unsecured and bear interest at rates ranging between 5.22% to 6.38% (2015: 5.22% to 6.38%) per annum.

These payables are due as follows:

	Group	
	2016	2015
	RM'000	RM'000
Repayable within one year	7,848	25,129
More than one year and less than five years	18,394	84,709
More than five years	65,946	84,658
	92,188	194,496

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

(c) Amount due to subsidiaries

Amount due to subsidiaries under central cash management accounts is unsecured, repayable on demand and bears interest at rates ranging from 2.88% to 5.31% (2015: 3.16% to 3.47%) per annum.

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

32. OTHER CURRENT LIABILITIES

	Group	
	2016	2015
	RM'000	RM'000
Progress billings in respect of property development costs	76,519	22,197
Amount due to customers for contracts work (Note 26)	50,264	24,097
	126,783	46,294

33. SHARE CAPITAL AND TREASURY SHARES

	← Number of ordinary shares →		Amount
	Share capital (Issued and fully paid)	Par value	Share capital (Issued and fully paid)
Group/Company	'000	RM	RM'000
At 1 January 2015	1,039,504	0.50	519,752
Exercise of employees' share options (Note 36(a))	34,872	0.50	17,436
At 31 December 2015 and 31 December 2016	1,074,376	0.50	537,188

	← Number of ordinary shares →		Amount
	Authorised	Par value	
Group/Company	'000	RM	RM'000
At 31 December 2015 and 31 December 2016	2,000,000	0.50	1,000,000

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

	Number of Non-Convertible Redeemable Preference Shares		Amount
	Authorised	Par value	
		RM	RM
Group/Company			
At 31 December 2015 and 31 December 2016	800	0.50	400

(a) Share capital

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

The Group's employees' share option scheme expired on 22 June 2015.

(b) Non-convertible redeemable preferences shares

Non-convertible redeemable preferences shares do not have the right to participate in dividends declared to ordinary shareholders nor the rights to vote.

34. SHARE PREMIUM

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	330,716	289,304	330,713	289,301
Arising from ordinary shares issued under ESOS	-	41,412	-	41,412
At 31 December	330,716	330,716	330,713	330,713

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

35. OTHER RESERVES

Group	Capital reserve RM'000	Translation reserve RM'000	Merger deficit RM'000	Statutory and 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:									
Foreign currency translation	-	30	-	-	-	-	-	-	30
Share of other comprehensive income 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)
Expiry of employees' share options	-	-	-	-	-	-	-	(151)	(151)
	-	-	-	-	-	-	-	(10,916)	(10,916)
Share of an associate's reserves	-	(42)	-	6,999	-	-	-	-	6,957
At 31 December 2015	9,609	24,305	(12,000)	28,372	(4,437)	(41,196)	(23,413)	-	(18,760)

35. OTHER RESERVES (CONT'D.)

Group (cont'd.)	Capital reserve RM'000	Translation reserve RM'000	Merger deficit RM'000	Statutory and 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	Total RM'000
At 1 January 2016	9,609	24,305	(12,000)	28,372	(4,437)	(41,196)	(23,413)	(18,760)
Other comprehensive income:								
Foreign currency translation	-	1	-	-	-	-	-	1
Share of other comprehensive income of associates	-	2,081	-	-	2,062	53,965	-	58,108
Share of other comprehensive income of a joint venture	-	-	-	-	280	-	-	280
	-	2,082	-	-	2,342	53,965	-	58,389
Share of an associate's reserves	-	-	-	461	-	-	-	461
At 31 December 2016	9,609	26,387	(12,000)	28,833	(2,095)	12,769	(23,413)	40,090

Company	Merger reserve RM'000	Employees' share option reserve RM'000	Total RM'000
At 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 and 31 December 2016	168,000	-	168,000

35. OTHER RESERVES (CONT'D.)

(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 a foreign subsidiary and an associate 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 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.

(g) Employees' share option reserve

Employees' share option reserve represents the equity-settled share options granted to employees (Note 36). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

36. EMPLOYEE BENEFITS

Employees' share option scheme

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

The salient features of the ESOS are as follows:

(a) the total number of new shares which may be made available under the scheme shall not exceed ten percent (10%) of the total issued and paid-up share capital of the Company at any point of time during the existence of the ESOS;

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

(c) the aggregate number of new shares to be offered to selected employees in accordance with the ESOS shall be determined at the discretion of the ESOS Committee. No option shall be granted for less than 100 shares;

36. EMPLOYEE BENEFITS (CONT'D.)

(d) the option price may be at a discount of not more than ten percent (10%) from the five (5) days weighted average market price of the underlying shares preceding the date of offer or at par value of the ordinary shares of the Company, whichever is higher;

(e) the ESOS shall be in force for a period of five (5) years and extendable to ten (10) years from the date of the first offer;

(f) the ESOS Committee may, at its discretion, at any time before and after an option is granted, limit the maximum number or percentage of exercisable options within the option period; and

(g) the exercise of the options is subjected to vesting conditions being met by respective grantees. These vesting conditions may be affected by, inter alia, performance targets being achieved before the options can be exercised. The vesting conditions, if any, shall be determined by the ESOS Committee whose decision shall be final and binding.

Details of share options under ESOS are as follows:

(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:

	2016		2015	
	No. of options '000	WAEP RM	No. of options '000	WAEP RM
Outstanding at 1 January	-	-	35,777	1.25
Exercised	-	-	(34,872)	1.25
Cancelled	-	-	(452)	0.92
Lapsed	-	-	(453)	1.36
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	-	-	-	-

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			
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.

36. EMPLOYEE BENEFITS (CONT'D.)

(a) Movement of share options during the financial year (cont'd.)

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%.

The weighted average fair value of options granted for the first, second and third offers were RM0.93, RM0.55 and RM2.43, respectively.

(b) Share options exercised during the financial year

	2016	2015
Weighted average share price at the date of exercise of the options exercised (RM)		
- First offer	-	4.96
- Second offer	-	4.98
- Third offer	-	5.08
Proceeds received on exercise of options over ordinary shares (RM'000)	-	43,586

(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.

37. COMMITMENTS

(a) Capital commitments

Capital expenditures as at the reporting date were as follows:

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for:				
- Property, plant and equipment	22,577	33,598	-	-
- Intangible assets	-	700	-	-
- Investment properties	-	35,565	-	-
- Investment in joint ventures	2,103	5,704	-	-
	24,680	75,567	-	-
Approved but not contracted for:				
- Property, plant and equipment	268,346	202,923	40	2,576
- Intangible assets	1,225	1,374	-	340
- Investment properties	-	13,247	-	-
- Investment in associates	352,000	340,171	-	-
- Investment in joint ventures	6,667	6,667	-	-
	628,238	564,382	40	2,916
	652,918	639,949	40	2,916

(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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	7,699	6,573	787	1,104
Later than 1 year and not later than 5 years	20,073	18,283	695	297
Later than 5 years	31,407	33,430	-	-
	59,179	58,286	1,482	1,401

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

37. COMMITMENTS (CONT'D.)

(c) Operating lease commitments - as lessor

The Group has entered into an operating lease agreement on its investment property. This lease has a remaining lease term of more than 5 years.

