

# CONNECTING COMMUNITIES

DELIVERING VALUE



ANNUAL REPORT 2017



CAHYA MATA SARAWAK





## Connecting Communities Delivering Value

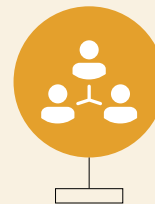
The cover of Cahya Mata Sarawak Berhad's 2017 Annual Report portrays a striking night shot of the Darul Hana Bridge, Kuching's iconic new landmark which connects the northern and southern parts of the city, and which CMS had a hand in constructing. Our cover also carries the theme 'Connecting Communities. Delivering Value' which not only reflects the role that the bridge is playing in integrating communities and delivering tangible value, it also serves as an expression of how CMS is doing its bit to connect communities and deliver real value.

As a leading proponent of the Sarawak's growth story, CMS continues to identify opportunities to help build and strengthen linkages between markets, businesses and communities, as well as create tangible value for our four key stakeholders. 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) initiative. By continuously reinvesting into our core competencies and expanding into related infrastructure facilitation activities, we continue to create a long-term, sustainable growth pathway for both CMS and Sarawak, as well as good value for our stakeholders. As we maximise our participation in the Sarawak's growth story, CMS undoubtedly remain 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** Producing Quality, On Spec & On Time
- R** Respect & Integrity
- I** Improving, Innovating & Investing in People
- D** Delivering Sustainable Growth
- E** Environmentally Conscious, Safe & Conducive Workplace

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## Corporate Milestones

### STRENGTHENING OUR GROUP FOR SUSTAINABLE GROWTH

#### 06-07 JUL

CMS Pavement Tech Sdn Bhd collaborated with Lebuhraya Borneo Utara Sdn Bhd and Wirtgen (M) Sdn Bhd to provide improved solutions on road construction processes using a laying machine (paver) through water jet and pressure bars.

#### 13 JUL



Sarawak Minister for Tourism, Arts, Culture, Youth and Sports, YB Datuk Abdul Karim Rahman Hamzah visited the new Sarawak Museum Campus project site. Project cost is RM308.00 million and is scheduled for completion in January 2020.

#### 21 JUL

Dato Isaac Lugun and Mr Goh Chii Bing were appointed as Group Chief Corporate Officer and Group Chief Operating Officer respectively effective 1 August 2017. These appointments were made following the impending retirement of Dato' Richard Curtis on 31 December 2017. On 1 January 2018, Dato Isaac's and Mr Goh's positions were re-designated as Group Chief Executive Officer - Corporate and Group Chief Executive Officer - Operations respectively.

#### 01 NOV



The Land Custody and Development Authority Headquarter building achieved practical completion on 31 July 2017. This GBI-certified 11-storey office tower was built under a Design and Build and Negotiated Contract by CMS Land Sdn Bhd at a cost of RM66.00 million and it is one of the two Gateway Towers at The Isthmus.

#### 11 NOV



The Darul Hana Bridge was officially opened by His Excellency The Governor of Sarawak, Tun Pehin Sri Haji Abdul Taib Mahmud. This RM35.00 million project was implemented by the Sarawak Economic Development Corporation for the State Government of Sarawak and the turnkey contract was awarded to the consortium of PPES Works (Sarawak) Sdn Bhd and Naim Land Sdn Bhd.

#### 15 NOV

CMS Education Sdn Bhd entered into a Management Agreement with HELP Education Services Sdn Bhd. This partnership is aimed at delivering excellent academic performance and good quality education by capitalising on the school's existing holistic learning approach. CMS Education Sdn Bhd oversees Tunku Putra School.

#### 04 DEC



The Design and Build and Negotiated Contract of the proposed 43km Miri-Marudi road rehabilitation project was signed. The construction period is 30 months and is scheduled for completion by 15 March 2019.

#### 29 DEC

CMS announced the retirement of Dato' Richard Curtis as Group Managing Director on 31 December 2017 and re-designations of Dato Isaac Lugun as Group Chief Executive Officer - Corporate and Mr Goh Chii Bing as Group Chief Executive Officer - Operations.

## Corporate Milestones

### OUR BUSINESS HIGHLIGHTS

#### 24 FEB

CMS recorded a revenue of RM1.55 billion, with a pre-tax profit of RM302.14 million for the year ended 31 December 2016.

#### 15 MAY

CMS recorded a revenue of RM282.30 million and a pre-tax profit of RM38.54 million for the first quarter ended 31 March 2017.

#### 25 AUG

CMS recorded a revenue of RM670.57 million for 1H 2017, a drop of 10% compared to the preceding year's corresponding period (1H 2016) of RM745.72 million. Its pre-tax profit increased by 106% from RM65.67 million to RM135.44 million reported in 1H 2016.

#### 11 SEP



CMS Property Development Sdn Bhd received the 'Merit Award for Landed Development (Residential)' for its Rivervale Residences at the Sarawak Housing and Real Estate Developer Association's (SHEDA) Excellence Awards 2017 in Kuching.

#### 15 SEP



COPE Private Equity Sdn Bhd (formerly known as CMS Opus Private Equity Sdn Bhd) received the 'Exit of the Year' award for its investee company, Delta Express (M) Sdn Bhd at the Malaysian Venture Capital & Private Equity Association's 11th Annual Dinner and Awards Night 2017.

#### 29 NOV

CMS recorded a revenue of RM1.02 billion and pre-tax profit of RM231.02 million for the first nine months of 2017.

## Corporate Milestones

### ENGAGING OUR STAKEHOLDERS

▼ 06-07 APR



A two-day workshop entitled 'Management & Maintenance of Road Assets using Performance-based Contract' organised by CMS Roads Sdn Bhd and JKR Sarawak was officiated by Sarawak Deputy Chief Minister and Minister for Infrastructure Development and Transportation, YB Tan Sri Datuk Amar Dr James Jemut Anak Masing.

▼ 26 APR



CMS held its 42<sup>nd</sup> Annual General Meeting for its shareholders for the financial year ended 31 December 2016.

▼ 19 MAY



Borneo 744, Malaysia's first Blue Ocean Entrepreneurs Township was officiated by the Secretary General of Treasury, Ministry of Finance Malaysia, Y Bhg Tan Sri Dr Mohd Irwan Serigar bin Abdullah. The land which houses Borneo 744 is owned by CMS Land Sdn Bhd which it leases rent-free for 15 years, as part of the Company's corporate social responsibility initiative.

▼ 04 JUL



CMS Roads Sdn Bhd's project team briefed the Sarawak Deputy Chief Minister, YB Tan Sri Datuk Amar Dr James Jemut Anak Masing on the progress of the on-going Miri-Marudi Road project. The Company provides quarterly updates to the media on this project.

▼ 27 AUG



Projek Bandar Samariang Sdn Bhd celebrated its 20<sup>th</sup> anniversary with a variety of activities held for the Bandar Samariang community. CMS also sponsored 341 subscriptions for six months to SMK Bandar Baru Samariang under The Star ePaper/NiE Sponsorship Programme for Schools.

## Corporate Milestones

▼ 27 AUG



CMS Tribal Run 3.0 attracted 3,100 runners with 100% of its entry fees of RM133,000 donated to 10 local charitable organisations.

▼ 09 OCT



CMS, a main sponsor, participated in the Asian Strategy & Leadership Institute's 4th Sarawak Business & Investment Summit 2017 themed 'Digitalising Sarawak, Amplifying Growth' in Kuching.

▼ 21-23 NOV



CMS was the Gold Sponsor for the 13th World Islamic Economic Forum (WIEF) which was held for the first time in Kuching. The three-day forum gathered more than 2,500 delegates from over 60 countries. Prime Minister and Patron of the WIEF Foundation, YAB Dato' Sri Najib Tun Abdul Razak, officiated the event.

▼ 22 NOV



Amongst the many programmes organised by the WIEF, a special programme was held in collaboration with Malaysian Phosphate Additives (Sarawak) Sdn Bhd, whereby a topic on synergistic and downstream opportunities of an integrated phosphate complex at Samalaju Industrial Park was presented.