The future minimum lease payments receivable under the operating lease contracted for at the reporting date were as follows:

	Group	
	2016	2015
	RM'000	RM'000
Not later than 1 year	2,710	1,720
Later than 1 year and not later than 5 years	5,542	4,659
Later than 5 years	3,240	4,320
	11,492	10,699

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

38. CONTINGENCIES

(a)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Share of contingent liabilities of an associate	1,093	2,189	179	359

(b) (i) 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 Materials (Sarawak) Sdn. Bhd. ("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 ("Lenders") 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 ("PSA") 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. On 31 October 2016, OM Sarawak formalised a restructuring and rescheduling exercise ("R&R Exercise") with the Lenders whereby OM Sarawak was granted, inter alia, a 3-year moratorium on the principal repayments by the Lenders. Accordingly, the FA and PSA were amended to reflect the consequential changes arising from the R&R Exercise but the essential terms and the principle of the Company's obligations remain the same as those in the original FA and PSA (as stated above). In essence, under the amended and restated FA and PSA, the Company is still providing a proportionate corporate guarantee guaranteeing all of OM Sarawak's payment obligations under the amended and restated FA until 18 months after completion of the Project or the end of the moratorium period, whichever is the later.

38. CONTINGENCIES (CONT'D.)

(b) (ii) The Company has, on the basis of its forty per cent (40%) ownership interest in Malaysian Phosphate Additives (Sarawak) Sdn. Bhd. ("MPA Sarawak"), extended an unsecured corporate guarantee to Syarikat Sesco Berhad ("SSB") to guarantee the payment by MPA Sarawak of its obligations under the Power Purchase Agreement entered into between the said parties on 3 February 2016.

The Company has also, on the basis of its twenty five per cent (25%) ownership interest in OM Sarawak, extended an unsecured corporate guarantee to SSB to guarantee the payment by OM Sarawak of its obligations under the Second Amended and Restated Power Purchase Agreement entered into between the said parties on 13 June 2016.

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.

39. 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Subsidiaries				
Interest income	-	-	(11,604)	(8,731)
Administrative fee income	-	-	-	(10,122)
Management fee income	-	-	(1)	(237)
Rental income	-	-	-	(600)
Interest expenses	-	-	30,070	26,681
Administrative fee expense	-	-	3,203	-
Associates				
Sale of goods	(234)	(68)	-	-
Dividend income from funds managed by an associate	(8,602)	(18,732)	(8,602)	(18,732)
Interest income	(3,217)	(1,835)	-	(324)
Rental income	(5,492)	(5,380)	-	-
Sale of land	(25,000)	-	-	-
Management fee income	(1,242)	-	-	-
Purchase of goods	-	68,736	-	-
Payment of services	113	924	113	924
Joint ventures				
Rental income	(887)	(293)	-	-
Supervision fee income	(127)	-	-	-
Contract costs	27,434	45,111	-	-

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

(a) Sale and purchase of goods and services (cont'd.)

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other related parties				
Sale of goods to:				
- Titanium Construction Sdn. Bhd.[i]	(94)	(465)	-	-
- Vanadium Land Sdn. Bhd.[ii]	-	(791)	-	-
- Laku Management Sdn. Bhd.[iii]	(6,795)	(5,304)	-	-
- a director	-	(799)	-	-
Contract revenue from Laku Management Sdn. Bhd.[iii]	-	(7,792)	-	-
Payment of services to:				
- Impetus Alliance Advisors Sdn. Bhd.[iv]	-	298	-	-
- Satria Realty Sdn. Bhd.[v]	2,134	1,978	575	1,686

(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 in previous year, 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 Kuok Ngie 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) 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.

(v) 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 Dato 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.

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

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Receivable from related parties:				
- Titanium Construction Sdn. Bhd.	-	5	-	-
- Vanadium Land Sdn. Bhd.	-	91	-	-
- Laku Management Sdn. Bhd.	518	1,552	-	-
Payable to related party:				
- Satria Realty Sdn. Bhd.	-	3	-	-

Information regarding outstanding balance arising from related party transactions as at 31 December 2016 are disclosed in Note 24 and Note 31.

(c) Compensation of key management personnel

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

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Key management personnel				
Directors (Note 10)				
- Fees	853	851	733	739
- Remuneration	4,700	7,340	4,308	7,240
- Defined contribution plans	504	814	470	814
Total short-term employee benefits	6,057	9,005	5,511	8,793
Share-based payments	-	37	-	37
Benefits-in-kind	400	7,151	363	7,120
	6,457	16,193	5,874	15,950
Other key management personnel				
- Short-term employee benefits	4,482	5,705	1,194	1,692
- Defined contribution plans	539	685	143	203
- Share-based payments	-	471	-	16
Total short-term employee benefits	5,021	6,861	1,337	1,911
Benefits-in-kind	192	9,280	47	2,192
	5,213	16,141	1,384	4,103
Total key management personnel	11,670	32,334	7,258	20,053

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.

40. FAIR VALUE MEASUREMENTS

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

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

40. 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 2016				
Financial assets				
Income debt securities fund	-	5,062	-	5,062
Equity instruments	4,600	-	-	4,600
	4,600	5,062	-	9,662
31 December 2015				
Financial assets				
Income debt securities fund	-	64,053	-	64,053
Equity instruments	34,063	-	-	34,063
	34,063	64,053	-	98,116
Company				
31 December 2016				
Financial assets				
Income debt securities fund	-	5,062	-	5,062
Equity instruments	4,600	-	-	4,600
	4,600	5,062	-	9,662
31 December 2015				
Financial assets				
Income debt securities fund	-	64,053	-	64,053
Equity instruments	34,063	-	-	34,063
	34,063	64,053	-	98,116

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 (2015: Nil).

40. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair values of financial instruments not carried at fair value

The following tables provide an analysis of financial instruments not carried at fair values at the reporting date analysed by the various levels within the fair value hierarchy:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2016				
Financial assets				
Investment in associates	149,440	-	-	149,440
Investment properties	-	-	7,100	7,100
	149,440	-	7,100	156,540
Financial liabilities				
Interest-bearing loans and borrowing				
- Term loan	-	-	143,233	143,233
- Shareholders' loan	-	-	868	868
	-	-	144,101	144,101
31 December 2015				
Financial assets				
Investment in associates	183,804	-	-	183,804
Investment properties	-	-	6,800	6,800
	183,804	-	6,800	190,604
Financial liabilities				
Interest-bearing loans and borrowing				
- Term loan	-	-	96,800	96,800
- Shareholders' loan	-	-	1,481	1,481
	-	-	98,281	98,281

40. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair values of financial instruments not carried at fair value (cont'd.)

The following tables provide an analysis of financial instruments not carried at fair values at the reporting date analysed by the various levels within the fair value hierarchy (cont'd.):

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2016				
Financial assets				
Investment in associates	81,965	-	-	81,965
31 December 2015				
Financial assets				
Investment in associates	100,993	-	-	100,993
Investment properties	-	-	26,545	26,545
	100,993	-	26,545	127,538

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

(i) Loans, advances and financing

The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity. The fair values of impaired loans/financing are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

(ii) Financial guarantees

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

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

40. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair values of financial instruments not carried at fair value (cont'd.)

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values:

	Note
Trade receivables	24
Other receivables	24
Loans and borrowings (excluding term loans and shareholders' loan)	30
Trade payables	31
Other payables	31

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date or that they are carried at their amortised carrying value.

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The Group's overall risk management strategy seeks to minimise potential adverse effects on the financial performance of the Group. The key financial risks include credit risk, liquidity risk 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 loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries and an associate.

41. 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 RM41,580,481 (2015: RM44,188,412) in respect of RM52,408,090 (2015: RM51,759,527) 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 and a third party for banking and other facilities granted to associates. The Company monitors on an ongoing basis the results of the associates and repayments made by the associates.

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

The maximum exposure to credit risk relates to unsecured corporate guarantees given to banks for banking facilities granted to an associate as disclosed in Note 38.

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.

41. 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 2016					
Financial liabilities:					
Trade and other payables	479,420	402,532	77,967	38,397	518,896
Loans and borrowings	247,956	148,484	97,330	19,472	265,286
Financial guarantees*	-	512,223	-	-	512,223
	727,376	1,063,239	175,297	57,869	1,296,405

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

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

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

Group	Carrying amount RM'000	Cash Flows: On demand or within 1 year RM'000	Cash Flows: 1 to 5 years RM'000	Cash Flows: Over 5 years RM'000	Cash Flows: Total RM'000
At 31 December 2015					
Financial liabilities:					
Trade and other payables	644,845	485,966	143,701	73,937	703,604
Loans and borrowings	163,678	73,859	70,139	41,938	185,936
Financial guarantees*	-	417,265	-	-	417,265
	808,523	977,090	213,840	115,875	1,306,805

Company	Carrying amount RM'000	Cash Flows: On demand or within1 year RM'000	Cash Flows: 1 to 5 years RM'000	Cash Flows: Over 5 years RM'000	Cash Flows: Total RM'000
At 31 December 2016					
Financial liabilities:					
Trade and other payables	996,749	1,032,000	-	-	1,032,000
Loans and borrowings	35,000	35,066	-	-	35,066
Financial guarantees*	-	512,223	-	-	512,223
	1,031,749	1,579,289	-	-	1,579,289
At 31 December 2015					
Financial liabilities:					
Trade and other payables	820,974	1,171,016	-	-	1,171,016
Financial guarantees*	-	417,265	-	-	417,265
	820,974	1,588,281	-	-	1,588,281

* Based on the maximum amount that can be called under the financial guarantee contracts as disclosed in Note 38(b).

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

(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.

- **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 2016 and 31 December 2015, the Group and the Company have not entered into any forward foreign currency contracts.

- **Currency risk sensitivity analysis**

  A reasonable possible 10% (2015:10%) strengthening of the USD at the end of the reporting period would have increased the Group's profit for the year by RM6,428,178 (2015: RM4,936,986), 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.

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

(c) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

- **Exposure to interest rate risk**

As the Group and the Company have 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 (2015: 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	68,287	7,003	64,067	3,910
Financial liabilities	339,317	356,796	35,000	-
	407,604	363,799	99,067	3,910
Floating rate instruments				
Financial assets	70,964	64,561	297,548	305,510
Financial liabilities	827	1,378	993,014	815,933
	71,791	65,939	1,290,562	1,121,443

- **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.

(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, 52% (2015: 65%) of the Group's and the Company's investment securities consist of income debt securities fund, 48% (2015: 35%) in equity portfolio quoted on Bursa Malaysia Securities Berhad.

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

(c) Market risk (cont'd.)

(iii) Other price risk (cont'd.)

- **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 RM460,000 (2015: RM3,406,315) higher as a result of higher fair value gain on fair value through profit or loss investments in equity instruments. A 10% decrease in the underlying equity prices would have had the equal but opposite effect to the amounts shown above.

42. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain healthy capital ratios to support their businesses and maximise shareholder value. No changes were made in the objectives, policies and processes during the years ended 31 December 2016 and 2015.

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 2016 and 2015.

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Loans and borrowings (Note 30)	247,956	163,678	35,000	-
Equity attributable to the owners of the Company	2,212,836	2,017,501	1,073,656	-
Gearing ratio (times)	0.11	0.08	0.03	-

43. SEGMENT INFORMATION

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

During the financial year, the Group undertook an internal restructuring whereby the subsidiaries within the Samalaju Development Division were reclassified to the Property Development and Others Division. The Group is organised into business based on their activities, and has six 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 and related services - property holding, development, project management, lodges accommodation and hotel operations;
(v) Strategic investments - education and various investments through the associates and joint ventures; and
(vi) Others - head office, management services, investment holding and dormant companies.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities, income and expenses.

Transfer prices between business segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfer between business segments. These transfers are eliminated on consolidation.

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

43. SEGMENT INFORMATION (CONT'D.)

	Cement	Construction materials and trading	Construction and road maintenance	Property development and related services	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
31 December 2016									
Revenue:									
External customers	531,533	531,291	357,974	104,327	9,594	16,600	-		1,551,319
Inter-segment	31,538	49,767	9,910	335	-	28,401	(119,951)	A	-
Total revenue	563,071	581,058	367,884	104,662	9,594	45,001	(119,951)		1,551,319
Results:									
Interest income	345	3	1,179	9	-	3,217	-		4,753
Depreciation and amortisation	40,281	6,513	9,433	3,503	351	2,866	(61)		62,886
Share of results of associates	-	-	-	-	(35,169)	-	-		(35,169)
Share of results of joint ventures	-	-	8,386	-	14,889	-	-		23,275
Other non-cash expenses	998	527	4	(46)	(3,163)	1,972	-	B	292
Segment profit/(loss) before tax	105,003	106,751	85,404	23,508	(2,475)	19,177	(35,229)	C	302,139
Assets:									
Investments in associates	-	-	-	-	869,179	-	-		869,179
Investments in joint ventures	-	-	2,387	-	44,224	-	-		46,611
Additions to non-current assets	33,089	8,795	9,588	1,539	159	12,763	(269)	D	65,664
Segment assets	1,007,519	470,300	584,245	856,686	21,909	912,229	(401,551)	E	3,451,337
Segment liabilities	76,193	166,946	106,624	506,533	36,441	1,037,383	(1,013,522)	F	916,598

43. 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	2,809	1,506	1,239	322	(3,010)	342	647	-	B	3,855
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

43. SEGMENT INFORMATION (CONT'D.)

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

A Inter-segment revenues are eliminated on consolidation.

B Other material non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Note	2016 RM'000	2015 RM'000
Impairment loss on trade and other receivables	8	1,746	1,200
Impairment loss on investment in an associate	8	1,972	-
Inventories written down	8	84	97
Inventories written off	8	117	1,571
Net unrealised foreign exchange gain	6	(4,507)	(4,921)
Project development cost written (back)/off	8	(149)	1,310
Property, plant and equipment written off	8	1,037	101
Reversal of allowance for obsolete inventory	8	(8)	-
Share options granted under ESOS	9	-	4,497
		292	3,855

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:

	2016 RM'000	2015 RM'000
Share of results of associates	(35,169)	34,430
Share of results of joint ventures	23,275	11,477
Unallocated corporate expense	(23,335)	(21,813)
	(35,229)	24,094

D Additions to non-current assets consist of:

	2016 RM'000	2015 RM'000
Property, plant and equipment	55,795	186,591
Land held for property development	8,789	240,750
Intangible assets	1,080	2,266
	65,664	429,607

43. SEGMENT INFORMATION (CONT'D.)

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

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

	2016 RM'000	2015 RM'000
Investments in associates	869,179	671,280
Investments in joint ventures	46,611	34,090
Deferred tax assets	34,989	38,709
Inter-segment assets	(1,352,330)	(1,194,691)
	(401,551)	(450,612)

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:

	2016 RM'000	2015 RM'000
Deferred tax liabilities	39,292	41,805
Income tax payable	23,147	21,730
Loans and borrowings	247,956	163,678
Inter-segment liabilities	(1,323,917)	(1,141,058)
	(1,013,522)	(913,845)

44. DIVIDENDS

(a) Recognised during the financial year:

	Sen per share	Total amount RM'000
2016		
Final tax exempt 2015 ordinary (single-tier)	3.00	32,231
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

44. DIVIDENDS (CONT'D.)

(b) Proposed but not recognised as a liability:

The following dividend will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

	Sen per share	Total amount RM'000
First and final tax exempt 2016 ordinary (single-tier)	6.30	67,686

45. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue by the Board in accordance with a resolution of the directors on 14 March 2017.

46. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Company as at 31 December 2016 and 2015 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:				
- Realised	1,276,418	1,202,273	36,279	39,717
- Unrealised	8,051	(4,126)	1,476	(36)
Total share of retained profits from associates:				
- Realised	96,016	65,129	-	-
- Unrealised	(39,267)	(29,381)	-	-
Total share of retained profits from joint ventures:				
- Realised	8,015	(6,521)	-	-
- Unrealised	16,497	17,891	-	-
	1,365,730	1,245,265	37,755	39,681
Consolidation adjustments	(60,888)	(76,908)	-	-
Retained profits as per financial statements	1,304,842	1,168,357	37,755	39,681

ANALYSIS OF SHAREHOLDINGS

As at 6 March 2017

Issued and Paid-up Share Capital : RM537,187,860 comprising 1,074,375,720 ordinary shares
Voting Rights : One vote per ordinary share

DIRECTORS' SHAREHOLDINGS

	Name of Directors	Direct Shareholding	% of Issued Capital	Indirect Shareholding	% of Issued Capital
1.	Dato Sri Mahmud Abu Bekir Taib	80,564,155	7.50	-	-
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	44	0.90	1,752	0.00#
100 to 1,000 shares	733	15.02	568,987	0.05
1,001 to 10,000 shares	2,734	56.03	12,078,766	1.13
10,001 to 100,000 shares	1,105	22.64	33,308,567	3.10
100,001 to less than 5% of issued shares	258	5.29	423,962,575	39.46
5% and above of issued shares	6	0.12	604,455,073	56.26
Total	**4,880**	**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	3,520	72.13	243,890,962	22.70
Body Corporate				
Banks/Finance Companies	40	0.82	116,590,400	10.85
Investment Trusts/Foundation/Charities	-	-	-	-
Other type of companies	55	1.13	140,308,309	13.06
Government Agencies/Institutions	2	0.04	60,966,580	5.68
Nominees	1,263	25.88	512,619,469	47.71
Total	**4,880**	**100.00**	**1,074,375,720**	**100.00**

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.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	90,541,977	8.43
4.	Dato Sri Sulaiman Abdul Rahman Abdul Taib	88,395,255	8.23
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)*	50,369,000	4.69
7.	Lembaga Tabung Haji	48,271,500	4.49
8.	RHB Nominees (Tempatan) Sdn Bhd *Pledged securities account for Dato Sri Mahmud Abu Bekir Taib*	39,490,000	3.68
9.	DB (Malaysia) Nominee (Asing) Sdn Bhd *Exempt AN for Deutsche Bank AG Singapore (PWM Asing)*	35,457,300	3.30
10.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd *Pledged securities account for Dato Sri Mahmud Abu Bekir Taib (MAB0006M)*	27,827,700	2.59
11.	AMSEC Nominees (Tempatan) Sdn Bhd *MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)*	22,049,600	2.05
12.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (CIMB PRIN)*	16,538,400	1.54
13.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Citibank New York (Norges Bank 9)*	12,383,600	1.15
14.	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged securities account for Dato Sri Mahmud Abu Bekir Taib (2641017)*	12,100,255	1.13
15.	Valuecap Sdn Bhd	11,934,000	1.11
16.	AmanahRaya Trustees Berhad *Public Ittikal Sequel Fund*	11,359,500	1.06
17.	AmanahRaya Trustees Berhad *Public Islamic Select Enterprises Fund*	9,407,600	0.88
18.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (F Templeton)*	9,244,600	0.86
19.	Maybank Nominees (Tempatan) Sdn Bhd *Etiqa Takaful Berhad (Family PRF EQ)*	8,856,400	0.82
20.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Citibank New York (Norges Bank 14)*	8,084,500	0.75
21.	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)*	7,438,700	0.69

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS (CONT'D)

	Name of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
22.	Maybank Nominees (Tempatan) Sdn Bhd *National Trust Fund (IFM CIMBPRIN)*	6,732,400	0.63
23.	Cartaban Nominees (Tempatan) Sdn Bhd *PAMB for Prulink Equity Fund*	6,590,100	0.61
24.	AmanahRaya Trustees Berhad *Public Islamic Select Treasures Fund*	6,568,400	0.61
25.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad (LPF)*	6,536,200	0.61
26.	HSBC Nominees (Asing) Sdn Bhd *Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)*	6,271,300	0.58
27.	HSBC Nominees (Asing) Sdn Bhd *BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund*	5,520,200	0.51
28.	DB (Malaysia) Nominee (Asing) Sdn Bhd *SSBT Fund LL0A for Legato Capital Management Investments, LLC*	5,227,751	0.49
29.	Cartaban Nominees (Asing) Sdn Bhd *Exempt AN for State Street Bank & Trust Company (West CLT OD67)*	4,646,700	0.43
30.	Pertubuhan Keselamatan Sosial	4,574,100	0.43
	Total	**869,088,424**	**80.89**

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	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.	Employees Provident Fund Board	127,354,927	-	11.85
6.	Lejla Taib @ Datuk Patinggi Dr. Hajjah Lejla Taib (deceased)	111,000,000	-	10.33
7.	Dato Sri Sulaiman Abdul Rahman Taib	88,395,255	-	8.23
8.	Dato Sri Mahmud Abu Bekir Taib	80,564,155	-	7.50
9.	Sarawak Economic Development Corporation	60,896,080	-	5.67

[1] Deem interest pursuant to Section 59 (11) (c) of the Companies Act 2016
[2] Deem interest pursuant to Section 8 of the Companies Act 2016

LIST OF PROPERTIES

As at 31 December 2016

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	40 years (2056)	0.23/ N/A	-	358
Lot 449, Block 15, Salak Land District, Kuching.	2007	Mixed zone land	Land & school	Leasehold	51 years (2068)	7.49/ 5,322	10 years	25,698
Lot 678, Section 66, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	22 years (2038)	3.20/ N/A	-	8,929
Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate, Kuching.	1996	Land & cement mill	Office & factory	Leasehold	20 years (2036)	6.25/ 15,223	39 years	27,450
Lot 766, Block 20, Kemena Land District, Bintulu.	1997	Land & cement mill	Office & factory	Leasehold	46 years (2062)	6.88/ 68,797	20 years	15,285
Lot 1240, Block 20, Kemena Land District, Bintulu.	1997	Mixed zone land	Vacant land	Leasehold	46 years (2062)	7.37/ N/A	-	7,547
Lot 571, Block 4, Sentah Segu Land District, Kuching.	1992/2002	Land & clinker mill	Office & factory	Leasehold	26 years (2042)	18.27/ 58,595	19 years	120,908
Lot 528, Block 4, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	56 years (2072)	0.11/ N/A	-	0
Lot 872, Block 4, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	55 years (2071)	0.22/ N/A	-	104
Lot 70, Block 9, Sentah Segu Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	8 years (2024)	1.30/ N/A	-	204
Lot 73, Block 9, Sentah Segu Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	10 years (2026)	0.75/ N/A	-	126
Lot 145, Block 8, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	97 years (2113)	3.77/ N/A	-	1,149
Lot 151, Block 8, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	54 years (2070)	1.66/ N/A	-	496
Lot 71, 74 & 79, Block 9, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	97 years (2113)	6.46/ N/A	-	1,972
Lot 415, Block 32, Kemena Land District, Bintulu.	1996	Industrial land	Held for rental income	Leasehold	28 years (2044)	2.23/ 712	17 years	2,354