▼ 22 NOV



Dato Isaac Lugun, Group Chief Executive Officer - Corporate presented a paper at the Supply Chain Conference @ East Malaysia organised by the Malaysian Investment Development Authority and Ministry of International Trade and Industry.

▼ 04-05 DEC

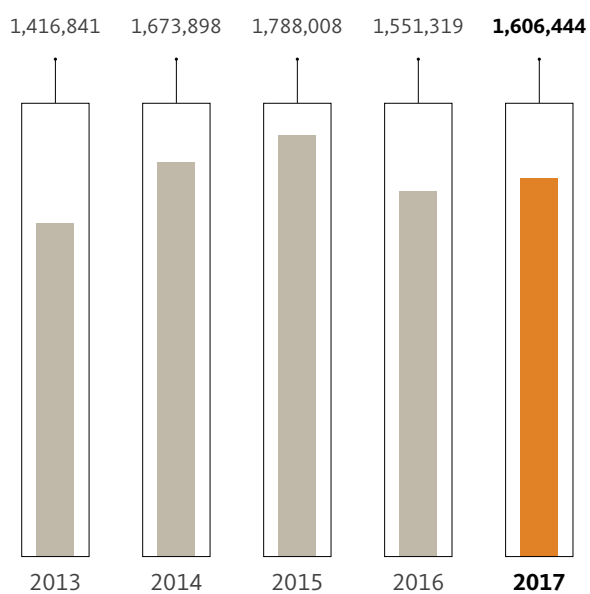


CMS annual Town Hall sessions were held in Kuching and Bintulu where employees were briefed on the performance of the CMS Group for the year 2017. They were also updated on the business operations and strategic plans going forward into 2018.

## Performance at a Glance

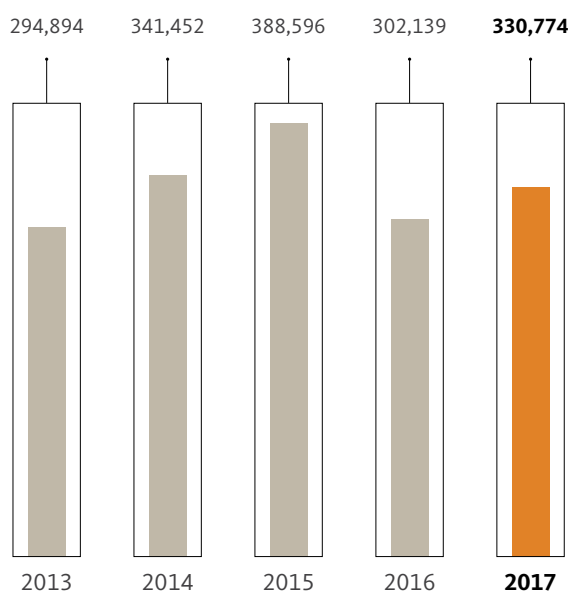
### REVENUE

(RM'000)



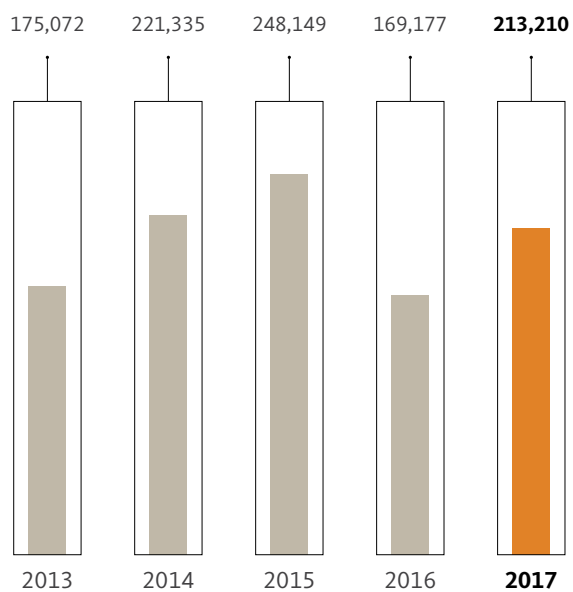
### PROFIT BEFORE TAXATION

(RM'000)



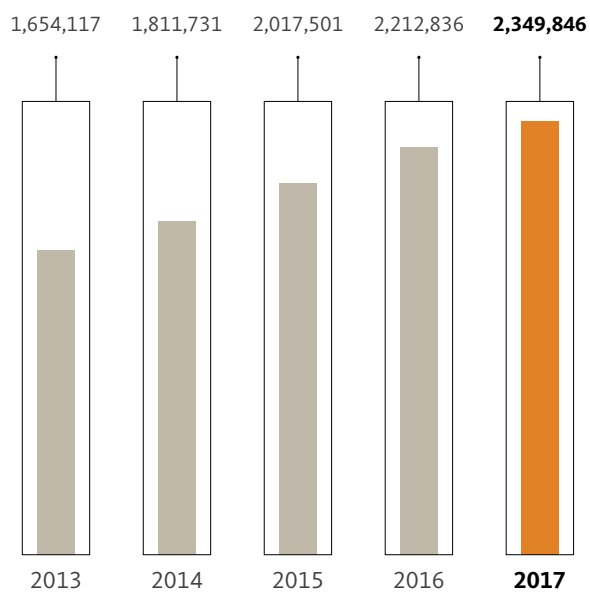
### PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(RM'000)



### TOTAL SHAREHOLDERS' FUNDS

(RM'000)



## Financial Highlights

	2013	2014	2015	2016	2017
Revenue (RM'000)	1,416,841	1,673,898	1,788,008	1,551,319	<b>1,606,444</b>
Profit before taxation (RM'000)	294,894	341,452	388,596	302,139	<b>330,774</b>
Profit attributable to owners of the Company (RM'000)	175,072	221,335	248,149	169,177	<b>213,210</b>
Weighted average number of shares ('000)	999,276 *	1,033,352	1,064,741	1,074,376	<b>1,074,376</b>
Basic earnings per share (sen)	17.52 *	21.42	23.31	15.75	<b>19.85</b>
Gross dividends per share (sen)	17	8.5	4.5	6.3	<b>8.0</b>
Total shareholders' funds (RM'000)	1,654,117	1,811,731	2,017,501	2,212,836	<b>2,349,846</b>
Total assets (RM'000)	2,423,892	2,800,131	3,231,079	3,451,337	<b>4,087,202</b>
Net tangible assets per share (RM)	4.70	1.68	1.82	2.00	<b>2.13</b>
Net assets per share (RM)	4.88	1.74	1.88	2.06	<b>2.19</b>
Return on average shareholders' equity (%)	11.17	12.77	12.96	8.00	<b>9.35</b>
Return on total assets (after tax) (%)	7.22	7.90	7.68	4.90	<b>5.22</b>
Total borrowings (RM'000)	100,102	104,796	163,678	247,956	<b>636,364</b>
Gearings (times)	0.06	0.06	0.08	0.11	<b>0.27</b>
Current assets (RM'000)	1,349,054	1,602,401	1,307,756	1,371,984	<b>2,033,084</b>
Current liabilities (RM'000)	451,313	639,462	611,112	687,867	<b>689,628</b>
Current ratio (times)	2.99	2.51	2.14	1.99	<b>2.95</b>

\* Adjusted for the share split and bonus issue

## 2017 Share Price Performance (RM)

	2013	2014	2015	2016	2017
		Before split and bonus issue	After split and bonus issue		
Low	2.99	6.55	3.30	3.80	3.17
High	6.99	11.46	4.72	6.00	5.23
Closing	6.89	10.50	3.96	5.13	4.00