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	799 years (2815)	0.41/ 1,400	20 years	3,711
Lot 1241, Block 20, Kemena Land District, Bintulu.	1997	Industrial land	Vacant land	Leasehold	46 years (2062)	2.76/ N/A	-	1,680
Lot 9882, Section 64, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	82 years (2098)	3.19/ N/A	-	22,374
Lot 4717-4718, Block 18, Salak Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	41 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	38 years (2054)	2.73/ 650	23 years	65
Lot 444, Block 11, 8th Mile, Sibu Ulu Oya Road, Seduan Land District, Sibu.	1994	Mixed zone land	Premix operation	Leasehold	39 years (2055)	2.76/ 1,265	24 years	320
Lot 71, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	40 years (2056)	18.94/ N/A	-	1,989
Lot 294, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	40 years (2056)	2.75/ N/A	-	402
Lot 212, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Office & factory	Leasehold	40 years (2056)	5.04/ 1,700	19 years	3,593
Lot 353, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Premix operation	Leasehold	40 years (2056)	2.24/ 1,877	8 years	557
Lot 338, 340-345, Block 10, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	22 years (2038)	3.07/ N/A	-	308
Lot 302-304, 354-357, 362 & 363, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	808 years (2824)	4.27/ N/A	-	3,422
Lot 342-343, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	8 years (2024)	0.74/ N/A	-	96
Lot 134, Section 64, Kuching Town Land District, Kuching.	1998	Mixed zone land	Jetty and land	Leasehold	42 years (2058)	0.43/ N/A	-	762

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	808 years (2824)	0.44/ N/A	-	795
Lot 355, Block 17, Kuching Central Land District, Kuching.	2012	Mixed zone land	Quarry operation	Leasehold	808 years (2824)	0.16/ N/A	-	149
Lot 970, Block 1, Kuala Balam Land District, Miri	2016	Industrial Land	Premix operation	Leasehold	60 years (2076)	4.07/ N/A	-	2,232
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	44 years (2060)	0.01/ 334	18 years	326
Lot 2116, Sublot 2, Kuching Town Land District, Kuching.	2003	3-Storey shophouse	Office	Leasehold	44 years (2060)	0.01/ 328	18 years	410
Lot 493, Block 5, Muara Tebas Land District, Kuching.	1996	Mixed zone land	Vacant land	Freehold	In perpetuity	1.22/ N/A	-	255
Lot 494, Block 5, Muara Tebas Land District, Kuching.	1998	Mixed zone land	Vacant land	Leasehold	21 years (2037)	0.53/ N/A	-	61
Lot 488, Block 5, Muara Tebas Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	10 years (2026)	2.70/ N/A	-	182
Lot 220-222, Section 63, Kuching Land District, Kuching.	2007	4-storey shophouses	Office	Leasehold	780 years (2797)	0.04/ 1,560	8 years	3,039
Lot 1319, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	80 years (2096)	22.56/ N/A	-	23,396
Lot 3241-3247, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	80 years (2096)	23.67/ N/A	-	24,897
Lot 2839, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	93 years (2109)	1.67/ N/A	-	1,729
Lot 2850, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	93 years (2109)	3.49/ N/A	-	3,622
Lot 2852, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	93 years (2109)	2.59/ N/A	-	2,690

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 2855, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	93 years (2109)	13.03/ N/A	-	13,511
Lot 622, Section 66, Kuching Town Land District, Kuching.	1998	Mixed zone land	Land held for development	Leasehold	42 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	57 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	42 years (2058)	11.66/ N/A	-	14,669
Lot 9244, Block 11, Muara Tebas Land District, Kuching.	2011	Mixed zone land	Land held for development	Leasehold	55 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	82 years (2098)	1,109.16/ N/A	-	8,609
Lot 3284, 3765, 3986-3990, 3992-3994 & 3541, Block 9, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	82 years (2098)	27.86/ N/A	-	267
Lot 1, Block 13, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	82 years (2098)	349.70/ N/A	-	2,711
Lot 2082, Section 66, Kuching Town Land District, Kuching.	1996	Land & factory	Office & factory	Leasehold	29 years (2045)	0.85/ 3,936	33 years	2,273
Lot 117, Block 1, Kemena Land District, Bintulu.	2013	Industrial land	Vacant land	Leasehold	57 years (2073)	123.02/ N/A	-	28,039
Samalaju Industrial Park, Lot 108 & 109, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	98 years (2114)	32.95/ N/A	-	5,104
Samalaju Industrial Park, Lot 29 & 33, Block 54, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	98 years (2114)	860.60/ N/A	-	133,255
Samalaju Industrial Park, Lot 143, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	98 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	98 years (2114)	83.40/ N/A	-	15,376

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	97 years (2113)	9.35/ 14,460	2 years	49,147
Parcel 42, Block 71, Kuching Central Land District, Kuching.	-	**	Quarry operation	-	-	N/A/ 1,262	24 years	9
G.N. No.100 Sebuyau, Kota Samarahan Division, Kuching.	-	**	Jetty	-	-	N/A	-	2,353
Lot 360 & Lot 361, Block 17, Kuching Central Land District, Kuching.	-	**	Temporary sheet pile storage	-	-	N/A	-	86
Lot 246, Block 5, Sentah Segu Land District, Kuching.	-	**	Quarry operation	-	-	N/A/ 994	6 years	5,942
Jalan Bintulu-Miri (Coastal Road), Samalaju Industrial Park, Bintulu.	-	**	Quarters, office, lodge	-	-	N/A/ 47,655	6 years	1,702
Lot 2586, Block 19, Seduan Land District, Sibu.	-	**	Bulk terminal	-	-	N/A/ 6,049	6 years	8,106
Lot 3494 & Lot 3043, Block 5, Miri Concession Land District, Miri.	-	**	Bulk terminal	-	-	N/A/ 5,507	6 years	7,966

** Land owned by third party

GROUP DIRECTORY

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CEMENT DIVISION

CMS Cement Sdn Bhd (321916-K)
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CMS Clinker Sdn Bhd (49256-V)
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CMS Concrete Products Sdn Bhd (366884-X)
PPES Concrete Product Sdn Bhd (152276-P)
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SAMALAJU DEVELOPMENT DIVISION

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CONSTRUCTION MATERIALS & TRADING DIVISION

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CMS Quarries Sdn Bhd (121767-D)
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CMS Penkuari Sdn Bhd (27895-T)
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CMS Premix Sdn Bhd (117700-W)
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CMS Premix (Miri) Sdn Bhd (218541-T)
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CMS Wires Sdn Bhd (23092-U)
Lot 87, Lorong Tenaga II
Off Jalan Tenaga
Bintawa Industrial Estate
93450 Kuching
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CMS Infra Trading Sdn Bhd (196635-M)
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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 Land Sdn Bhd (410797-H)
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w www.cmsproperty.com.my

Samalaju Properties Sdn Bhd (752695-D)
2nd Floor, No. 97, Lot 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 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

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 jeraya@cmsroads.com
w www.cmsb.com.my/roads

CMS Pavement Tech Sdn Bhd (340934-W)
Level 3 & 4, Lot 220 – 222, 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

PPESW BPSB JV Sdn Bhd (366880-P)
(*formerly known as CMS Development Services Sdn Bhd*)
Level 2, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
e pbjv@cmsb.com.my

INFORMATION & COMMUNICATION TECHNOLOGY DIVISION

SACOFA Sdn Bhd (552905-P)
Lot 367, Jalan Satok
93400 Kuching
t +60 82 417 367
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)
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

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 Education Sdn Bhd (392555-A)
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
t +60 82 238 888
f +60 82 333 828

CMS Opus Private Equity Sdn Bhd (694013-H)
Level 33, Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur
t +60 3 2031 9008
f +60 3 2031 4008
e azam@opusasset.com
w www.cmsb.com.my/opus

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

Kenanga Investment Bank Berhad (15678-H)
Level 17, Kenanga Tower
237, Jalan Tun Razak
50400 Kuala Lumpur
t +60 3 2172 2888
f +60 3 2172 2999
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

ADMINISTRATIVE GUIDE

42ND ANNUAL GENERAL MEETING ("AGM") OF CAHYA MATA SARAWAK BERHAD

Date	:	Wednesday, 26 April 2017
Time	:	10:00 a.m.
Venue	:	Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak

PARKING

1 Parking is free and you are advised to park your vehicle at the Borneo Convention Centre Kuching ("BCCK") car park.

REGISTRATION

2 Registration will start at 9:00 a.m. at the foyer of Meeting Room 14 of the BCCK.

3 Please read the signage to ascertain where you should register yourself for the AGM and join the queue accordingly.

4 Please produce your original National Registration Identity Card ("MyKad") or passport to the registration clerk for verification. Please make sure you collect your MyKad or passport thereafter.

5 After the verification, you are required to write your name and sign on the Attendance List placed on the registration table.

6 You will also be given a barcoded wristband. No person will be allowed to enter the meeting room (Meeting Room 14) without the barcoded wristband. There will be no replacement in the event that you lose or misplace the barcoded wristband.

7 Once you have collected your barcoded wristband and signed the Attendance List, please proceed to collect your door gift.

8 No person will be allowed to register on behalf of another person even with the original MyKad or passport of that other person.

9 The registration counter will handle only verification of identity and registration. If you have any enquiry, please proceed to the **Help Desk**. The Help Desk will be located next to the registration counters at the foyer of Meeting Room 14 of the BCCK.

DOOR GIFT

10 Each member or proxy who is present at the AGM will be entitled to one (1) door gift upon registration, irrespective of the number of members he/she represents.

GENERAL MEETING RECORD OF DEPOSITORS

11 For the purpose of determining a member who shall be entitled to attend the 42nd AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 77A(2) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 19 April 2017. Only a depositor whose name appears on the Record of Depositors as at 19 April 2017 shall be entitled to attend the AGM or appoint proxies to attend and/or vote on his/her behalf.

PROXY

12 A member entitled to attend and vote is entitled to appoint a proxy, to attend and vote instead of him. If you are unable to attend the AGM and wish to appoint a proxy to vote on your behalf, please submit your Form of Proxy in accordance with the notes and instructions printed therein.

13 If you wish to attend the AGM yourself, please do not submit any Form of Proxy for the AGM that you wish to attend. You will not be allowed to attend the AGM together with a proxy appointed by you.

14 If you have submitted your Form of Proxy prior to the AGM and subsequently decided to attend the AGM yourself, please proceed to the Help Desk to revoke the appointment of your proxy.

15 If you wish to submit your Form of Proxy, please ensure that the original Form of Proxy is deposited at the Registered Office of Cahya Mata Sarawak Berhad not less than forty-eight (48) hours before the time set for holding the AGM, i.e. before 10:00 a.m. on 24 April 2017 or at any adjournment thereof. The submission of Form of Proxy via facsimile transmission or email is not acceptable.

SEATING ARRANGEMENT FOR THE AGM

16 Free seating. All shareholders/proxies/corporate representatives will be allowed to enter the Meeting Room 14 from 9:00 a.m. onwards.

17 All shareholders/proxies/corporate representatives are encouraged to be seated at least ten (10) minutes before the commencement of the AGM.

MOBILE DEVICES

18 Please ensure that all mobile devices, i.e. phones/ other sound emitting devices are switched off or put on silent mode during the AGM to ensure smooth and uninterrupted proceedings.

NO SMOKING POLICY

19 A no smoking policy is maintained inside the BCCK building.

SURAU/PRAYER ROOM

20 The Surau is located at Ground Floor of the BCCK, behind the escalator.

VOTING PROCEDURE

21 The voting at the AGM will be conducted on a poll. Symphony Share Registrars Sdn Bhd is appointed as Poll Administrator to conduct the polling process. Tengis Corporate Services Sdn Bhd is appointed as Independent Scrutineers to verify the results of the poll.

PERSONAL BELONGINGS

22 Please take care of your personal belongings. The organiser will not be held responsible for any item that has gone missing.

ENQUIRY

23 If you have any enquiry prior to the AGM, please contact the following persons during office hours:

(a) **Cahya Mata Sarawak Berhad** (21076-T)
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching, Sarawak