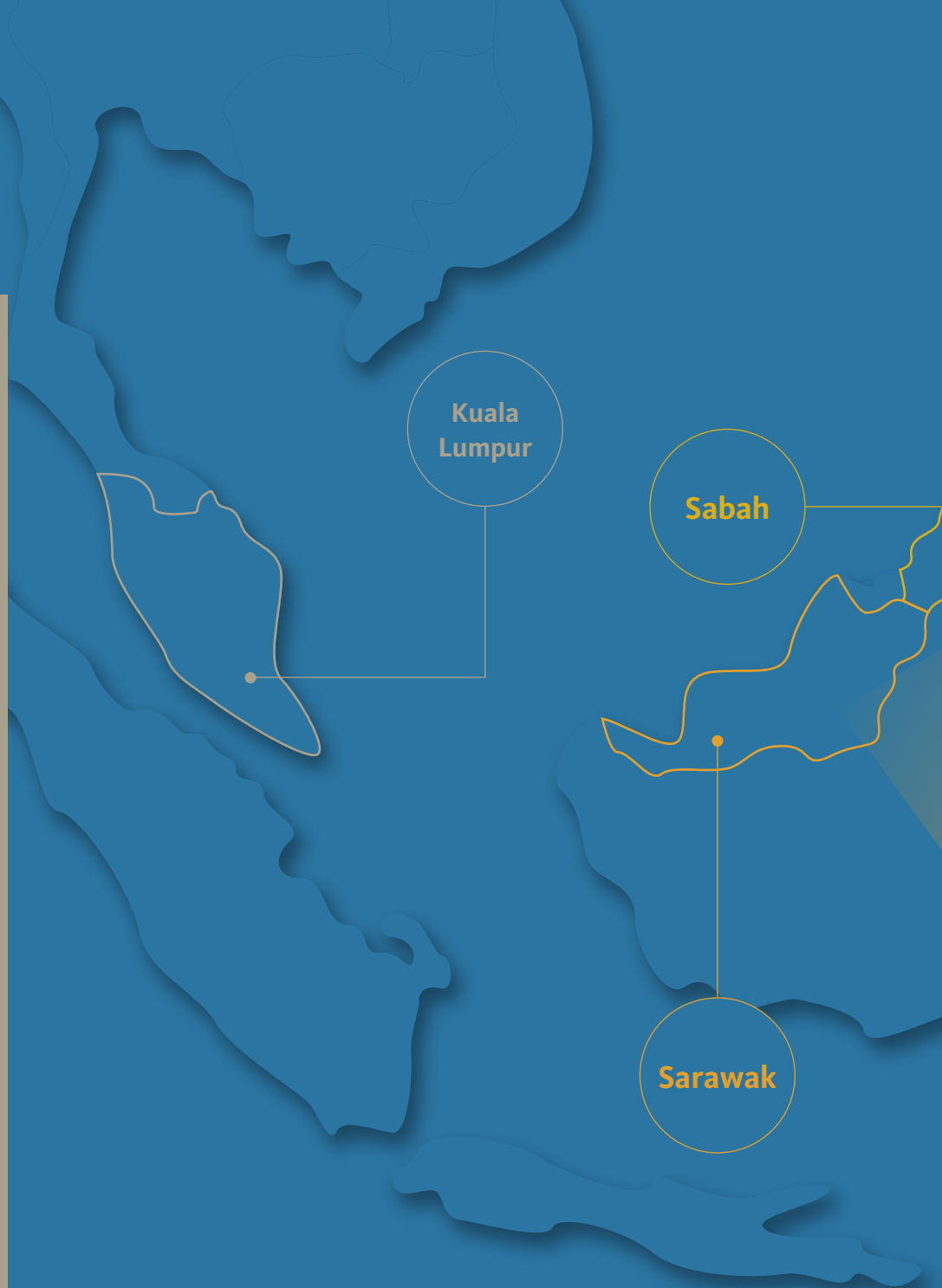
## Our Business

**Cahaya Mata Sarawak Berhad (CMS) is Sarawak's leading infrastructure facilitator and a prime mover in Sarawak's growth story.**

Originally established as a cement manufacturer some 43 years ago, CMS has steadfastly grown from strength to strength amidst the challenges of the marketplace and successfully diversified into the manufacturing and trading of Cement and Construction Materials; Construction; Road Maintenance; Township, Property and Infrastructure Development; Education; Financial Services; and Alloys Smelting. In 2015, CMS bolstered its role as an infrastructure facilitator by venturing into the telecommunications infrastructure arena.

CMS' solid progress over the years is very much a reflection of Sarawak's own dynamic progress. As the State moves into a new era of growth with the Sarawak Corridor of Renewable Energy (SCORE), CMS' expansion path too is moving into a new trajectory to take advantage of the business investment opportunities in energy-intensive industries and their infrastructure and related needs. Given the vast business potential within SCORE and throughout the State of Sarawak, CMS continues to leverage on its healthy balance sheet, local knowledge, an experienced management team, proven strategies and a synergised portfolio of Sarawak-based businesses, to maximise its participation in the Sarawak's growth story.

Today, CMS is listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia), the Malaysian stock exchange. As of 31 December 2017, CMS' market capitalisation stood at RM4.19 billion.



### CMS' Stable of Businesses:



**Cement & Clinker**



**Construction**



**Construction Materials Trading & Agencies**



**Education**



**Ferrosilicon & Manganese Alloys Smelting**



**Financial Services**



**Hotel & Workers' Accommodation**



**Industrialised Building System (IBS) Products & Solutions**

## Our Business



Precast Concrete Products



Premix



Project Management



Road Maintenance



Steel Fabrication & Engineering



Steel Pipe Manufacturing  
& Laying



Stone Aggregates



Telecommunications  
Infrastructure



Township & Property  
Development



Wire Mesh

## Corporate Information



### COMPANY NAME

Cahya Mata Sarawak Berhad

### COMPANY NUMBER

21076-T

### DIRECTORS

Y A M Tan Sri Dato' Seri Syed  
Anwar Jamalullail

Y Bhg Dato Sri Mahmud Abu Bekir Taib

Y Bhg Datuk Syed Ahmad Alwee Alsree

Y D H Dato' Richard Alexander John Curtis

Y Bhg Datuk Seri Yam Kong Choy

Y Bhg Datu Hubert Thian Chong Hui

Mr Chin Mui Khiong

Mdm Umang Nangku Jabu

### GROUP COMPANY SECRETARY

Denise Koo Swee Pheng

### REGISTERED OFFICE

Level 6, Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching  
Sarawak

t +60 82 238 888

f +60 82 333 828

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

### SHARE REGISTRAR

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

t +60 3 7849 0777

f +60 3 7841 8151 / 8152

### AUDITORS

Ernst & Young

### PRINCIPAL BANKERS

Bank Muamalat Malaysia Berhad  
CIMB Islamic Bank Berhad  
Hong Leong Bank Berhad  
Kenanga Investment Bank Berhad  
Maybank Islamic Berhad  
RHB Bank Berhad

### STOCK EXCHANGE LISTING

Main Market  
Bursa Malaysia Securities Berhad  
Sector: Industrial Products  
Stock Code: CMSB  
Stock Number: 2852

## Corporate Structure

As at 12 March 2018



**CAHYA MATA SARAWAK\***

### CORE BUSINESS DIVISIONS

#### CEMENT DIVISION

- 100% CMS Cement Sdn Bhd
  - 100% CMS Cement Industries 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
  - 100% Samalaju Management Services Sdn Bhd

#### SAMALAJU DEVELOPMENT DIVISION

- 100% Samalaju Industries Sdn Bhd

#### INFORMATION & COMMUNICATION TECHNOLOGY DIVISION


#### CONSTRUCTION MATERIALS & TRADING DIVISION

- 69% CMS Wires Sdn Bhd
- 51% CMS Infra Trading Sdn Bhd
- 51% CMS Resources Sdn Bhd
  - 100% PPES Concrete Product Sdn Bhd
  - 100% CMS Quarries Sdn Bhd
  - 80% Betong Premix Sdn Bhd
  - 60% CMS Premix (Miri) Sdn Bhd
    - 20% 
  - 60% CMS Premix Sdn Bhd
    - 40% 
  - 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

### STRATEGIC INVESTMENTS

- 100% CMS Education Sdn Bhd
  - 30% HELP IBRACO CMS Sdn Bhd
- 95% CMS Capital Sdn Bhd
  - 51% COPE Private Equity Sdn Bhd
  - 21.22% Kenanga Investment Bank Berhad\*
    -  4.16%
- 50% SACOFA Sdn Bhd
- 44.25% Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- 25% OM Materials (Sarawak) Sdn Bhd
- 25% OM Materials (Samalaju) Sdn Bhd
- 20% KKB Engineering 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

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## Building linkages that create value

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The Miri-Marudi Road Rehabilitation Project by CMS Roads Sdn Bhd is an example of the linkages we are building and the value we are creating in the marketplace. Connecting towns, people and businesses, the project is progressing well ahead of its original 30-month schedule. It directly addresses one of Sarawak's biggest challenges which is to reduce the development gap between the rural and urban areas, not only in terms of infrastructure, but also by way of improving access to markets and the level of income of the State's rural communities.



## Chairman's Statement

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



## Chairman's Statement

Dear Shareholders,

**I am pleased to report that Cahya Mata Sarawak Berhad (CMS or the Group), maintained an unwavering focus to turn in a resilient performance in 2017 despite difficult market and operating conditions. While the year proved to be a another challenging one for us, we were able to successfully weather 2017's headwinds and turn in a stronger performance in comparison to the year before. It is with confidence that I say that CMS has regained its growth momentum and is back on course to deliver sustainable, long-term growth.**



Total Revenue

**RM1.61** billion



Profit Before Tax (PBT)

**RM330.77** million

### IMPROVING MARKET CONDITIONS

The year 2017 saw the global economy growing stronger than expected on the back of faster growth in the advanced economies, as well as continued improvements in the emerging market and developing economies. The global pickup in activity that began in the second half of 2016 gained further momentum throughout 2017. According to the IMF's World Economic Outlook update (January 2018), global output is estimated to have grown by 3.7% in 2017 (2016: 3.2%). In the advanced economies, the notable growth pickup was broad based, with stronger activity in the United States, Canada, the European area, and Japan. Growth in China and other parts of emerging Asia too remained strong while the difficult conditions faced by commodity exporters showed some signs of improvement towards the end of the year.

The Malaysian economy registered real GDP growth of 5.9% in 2017 (2016: 4.2%) on the back of stronger investments and the recovery in world trade. Malaysia's robust GDP growth was largely underpinned by strong private-sector expenditure, with additional impetus from an improvement in external demand. Meanwhile, Sarawak is forecast to have registered an economic growth of 3.2% in 2017 (2016: 4%) against earlier projected growth of between 6%-7% per annum from 2016-2020.

Despite the steadily improving global and domestic economy, many companies including CMS had to contend with still sluggish private and public sector demand in part as a result of bank lending restraints for a good part of the year. A strong US dollar added more pressure to already tough conditions and saw us having to deal with higher costs of raw materials which adversely affected the performance of our Cement Division. Thankfully, the Ringgit began strengthening in the final quarter of 2017.

Amidst this backdrop, the Group's core Divisions, namely our Cement, Construction & Road Maintenance, Construction Materials & Trading, as well as Property Development Divisions, all registered better results. The Group's 25% associate, OM Materials (Sarawak) Sdn Bhd, in particular posted an improved performance in comparison to the year before. OM Materials (Sarawak)'s performance levels are expected to continue improving even as the Company ramps up towards full production and the market sectors it supplies see more demand growth and price improvements once again.

### RESILIENT FINANCIAL PERFORMANCE

I am pleased to report that CMS regained its growth momentum in 2017 and turned in total revenue of RM1.61 billion and profit before tax (PBT) of RM330.77 million for the financial year ended 31 December 2017 (FY 2017). This was a 4% and 9% increase in revenue and PBT respectively in comparison to the preceding year's (FY 2016's) revenue of RM1.55 billion and PBT of RM302.14 million. Year-on-year, the Group registered profit after tax and non-controlling interests (PATNCI) of RM213.21 million for FY 2017, which was 26% higher than the PATNCI of RM169.18 million reported previously.

The main contributors to the Group's revenue were the Cement Division, Construction & Road Maintenance Division, and Construction Materials & Trading Division. Together, these three Divisions made a combined contribution of 85% to the Group's total revenue in FY 2017.

These three Divisions were also the main contributors to the Group's PBT FY 2017 collectively contributing 77% to the Group's PBT (FY 2016: 101%).

Your Board of Directors is pleased with the good progress made by all our core Business Divisions, particularly amidst the year's challenging market conditions. Their resilience in tackling challenges in a prudent manner, as well as capitalising on opportunities and optimising cost structures, continues to hold them in good stead. These businesses' steadfast 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

In 2017, a number of key developments took place thus reinforcing the Group's position as one of the best proxy-listed investments for Sarawak's dynamic growth.

## Chairman's Statement

On 15 September 2017, our 51%-owned subsidiary, CMS Resources Sdn Bhd acquired 80% equity interest in Betong Premix Sdn Bhd for RM1.83 million, in a bid to increase the Group's premix operations and production capacity. Betong Premix is a company principally involved in supplying premix and road maintenance contract works.

The year saw CMS' work on the Darul Hana Bridge coming to a close with the bridge launched on 11 November 2017. In terms of its design and engineering, this project is the first of its kind in Southeast Asia. This symbolic mid-river construct is also proving to be one of the iconic landmarks of Kuching. With two covered viewing platforms to provide pedestrians with a resting spot, the bridge provides easy access for residents, commuters and tourists from the Kuching Waterfront at the southern bank, to the Dewan Undangan Negeri Sarawak Complex, Orchid Garden and Fort Margherita at the northern bank. The project, originally known as the Golden Anniversary Bridge project as it was commissioned to celebrate Sarawak's 50<sup>th</sup> anniversary as a partner in Malaysia, was implemented by the Sarawak Economic Development Corporation (SEDC) for the State Government of Sarawak. The turnkey contract for the bridge was awarded to the consortium of PPES Works (Sarawak) Sdn Bhd and Naim Land Sdn Bhd.

You would have noticed that our annual report cover pays tribute to this iconic new landmark under the theme 'Connecting Communities. Delivering Value'. This not only serves to reflect the role that the bridge is playing in integrating communities and delivering tangible value for its multiple stakeholders, it also serves as an expression of how CMS is doing its bit to connect communities and deliver real value. As a leading proponent of the Sarawak's growth story, CMS continues to identify strategies that will help build and strengthen linkages between markets, businesses and communities, as well as create tangible value for diverse stakeholders.

### SHAREHOLDER VALUE CREATION

As at end FY 2017, CMS' basic earnings per share (EPS) stood at 19.85 sen in comparison to EPS of 15.75 sen as at end FY 2016. Meanwhile, the Group turned in a Return on Equity (ROE) of 9.35% as compared to a ROE of 8% in the preceding year.

The Group's dividend policy provides for a net payout ratio of 40% of our 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 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 8.0 sen per share (FY 2016: 6.30 sen per share) subject to shareholders' approval at the forthcoming Annual General Meeting. This represents a payout ratio of 40.31% and amounts to a dividend payable of RM85.95 million for FY 2017 (FY 2016: RM67.69 million).

Today, CMS continues to maintain a healthy balance sheet and a comfortable level of gearing. As at the year's end, our gearing level had risen to 0.27 against 0.11 in the previous reporting period, mainly as a result of the introduction of the Sukuk Programme in 2017.

In April 2017, CMS closed off on the extremely successful issuance of its first sukuk with an oversubscription of more than six times. This underscores investors' confidence in the programme. On 5 May 2017, the Group made its sukuk issuance amounting to RM500.00 million in nominal value. The sukuk, with a five-year tenure, was issued under the Islamic medium-term notes programme of up to RM2.0 billion in nominal value. The proceeds raised from this exercise will help fund CMS' working capital, and CAPEX, as well as be utilised for 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 sukuk in this challenging economic climate, we today have the flexibility to more easily capitalise on any attractive investment opportunities that may arise such as brownfield expansion on an existing business or a new investment.

CMS continues to create value for our shareholders in other ways and make Sarawak proud through the accolades that we receive. I am delighted to report that the Group successfully maintained its position as a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index for the second year running. The F4GBM Index is a globally recognised index launched by the FTSE Group which is 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 transparent ESG criteria.

As at end FY 2017, CMS' basic earnings per share (EPS) stood at 19.85 sen in comparison to EPS of 15.75 sen as at end FY 2016. Meanwhile, the Group turned in a Return on Equity (ROE) of 9.35% as compared to a ROE of 8% in the preceding year.