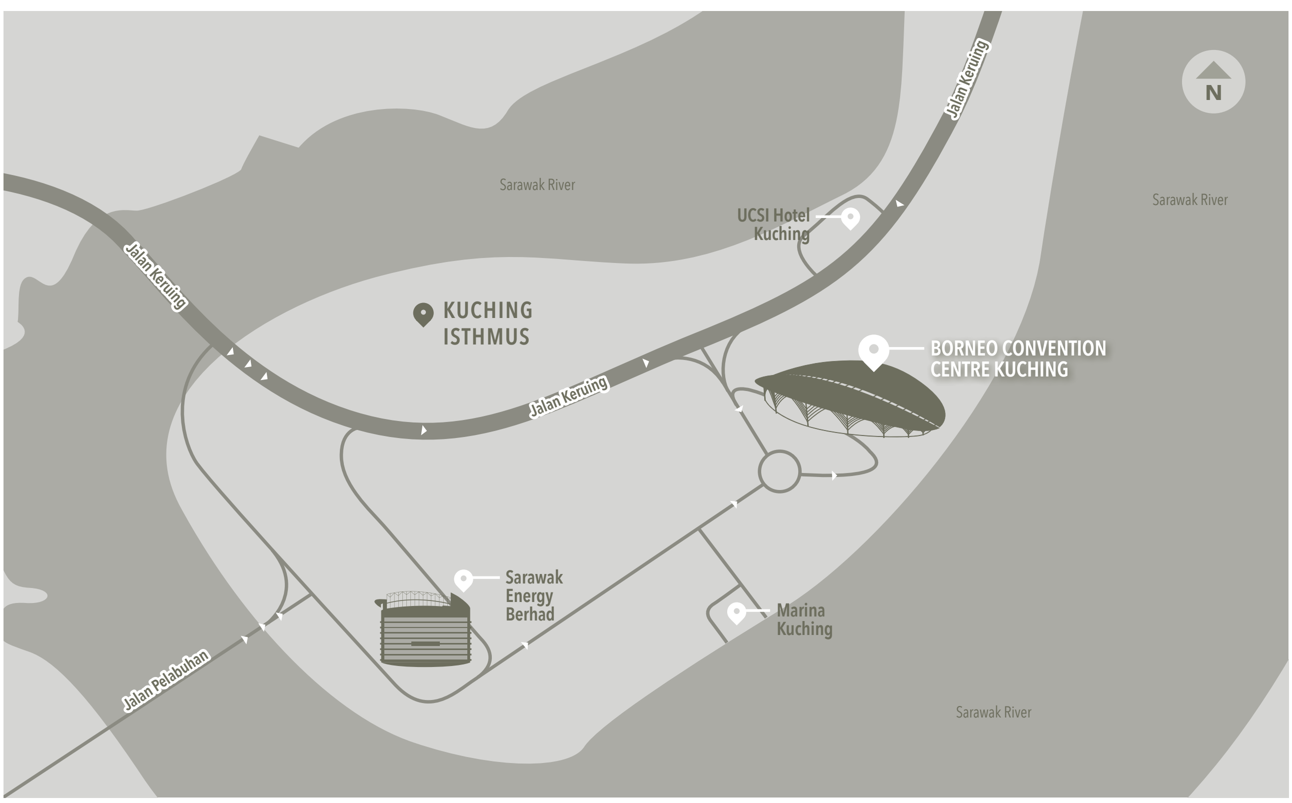
Telephone Number:	+60 82 238 888
1. Ms Shirly Ann Clarke	+60 82 257 078
2. Ms Denise Koo	+60 82 235 953
Facsimile Number:	+60 82 341 719

(b) **Symphony Share Registrars Sdn Bhd** (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Telephone Number:	+60 3 7849 0777
1. Puan Rozleen Monzali	+60 3 7841 8279
2. Encik Zulkernaen Abdul Samad	+60 3 7841 8052
Facsimile Number:	+60 3 7841 8151/8152

LUNCH

24 Lunch will be served after the conclusion of the AGM at Concourse 1 of the BCCK.



Borneo Convention Centre Kuching 1.5625, 110.405556

NOTICE OF 42ND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 42nd 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, 26 April 2017 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 2016 and the Reports of the Directors and Auditors thereon.

2. To declare a first and final tax exempt (single-tier) dividend of 6.3 sen per ordinary share in respect of the financial year ended 31 December 2016. **Ordinary Resolution 1**

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

   a) Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail **Ordinary Resolution 2**
   b) Y Bhg Dato Sri Mahmud Abu Bekir Taib **Ordinary Resolution 3**

4. To approve the 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 2016. **Ordinary Resolution 4**

5. To approve the payment of Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors up to an amount of RM2,647,260 from 1 January 2017 until the next AGM of the Company. **Ordinary Resolution 5**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Ordinary Resolutions:

7. **Proposed Retention of Independent Director**

   "THAT subject to the passing of Ordinary Resolution 2, 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 7**

8. **Authority to Allot and Issue Shares Pursuant to Section 76 of the Companies Act 2016**

   "THAT subject always to the Companies Act 2016, the Articles of Association of the Company and the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 76 of the Companies Act 2016, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Ordinary Resolution 8**

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 4 April 2017 ("Circular") which are necessary for the CMS Group's day-to-day operations subject to the following:

(a) the transactions are in the ordinary course of business and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of minority shareholders; and

(b) disclosure of the aggregate value of recurrent transactions conducted pursuant to the Proposed Shareholders' Mandate for RRPT will be disclosed in the Annual Report for the said financial year AND that such approval shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting 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 Annual General Meeting of the Company subsequent to the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate for RRPT.

AND THAT the estimated value given on the recurrent related party transactions specified in 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 9

10. **Proposed Renewal of Shareholders' Mandate in respect of the Authority for Purchase by the Company of its Own Shares ("Proposed Shareholders' Mandate for Share Buy-Back")**

"THAT subject to Section 127 of the Companies Act 2016, 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 Forty-First Annual General Meeting of the Company held on 27 April 2016, authorising the Directors of the Company to exercise the power of the Company to purchase such amount of ordinary shares 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

(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 of the Company;

    (ii) the expiration of the period within the next Annual General Meeting of the Company subsequent to the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or

    (iii) revoked or varied by a resolution passed by the shareholders in general meeting,

    whichever is earlier.

(d) Upon the completion of the purchase(s) of the Purchased Shares, the Directors of the Company be and are hereby authorised to deal with the Purchased Shares in the following manner:

    (i) to cancel the Purchased Shares so purchased; or

    (ii) to retain the Purchased Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities; or

    (iii) to retain part of the Purchased Shares so purchased as treasury shares and cancel the remainder; or

    (iv) to deal in such other manner as Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary to implement, finalise and give full effect to the Proposed Shareholders' Mandate for Share Buy-Back with full power to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with fullest power to do all such acts and things thereafter as the Directors may deem fit and expedient in the best interest of the Company." **Ordinary Resolution 10**

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a Member who shall be entitled to attend, speak and vote at the 42nd 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 19 April 2017. Only a Depositor whose name appears in the Register of Members/ROD as at 19 April 2017 shall be entitled to attend the said meeting or appoint proxy/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 42nd AGM of the Company to be held on 26 April 2017 for the payment of the first and final dividend under single-tier system in respect of the financial year ended 31 December 2016 ("Dividend") under Ordinary Resolution 1, the Dividend will be paid on 25 May 2017 to Depositors whose names appear in the ROD on 12 May 2017.

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 12 May 2017 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
4 April 2017

Notes:

1. **Audited Financial Statements for financial year ended 31 December 2016**

   Agenda 1 is for discussion at the meeting and no voting is required.

2. **First and final tax exempt (single-tier) dividend**

   Pursuant to Section 131 of the Companies Act 2016 ("Act"), a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. On 24 February 2017, the Board had considered the amount of dividend and recommended the same for the shareholders' approval.

   The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on 25 May 2017 in accordance with the requirements under Section 132(2) and (3) of the Act.

3. **Retirement of Director and Re-election of Directors who retire by rotation in accordance with Article 110**

   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. Y A Bhg General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Hj Zainuddin (Retired), a Non-Independent Non-Executive Director, has informed the Board of Directors of the Company at its meeting held on 24 February 2017 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 42nd AGM. Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail and YBhg Dato Sri Mahmud Abu Bekir Taib 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 58 of the Statement on Corporate Governance in the 2016 Annual Report.