## Chairman's Statement

The Board recognises the importance that business sustainability plays in creating sustainable stakeholder value and ensuring CMS' long-term success. Being a conscientious corporate citizen, CMS is genuinely committed to balancing out our economic performance with responsible environmental and social considerations.

CMS' inclusion into the F4GBM for the second consecutive year attests to the fact that we continue to gain good ground as we implement tangible corporate responsibility practices and entrench ourselves as a progressive and ethical company. On top of this, this achievement is doing much to reduce our perceived non-financial risk profile by positioning us as a company that is upholding a sustainability-based (and thus safer) business model which will ultimately draw more investors in. This repeat achievement is a result of the worthy efforts put in by the entire Group including our Board, Senior Management team and employees, and I sincerely thank them for their efforts.

### UPHOLDING RESPONSIBLE PRACTICES

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. Time and time again, we have seen how good governance translates into good business. These fundamental components of our business are helping ensure the sustainable, long-term growth of our businesses, bolstering investor confidence, protecting 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 Third Edition of the Corporate Governance Guide issued by Bursa Malaysia Berhad and the Malaysian Code on Corporate Governance (MCCG) 2017.

We also continue to undertake the necessary measures to strengthen our risk profile and practices, as well as strengthen our bottom-up approach to embed a more robust risk management process and culture across all levels of the organisation. We firmly believe in undertaking the necessary due diligence for new investments while maintaining conservative and prudent evaluation criteria, particularly in this current economic climate. In line with this, all new investments undergo a stringent risk mitigation process before they are brought before the Board.

The Board recognises the importance that business sustainability plays in creating sustainable stakeholder value and ensuring CMS' long-term success. Being a conscientious corporate citizen, CMS is genuinely committed to balancing out our economic performance with responsible environmental and social considerations. This year, we are also releasing our third standalone Sustainability Report titled 'Connecting Communities. Delivering Value' which ties in well with Bursa Malaysia's sustainability requirements.

### MOVING INTO 2018 AND BEYOND

While 2017 was indeed a challenging year for the Group, it proved the resilience of our businesses and the mettle of our management as we got back on track to regain our lost momentum. Moving forward, we are determined to gain new ground and will continue to leverage on proven strategies, as well as a combination of demonstrable factors that are ensuring our long-term growth. We will continue to ride the Sarawak's growth story to be the 'PRIDE of Sarawak and Beyond' through a continued focus on proven and sustainable core businesses that revolve around, firstly, infrastructure and related services businesses that support the State's growth, and secondly, the energy-intensive industry sector that lead the State's growth. By ensuring we focus our efforts on investments back into these two core business focuses, we are ensuring that we create a sustainable growth pathway for the long-term.

We are also 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 elements coupled with our healthy balance sheet, sustainable profits, robust corporate governance practices and keen local insights, are all paving a pathway for the Group's sustainable growth. Our growth momentum also continues to be quickened by the many opportunities, particularly the energy-intensive opportunities under the Sarawak Corridor of Renewable Energy (SCORE).

As we move into FY 2018, the business landscape is replete with challenges and opportunities. It is important that we tackle and harness these positively if the Group is to go up to the next level. We believe we can accomplish this by focusing on both the internal and external factors affecting the Group.

Internally, we will work on developing energetic employees with a keen business focus; build a reputation for professionalism; embed new top management to steer the company forward; and continue tapping into the synergies between our respective core competencies. We will also work on identifying ways and means to optimise operational efficiency, lower costs and drive growth, as well as continue to implement our *Edging Strategy* i.e. a focus on business opportunities in our near field (or immediate periphery) to provide profits growth. Externally, we will continue being an ally to the State – especially with its new political leadership; by maintaining our strong relationships with our many business partners and embracing the opportunities under the digital economy. As we leverage on all these elements, as well as maximise our participation

## Chairman's Statement

in the Sarawak's growth story, CMS, will undoubtedly remain one of the best proxy-listed investments for Sarawak's dynamic growth.

As we venture forth, your Board envisages that CMS will continue on a sustainable growth trajectory as we position ourselves for long-term sustainable revenue and profitability growth. Being a passionate, people-led organisation, we will endeavour to exceed the expectations and uphold the responsibilities placed on us, taking a lead on the big issues, while maintaining our legacy of financial success and sustainable growth. Your Board is confident that the Group will deliver another satisfactory performance in FY 2018.

### ACKNOWLEDGEMENTS

As CMS stays the course and gathers new momentum on its journey of sustainable growth, I wish to acknowledge several parties for their worthy support. On behalf of the Board of CMS, I wish to express my sincere gratitude to you, our shareholders, for your unwavering trust and belief in CMS. My heartfelt appreciation also goes to our valued customers and clients, bankers, government departments and agencies, vendors, suppliers and all others who have lent us their steadfast support and cooperation.

To the many external partners that work with or alongside us and whose support and reliability has contributed to our success, please accept the Board's utmost appreciation for your kind support and cooperation. These parties include the State Government and its agencies for having the vision to develop Sarawak, as well as design and manage SCORE in such an admirable manner; as well as our joint venture partner, SEDC, and our co-shareholders in our Strategic Investments. The Board certainly looks forward to maintaining a mutually beneficial relationship with each of you for the long-term.

Not forgetting the Group's over 2,600 employees, as well as the management teams of all the Group's companies. Please accept my heartfelt appreciation for your dedication, diligence and resilience, especially amidst another challenging year. To my colleagues on the Boards of all the Group's companies, my heartfelt thanks for your insights and wise counsel which continue to guide CMS and its subsidiaries forward amidst opportunistic and challenging times.

At this time, on behalf of everyone at CMS, I wish to take this opportunity to express our utmost gratitude to Dato' Richard Curtis who had retired from his role as our Group Managing Director. I wish to acknowledge Dato' Richard for his hard work, worthy

contributions and remarkable commitment to the Company over the last 11 years. Dato' Richard was instrumental in implementing CMS' 10-year strategic plan that sought to expand and diversify CMS' business portfolios. This has enabled CMS to lay solid foundations for sustainable growth, helped us realise our potential as a company, and seen us making good inroads among the communities around us. Dato' Richard will remain on the Board for another year as a Non-Independent Non-Executive Director.

Moving forward, the Board has decided to implement a dual leadership strategy whereby two talented leaders from within CMS has stepped up to the plate to manage the Group. Please join me in welcoming Dato Isaac Lugun and Mr Goh Chii Bing who have both been retained and promoted respectively to the positions of Group Chief Executive Officer - Corporate and Group Chief Executive Officer - Operations respectively, over different but complementary portfolios. Between them, these two gentlemen have over 45 years of experience serving CMS.

Dato Isaac brings to the table his corporate and strategic investment expertise, while Mr Goh Chii Bing brings to the table his expertise in handling our core business operations. Both these 'CMS-grown' gentlemen, who are also Sarawakians come with proven track records having served under Dato' Richard and the Board of Directors to deliver on our unprecedented decade of growth. They have full oversight over their respective business sectors as Group CEOs and will serve as back-ups to each another. In addition, our very able and long-serving Group Chief Financial Officer, Tuan Syed Hizam Alsagoff, will continue in his role to ensure continuity and a smoother transition.

In closing, I ask that all our stakeholders continue extending your cooperation and support to our Board, our new management team and all the CMS family, as we work together to build a promising future for the Group 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

Being a passionate, people-led organisation, we will endeavour to exceed the expectations and uphold the responsibilities placed on us, taking a lead on the big issues, while maintaining our legacy of financial success and sustainable growth.

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## Delivering solutions that connect communities

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PPES Works (Sarawak) Sdn Bhd's construction of the Datuk Temenggong Abang Kipali bin Abang Akip Interchange via a shallow underpass to ease traffic congestion is another project much welcomed by the communities it connects. This project underscores CMS' commitment to providing innovative, cost effective solutions for communities. In this instance, it brings resolution to a long debated roundabout issue.



## Management Discussion and Analysis by Group Managing Director

**DATO' RICHARD CURTIS**  
Group Managing Director



## Management Discussion and Analysis by Group Managing Director

Dear Shareholders,

**In 2017, Cahya Mata Sarawak Berhad (CMS or the Group) regained its growth momentum amidst sluggish market conditions to turn in a stronger performance. While economic activity in the first quarter of 2017 (1Q 2017) remained rather weak on the back of challenging market and operational conditions that had spilled over from 2016, things began to pick up by 2Q 2017. By the year's end, there was a noticeable improvement in terms of higher commodity prices, lower raw material costs and a stronger Ringgit. Overall, 2017 was the year in which global growth picked up and the domestic economy strengthened after some time in the doldrums. I am pleased to report that most of the Group's businesses were able to mitigate the year's challenging conditions by leveraging on operational efficiencies and proven growth strategies to turn in stable earnings.**

Several of the Group's businesses also made good strides forward to strengthen their positions in financial year 2017 (FY 2017). The improved performance of CMS' 25% associate, OM Materials (Sarawak) Sdn Bhd, is a case in point. Having reported substantial losses the year before, our associate company delivered improved results in FY 2017. Reduced losses came on the back of upward commodity price movements, the firing-up and above-spec production levels from the smelter's furnaces, as well as the opening of the new Samalaju Port which brought about significant cost savings (through avoiding costly trans-shipment expenses through Bintulu Port). Moving forward, the Company's performance levels are expected to continue improving even as the plant ramps up to full production and the market sectors it supplies see demand growth and price improvements.

Another clear example was the Group's acquisition of an 80% equity stake in Betong Premix Sdn Bhd, a company principally involved in supplying premix and road maintenance contract works. This helped reinforce our market position and expand our production capacity on the premix front. Our associate SACOFA Sdn Bhd, too continued to make significant inroads in the area of communications infrastructure as it positioned itself to capitalise on the many opportunities stemming from the launch of the State's new digital economy blueprint. Our success in securing contracts for both a works package and for the supply of construction materials for the Pan Borneo Highway project too is set to be a game changer for us. The works package is progressing satisfactorily while the materials supply component and related activities are expected to kick in in 3Q 2018.

As a result of these developments, coupled with solid profit contributions from across the various Business Divisions and associates, the Group's position strengthened from the year before. Our resilient performance thus far is testament that our robust business model, prudent and professional management approach, as well as our unrelenting focus on delivering long-term sustainable growth, are all working together for CMS' good. I applaud the steadfastness of our management team and employees who under the guidance of our Board of Directors (Board), once again stepped up to the plate and proved their mettle. This aptly reflects the growing maturity of the Group and the calibre and depth of our management. We envisage even better prospects for the Group as we move forward into FY 2018.

### FINANCIAL PERFORMANCE

I am pleased to report that there was an upswing in the Group's financial performance for the financial year ended 31 December 2017 despite the challenging market and operational conditions we faced. While demand for construction materials and related services was sluggish in FY 2017, this was offset by the robust performance of our Property Development Division, the strong contribution from our joint ventures and the turnaround of our associate, OM Materials (Sarawak), which was buoyed by the improvement in commodity prices.

As a result, the Group registered total revenue of RM1.61 billion in FY 2017, a 4% rise over revenue of RM1.55 billion in FY 2016. The main contributors to the Group's revenue were the Cement Division (contributing 31% of Group revenue), Construction & Road Maintenance Division (28% of Group revenue) and Construction Materials & Trading Division (27% of Group revenue). Together, these three Divisions contributed 85% of the Group's total revenue in FY 2017.



Total Revenue  
**RM1.61** billion



Profit Before Tax  
**RM330.77** million

## Management Discussion and Analysis by Group Managing Director



↑ Rivervale Residences

For the full financial year, the Group posted a pre-tax profit (PBT) of RM330.77 million for FY 2017, a 9% hike over PBT of RM302.14 million in FY 2016. The main contributors to the Group's PBT were the Cement Division (contributing 31% of Group PBT), Construction & Road Maintenance Division (28% of PBT), and Construction Materials & Trading Division (18% of PBT). These three Divisions collectively made a contribution of 77% to the Group's PBT (FY 2016: 101%).

The Group also recorded a higher share of profit of RM31.91 million in FY 2017 from the share of results of its joint ventures in comparison to FY 2016's profit contribution of RM23.28 million. The increase was mainly attributable to the excellent performances by COPE Private Equity Sdn Bhd (*formerly known as CMS Opus Private Equity Sdn Bhd*) and two private equity funds.

Moreover, the Group recorded a profit of RM40.64 million in FY 2017 from the share of results of its associates, a significant improvement of 216% in comparison to FY 2016's losses of RM35.17 million. This was largely due to the Group's 25% associate, OM Materials (Sarawak)'s improved performance, which is expected to be sustained if ferrosilicon and manganese alloy prices and production outputs are maintained at the current levels. The OM Materials (Sarawak)'s loss in FY 2016 was mainly due to the unwinding of its currency hedging position.

For FY 2018, we have approved RM268.88 million in capital expenditure (CAPEX) for certain projects as part of our expansion plans. This CAPEX will include the acquisition of new land throughout Sarawak for the relocation of operations when the need arises, the purchase of raw materials, and the addition of an unloader to the Cement Division's stable. A certain amount of CAPEX has also been earmarked for a second line for one of our quarries along with the associated machinery, as well as 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.



**Cement Division**



**Construction Materials  
& Trading Division**



**Construction & Road  
Maintenance Division**



**Property  
Development Division**



**Samalaju Development  
Division**



**Strategic Investments  
Unlisted Associates**



**Strategic Investments  
Listed Associates**



**Strategic Investments  
Others**

## Management Discussion and Analysis by Group Managing Director



# Cement Division

**The Group's Cement Division – comprising CMS Cement Sdn Bhd, CMS Cement Industries Sdn Bhd and CMS Concrete Products Sdn Bhd – remains the sole cement and clinker manufacturer in Sarawak. One of CMS' largest PBT contributors, the Division continues to deliver resilient growth on the back of continuing Government infrastructure projects and private-sector funded construction activities within the State.**



↑ Mambong Integrated Plant

The year in review saw the Cement Division's revenue and cement sales volume continuing to decline due to reduced construction activities within the State of Sarawak. Back in 2016, construction activities with the State reached their lowest level in four years on the back of moderating economic growth and this continued to impact demand growth for cement in 2017.

Against this backdrop, revenue for the Cement Division dropped by 7.5% to RM520.91 million in FY 2017 (FY 2016: RM563.07 million). However, the Division was able to maintain a healthy PBT level of RM101.34 million, marginally short of FY 2016's PBT of RM105.00 million. The Division's resilient PBT performance came on the back of enhanced operational and production efficiencies that brought about lower production costs, as well as savings from lower coal and key raw material costs.

Being Sarawak's leading infrastructure facilitator, as well as a committed ally to the State Government and to Sarawak's construction industry, the Division has always focused its efforts on providing a sufficient and consistent supply of quality cement at reasonable and stable prices. In FY 2017, the Division continued to uphold this commitment by maintaining cement prices despite the weakening Ringgit. Moving

forward, the Division will continue to look for ways to strengthen its operational efficiencies and product offerings.

### CEMENT OPERATIONS

The Group's cement operations are managed by CMS Cement Sdn Bhd and CMS Cement Industries Sdn Bhd (formerly known as CMS Clinker Sdn Bhd) which produce the CEM 1 42.5N grade and 52.5N grade (MS EN 197-1 standard) of Portland Cement. A third product is currently at the final stages of testing and is expected to be introduced to the market in the second half of 2018 (2H 2018).

The Cement Division operates production and distribution facilities in every major city in the State. These include two plants in Kuching (Mambong Integrated Plant and Pending Grinding Plant), one plant in Bintulu (Bintulu Grinding Plant), as well as bulk terminals in Sibu and Miri. Through its plants and terminals (which are outfitted with packing and bulk distribution capabilities), the Division is able to ensure all of Sarawak's main centres of economic activity, namely Kuching, Sibu, Bintulu, Miri, as well as emerging markets such as Samalaju and Mukah and their hinterlands, have a stable and sufficient supply of quality bag and bulk cement to meet their needs.