4. **Directors' Remuneration**

Section 230(1) of the Act provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In this regard, the Board has proposed to seek shareholders' approval for Directors' remuneration in two (2) separate resolutions as follows:

- Ordinary Resolution 4 on payment of Directors' fees for the year ended 31 December 2016
- Ordinary Resolution 5 on payment of Directors' remuneration (excluding Directors' fees) in respect of the current year ending 31 December 2017 and until the next AGM

The Directors' remuneration (excluding Directors' fees) comprises the allowances and other emoluments payable to the Non-Executive Chairman, Deputy Chairman, members of the Board, Board Committees and subsidiaries of CMS. The current Non-Executive Director ("NED")s' remuneration policy is as set out below:

Cahya Mata Sarawak Berhad ("CMS")

Description	Chairman	Deputy Chairman	NEDs
Monthly Fixed Allowance	RM50,000	RM40,000	Nil
Other Benefits	Driver, motor vehicle, petrol	Driver, motor vehicle, petrol	Driver, motor vehicle, petrol, gratuity

Board Committee Fees	Chairman	NED/Member
Audit Committee	RM24,000	RM16,000
Nomination and Remuneration Committee	RM16,000	RM12,000
Group Risk Committee	RM16,000	RM12,000

Type of Meeting Allowance (per meeting)	Chairman	NED/Member
Board of CMS	RM2,000	RM2,000
General meeting of CMS	RM2,000	RM2,000
Board Committee	RM2,000	RM2,000
Board of Subsidiary	RM3,000	RM2,000

Directors' fees are paid in arrears on a monthly basis to directors of subsidiary companies of CMS.

The Executive Directors are not entitled to Directors' fees or meetings allowances for Board and Board Committee meetings that they attend and are members of. The Executive Directors who are appointed as nominated representatives on the Boards of subsidiary companies are also not entitled to Directors' fees and/or meetings allowances paid to the Boards of subsidiary companies. However, they are entitled to Directors' fees and/or meetings allowances paid to the Boards of listed associate companies of the Group in view of their duties, responsibilities and time commitment on them.

4. **Directors' Remuneration (cont'd)**

The current Directors' fee policy for subsidiary companies in the Group is set out in the table below:

Subsidiary Company Directors' fee (per annum)	Chairman	NED/Member
Subsidiary company which achieves an annual turnover of RM90 million and over	RM18,000	RM12,000

The estimated total amount of remuneration (excluding Directors' fees) for the NEDs is based on number of meetings of the Board, Board Committees, subsidiary Boards as well as the number of NEDs involved in these meetings and also includes gratuity to a NED, calculated based on one month director's fee for every year of completed service by the NED, who is retiring at the 42nd AGM. The estimated amount is derived based on the full year 2017 up to April 2018 where the next AGM is provisionally scheduled. Payment of the said remuneration (excluding Directors' fees and gratuity) is made by CMS or its subsidiaries on a monthly basis and/or as and when incurred subject to Ordinary Resolution 5 being passed by shareholders at the 42nd AGM. The Board's view is that it is equitable for the NEDs to be paid Directors' remuneration (excluding Directors' fees and gratuity) after they have rendered their services to the Company and/or its subsidiaries and discharged their duties and responsibilities.

5. **Re-appointment of Auditors**

The Board at its meeting held on 14 March 2017 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.

6. **Abstention from Voting**

All the NEDs who are shareholders of the Company will abstain from voting on Ordinary Resolution 4 and Ordinary Resolution 5 concerning Directors' fees and Directors' remuneration (excluding Directors' fees) at the 42nd AGM. Any Director referred to in Ordinary Resolutions 2, 3 and 7 who is a shareholder of the Company will abstain from voting on the resolution in respect of his re-election or retention as a Director at the 42nd AGM.

7. **Retention of Director as Independent NED**

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail was appointed as Independent NED of the Company on 10 May 2006, and has, therefore served for 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 42nd AGM of the Company in line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012.

8. **Renewal of Authority to Allot and Issue Shares Pursuant to Section 76 of the Companies Act 2016**

The proposed Ordinary Resolution 8, if passed, will give a renewed mandate to the Directors of the Company, pursuant to Section 76 of the Companies Act 2016 ("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 41st AGM held on 27 April 2016 and the said mandate will lapse at the conclusion of the forthcoming 42nd 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.

9. **Proposed Shareholders' Mandate for RRPT**

The proposed Ordinary Resolution 9, if passed, will allow the CMS Group to enter into recurrent related party transactions of a revenue or trading nature pursuant to the provisions of the Main Market Listing Requirements. The authority under this resolution will expire at the conclusion of the next AGM or the expiry of the period within which the next AGM is required by law to be held, or the same is revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting, whichever occurs first. Further information on the Proposed Shareholders' Mandate for RRPT is set out in the Circular to Shareholders dated 4 April 2017 which is dispatched together with the Company's 2016 Annual Report.

10. **Proposed Shareholders' Mandate for Share Buy-Back**

The proposed Ordinary Resolution 10, if passed, will empower the Directors of the Company to purchase the Company's shares of an aggregate amount of up to 10% of the issued and paid-up share capital of the Company for the time being. The authority under this resolution will expire at the conclusion of the next AGM or the expiry of the period within which the next AGM is required by law to be held, or the same is revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting, whichever occurs first. Further information on the Proposed Shareholders' Mandate for Share Buy-Back is set out in the Circular to Shareholders dated 4 April 2017 which is dispatched together with the Company's 2016 Annual Report.

11. **Proxy and Entitlement of Attendance**

i. 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.

ii. 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.

iii. 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.

iv. 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.

v. 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. The instrument appointing a proxy via facsimile transmission or email is not acceptable.

vi. Only members whose names appear in the Record of Depositors as at 19 April 2017 shall be entitled to attend and vote at the meeting.

12. **Poll Voting**

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

13. **Publication of AGM Notice on the Company's Website**

Pursuant to Section 320 of the Companies Act 2016, the Notice of the Company's 42nd AGM is also available on the Company's website www.cmsb.com.my throughout the period beginning from the date of notice until the conclusion of the 42nd AGM.

STATEMENT ACCOMPANYING NOTICE OF 42ND ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

A. The profiles of the Directors who are standing for re-election as per Agenda 3 of the Notice of 42nd Annual General Meeting ("AGM") are stated on pages 36 and 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 42nd AGM is stated on page 36 of this Annual Report.

C. The profiles of the Directors are stated on pages 36 to 43 of this Annual Report. Their shareholdings in the Company are set out on page 198.

D. Details on the authority to allot and issue shares in the Company pursuant to Section 76 of the Companies Act 2016 are set out in Note 8 of the Notice of 42nd AGM on page 215 of this Annual Report.

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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 42nd 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, 26 April 2017 at 10:00 a.m. and at any adjournment thereof and to vote as indicated below:

No.	Resolutions	For	Against
1.	Declaration of first and final tax exempt (single-tier) dividend		
2.	Re-election of Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail as Director		
3.	Re-election of YBhg Dato Sri Mahmud Abu Bekir Taib as Director		
4.	Approval of Payment of Directors' fees 2016		
5.	Approval of Payment of Directors' remuneration (excluding Directors' fees)		
6.	Re-appointment of Messrs Ernst & Young as Auditors		
7.	Proposed Retention of Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail as Independent Non-Executive Director		
8.	Authority to Directors to allot and issue shares		
9.	Proposed Shareholders' Mandate for RRPT		
10.	Proposed Shareholders' Mandate for Share Buy-Back		

Date: .... 2017 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. The instrument appointing a proxy via facsimile transmission or email is not acceptable.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the Resolutions set out in this Notice will be put to vote by poll.

Members entitled to Attend
For the purpose of determining a member who shall be entitled to attend the 42nd 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 19 April 2017. Only a depositor whose name appears in the Register of Members/ROD as at 19 April 2017 shall be entitled to attend the said meeting or appoint proxy/proxies to attend, speak and vote on his/her behalf.

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STAMP

The Company Secretary
Cahya Mata Sarawak Berhad (21076-T)
Level 6 Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
Sarawak
Malaysia

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