## Management Discussion and Analysis by Group Managing Director



The year saw the Division's new Mambong Integrated Plant, which is also East Malaysia's first integrated cement plant, continuing to make good progress. Located in Mambong, some 30km from the Kuching city centre, this integrated plant was officially launched in November 2016. It features fully integrated operations that include components such as a raw materials' quarry, a clinker plant and a new cement grinding plant.

The clinker plant component of the integrated operations is today managed by CMS Cement Industries Sdn Bhd (formerly known as CMS Clinker Sdn Bhd, the entity previously responsible for the Division's clinker operations). With a production capacity of 0.84 million metric tonnes per annum (MTPa), the clinker plant is able to meet up to 50% of the Division's total clinker demand. A key strength of the clinker operation is the raw material quarry located adjacent to the plant which ensures a 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. The clinker plant received ISO 50001 Energy Management System certification in FY 2016, attesting to the Division's continuous efforts to improve efficiencies on the power consumption front, as well as to moderate its carbon footprint by reducing fossil fuel consumption.

The new 1.0 million MTPa cement grinding plant features state-of-the-art European technology including a ball mill (with a rated capacity of 150 MT per 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 palletising machine. These features are aimed at maximising both efficiency and quality with minimum downtime for the plant.

By combining the Mambong Integrated Plant with the Pending and Bintulu grinding plants, the Division today has increased its total rated cement production capacity by some 60% to 2.75 million MTPa, well above current local demand of around 1.5 million to 1.7 million MTPa. This additional capacity will enable the Division to adequately meet cement demand for mega projects such as the Baleh Dam and the Pan Borneo Highway projects, as well as support the State's long-term cement demand. Operating multiple plants also

accords the Group benefits on several levels. It ensures we have a significant reserve production capacity to materially reduce the risk of supply disruptions; enables us to potentially extend supply into nearby export markets; and provides us the ability to produce multiple types of cement.

### CMS CONCRETE PRODUCTS

CMS Concrete Products Sdn Bhd is tasked with managing the Division's concrete products operations. Formed in 1995, CMS Concrete Products is renown in the market as a highly reliable producer of Ready-Mix Concrete (RMC) and pre-formed concrete products.

Today, the Company offers products ranging from various grades of RMC, reinforced concrete square piles (RCP) and bridge beams, to pipe and box culverts, as well as Industrialised Building System (IBS) components and solutions. The bridge beams, which are a product that the Company has pioneered, have been used in the construction of a great number of bridges throughout Sarawak.

Through its 70,000 MTPa main facility in Kuching, CMS Concrete Products has the capacity to produce a full range of IBS components, including precast wall panels, beams and columns, as well as half slabs and pre-stressed slabs. The Company offers its clients complete solution packages which include design services for IBS projects, supply throughout the State over land or by sea, as well as construction services such as pile driving and wall panel installation. The Company also prides itself on producing products that comply with all existing construction standards and safety requirements.

The Company has been operating an RMC plant within the Samalaju Industrial Park in Bintulu since 2012 to meet demand in the area. In FY 2017, CMS Concrete Products strengthened its operations by adding a manufacturing plant in Bintulu (with product lines that include RMC in concrete pipe culverts) and a RMC plant in Sarikei, central Sarawak (to supply parts of the Pan Borneo Highway project). By combining its existing facilities in Kuching and Samalaju together with its new facilities in Bintulu and Sarikei, the Division has greatly strengthened its position and competitive edge in Sarawak's concrete industry. Today, it is better able to meet demand for concrete products in all major parts of the State.



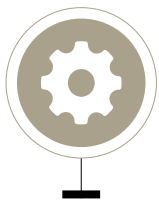
Revenue

**RM520.91** million


Profit Before Tax

**RM101.34** million

## Management Discussion and Analysis by Group Managing Director



# Construction Materials & Trading Division

The Group's Construction Materials & Trading Division is focused on quarrying and premix manufacturing operations, pavement laying services, the production of wire mesh and cold drawn wires, as well as trading activities related to construction, electrical and water management products.



↑ Sibanyis Quarry

In FY 2017, the Division's revenue dropped by 15% to RM491.99 million as compared to a revenue of RM581.06 million previously. This came on the back of reduced road maintenance activities in the northern region of Sarawak. As a result, the Division's PBT dropped 44% to RM59.71 million in FY 2017 from RM106.75 million in FY 2016.

### QUARRY OPERATIONS

The Division's quarry operations are managed by CMS Quarries Sdn Bhd and CMS Penkuari Sdn Bhd, companies that undertake the production of crushed aggregates of granite, microtonalite and limestone types of stone. CMS' quarrying operations today are spread across five quarries, namely Stabar, Penkuari, Sibanyis, Akud and Sebuyau. Together, these quarries have a combined rated capacity of 2.19 million MTpa.

Plans are in the offing to increase the Division's production capacity by installing a second production line at Sibanyis with a crushing plant capacity of 1.30 million MTpa to compensate for the closure of the Division's quarry at Penkuari. The second production line is scheduled to commence full operations by 1Q 2019. This will enable the Division to provide an increased supply of quality crushed aggregates at competitive prices to meet growing market demand throughout the State.

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

Meanwhile, Phase 1 of construction works was carried out on the planned wharf facility at Kota Samarahan, while Phase 2 (involving infrastructure works and ramp construction activities), will be completed by 2Q 2019. This will increase the Division's loading capacity and speed up deliveries of crushed aggregates by barge to areas outside Kuching.

The year also saw the Company successfully upgrading its ISO 9001 and ISO 14001 certifications (to the latest 2015 standard) in 3Q 2017. Together with its OHSAS 18001:2007 certification, the Company today boasts accreditation for an Integrated Management System encompassing the IMS: ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 standards.

Moving forward, the Division will continue to seek out new viable quarry concessions to grow its production capacity to meet long-term upward demand trends and to address limited supply issues.

### PREMIX OPERATIONS

The Group's premix operations are undertaken at seven premix plants in Kuching, Sarikei, Sib, Bintulu, Miri and Limbang under the ambit of CMS Premix Sdn Bhd, CMS Premix (Miri) Sdn Bhd and Betong Premix Sdn Bhd. With a combined rated capacity of 1,140 MT per hour, as well as a 10 MT per hour Bitumen emulsion plant in Kuching, these three companies serve approximately 60% of the asphaltic concrete (premix) and bitumen emulsion markets in Sarawak.



Revenue

**RM491.99** million



Profit Before Tax

**RM59.71** million

## Management Discussion and Analysis by Group Managing Director



↑ Premix Plant

CMS Infra Trading Sdn Bhd remained profitable in FY 2017, recording significant sales for its core water management products (namely its water treatment chemicals and water pipes) which contributed more than 80% of the Company's gross profit.

Following the purchase of two mobile premix plants with a capacity of 150 MT and 100 MT per hour respectively in FY 2016, a 150 MT per hour plant was installed at Samalaju in FY 2017. Over the course of FY 2018, a further 100 MT per hour plant will be mobilised on a project basis.

Under the Group's *Edging Strategy* rolled out in FY 2017, the premix business had expanded its operations to Betong by acquiring 80% of Betong Premix, as well as broadening its customer base. The Division had also purchased two additional mobile premix batch plants for the Pan Borneo Highway project.

In 3Q 2017, CMS Premix successfully completed the upgrading of its ISO 9001 and ISO 14001 standards to the latest 2015 standard. Together with its OHSAS 18001:2007 accreditation, the Company is today certified as having an Integrated Management System (IMS: ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007).

### WIRE OPERATIONS

CMS Wires Sdn Bhd is involved in the manufacture of steel drawn wires and wire mesh for the local construction industry. In FY 2017, the Company's sole 5,500 Mtpa plant produced some 4,150 MT of steel wires and mesh. The Company today has approximately 20% market share and continues to face stiff competition from 11 other wire mesh manufacturers in Sarawak, a huge number given the relatively small market. However, CMS Wires remains undeterred and is seeking to take advantage

of supply opportunities to contractors involved in the Pan Borneo Highway project.

### TRADING OPERATIONS

Functioning as the trading arm of the Group, CMS Infra Trading Sdn Bhd distributes a varied range of products and services relating to water management, as well as mechanical, electrical and construction materials. The Company remained profitable in FY 2017, recording significant sales for its core water management products (namely its water treatment chemicals and water pipes) which contributed more than 80% of CMS Infra Trading's gross profit. Encouraging results also came on the back of the sales of steel bars, as well as diesel and road furniture and fittings.

For the year in review, the Company actively participated in competitive bids and successfully secured several sizeable new supply contracts amounting to some RM12.31 million from the Kuching Water Board, Sarawak Energy Berhad and Jabatan Bekalan Air Luar Bandar.

The year saw the Company adding a line of new water pipe products to its existing water management product line. It is also actively promoting offerings such as its Solar-Powered Streets Lighting System, LED High Mast Lighting System and Uninterruptible Power Supply System for traffic lights in the market, all of which have received encouraging response by clients. Moving forward, CMS Infra Trading will continue to explore long-term opportunities to further expand its product range and customer base.

Management Discussion and Analysis  
by Group Managing Director



# Construction & Road Maintenance Division

**CMS' Construction & Road Maintenance Division is responsible for a wide range of infrastructure construction projects and road maintenance activities across Sarawak. These projects, comprising 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 that currently entail the maintenance of approximately 241km of Federal roads and 5,847km of State roads throughout Sarawak.**



↑ Darul Hana Bridge

In December 2017, CMS Roads Sdn Bhd was awarded a six-month contract extension for its 15-year road maintenance concession contract with the State Government that came to an end on 31 December. The extended contract (worth some RM87.70 million) that began on 1 January 2018 and ends on 30 June 2018, will contribute positively to the Division's earnings over the tenure of the contract. The Group is hopeful that the extension will give us adequate time to negotiate and finalise the terms for a renewed long-term concession agreement with the State.

The Division remains committed to strengthening its technical capabilities via investments in new machinery. The year saw it rolling out continuous employee training activities to bolster operational efficiencies and productivity, as well as undertaking Division-wide employee teambuilding initiatives to intensify employee engagement and loyalty. By continuing to place an emphasis on the quality of work it undertakes in line with the Group's Mission of 'Producing Quality, On Spec & On Time', the Division is reinforcing its reputation as a trusted contractor within Sarawak.

Moving forward, the Construction & Road Maintenance Division will set its sights on maintaining its competitive edge as it bids for new projects to grow its current construction order book of RM1.30 billion. This includes the 70:30 joint venture partnership between PPES Works (Sarawak) Sdn Bhd and Bina Puri Sdn Bhd for the Pan Borneo Highway project, namely the Works Package Contract WPC06 for the Sg. Awik to Bintangor Junction section, for RM1.36 billion. Given 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 ongoing, as well as new longer-term construction projects and extending the length of road under the State road maintenance concession.



Revenue

**RM458.81** million



Profit Before Tax

**RM93.35** million

In FY 2017, the Division registered a revenue of RM458.81 million (FY 2016: RM367.88 million), of which approximately RM218.03 million (FY 2016: RM132.18 million) was derived from construction works, roads, water infrastructure projects and building works, while approximately RM240.78 million (FY 2016: RM235.70 million) came from the two road maintenance concessions. Road maintenance revenue was 2% higher in FY 2017 due to an increase in the length of State roads maintained. However, this was partially negated by a reduction in the length of Federal roads maintained due to the construction of the Pan Borneo Highway. Construction revenue was 65% higher in FY 2017 mainly due to contributions from two new road construction projects namely the Pan Borneo Highway project and the Miri-Marudi road rehabilitation project. The Division maintained its PBT of RM93.35 million in FY 2017 (FY 2016: RM93.79 million).

Management Discussion and Analysis  
by Group Managing Director



# Property Development Division

The Group's Property Development Division is the custodian of two land banks in Kuching – a 3,911-acre land bank in Petra Jaya named Bandar Samariang, and a 246-acre land bank in Muara Tebas called The Isthmus. On top of this, the Division is also tasked with developing some other smaller parcels within Kuching. The Division is also responsible for the development of a new township, commercial/service hub, light industrial park, workers' accommodation, a hotel and ancillary services within the Samalaju Industrial Park (SIP). The SIP is the largest industrial park in Malaysia and one of the five growth nodes under the Sarawak Corridor of Renewable Energy (SCORE) initiative.



↑ Rivervale Residences

For FY 2017, the Property Development Division posted a revenue of RM200.27 million (FY 2016: RM104.66 million) and PBT of RM47.22 million (FY 2016: RM23.51 million), registering a windfall increase in revenue and PBT of 91% and 101% respectively. This was mainly due to the increase in revenue recognition of the Rivervale Residences housing project and the Raintree Square commercial project, and, additionally, the rental income from a hypermarket in Bandar Samariang.

## DEVELOPMENT ACTIVITIES WITHIN THE VICINITY OF KUCHING

Within the vicinity of Kuching, the Property Development Division is responsible for the Bandar Samariang and The Isthmus developments. Bandar Samariang comes under the ambit of Projek Bandar Samariang Sdn Bhd (PBS), whilst The Isthmus is vested with CMS Land Sdn Bhd. Meanwhile, CMS Property

Development Sdn Bhd provides project management services to companies within the Division whilst also undertaking the development of 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.

## Bandar Samariang

Bandar Samariang is located approximately 7km from the Kuching city centre and is within easy reach of the resort areas of Damai and Santubong. Home to more than 25,000 residents, this integrated township encompasses a variety of residential homes, a commercial centre and schools, with the scenic Santubong Mountain as its backdrop.

On 26 August 2017, PBS celebrated the 20<sup>th</sup> anniversary of its inception with much fanfare. The township continues to draw interest due to 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 too continues to provide a positive pull effect for the residential and commercial properties from a larger population base. Bandar Samariang can now also lay claim to having the first water theme park in Kuching, with the Borneo Samariang Resort City project under Sentoria Group Berhad slated to open its water theme park in 1Q 2018.

As at end FY 2017, a total of 4,432 residential units and 180 shop-houses under Phase 1 covering some 600 acres within the township had been completed by PBS. In the immediate future, PBS aims to provide 596 units of affordable housing under Phase 2, in line with the Government's call for more housing for the people.



Revenue  
**RM200.27** million



Profit Before Tax  
**RM47.22** million

## Management Discussion and Analysis by Group Managing Director



▲ Rivervale Residences

The estimated Gross Development Value (GDV) for the Bandar Samariang developments under PBS is estimated to be in the region of RM404.00 million for developments between 2018 and 2020.

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 for a water theme park, safari park, meetings, incentives, conferences and exhibitions (MICE) facilities, as well as niche residential and affordable housing. The estimated Gross Development Value (GDV) for the Bandar Samariang developments under PBS is estimated to be in the region of RM404.00 million for developments between 2018 and 2020.

### The Isthmus

The year in review saw the completion of the iconic Green Building Index or GBI-certified Land Custody and Development Authority Headquarter building at The Isthmus with the occupation permit issued in 3Q 2017. The Sarawak Economic Development Corporation headquarters, being the other iconic twin signature GBI-certified gateway tower, was also substantially completed in FY 2017 and is expected to be occupied in 1Q 2018.

The UCSI Hotel made its public debut and opened for business in 2Q 2017. To recap, the campus component located within the UCSI Hotel and Campus development opened for student intake in 3Q 2016.

The Raintree Square development, comprising 54 units of 3-storey commercial shops, was substantially

completed in FY 2017. Slated for occupation by 1Q 2018, the development had achieved a take-up rate of 70% as at the end of FY 2017.

The Isthmus is poised to see more exciting times, with a residential and commercial development being planned to bring in a resident population and generate greater economic activity in the near future. The Division is looking to capitalise on the riverine aspects of the development's location by incorporating a highly desirable waterfront component into it. Towards this end, a niche waterfront housing development with various residential typologies is being explored.

### Other Developments

The Division also owns several other land parcels that represent significant future development opportunities to be unlocked, some immediately and others upon development in and around Kuching ramping up. The Division is actively exploring various joint venture and collaboration opportunities within its area of expertise that will make a positive contribution to the development of Kuching city aside from strengthening the Group's profitability.

CMS Property Development Sdn Bhd is the developer for the Rivervale Residences (consisting of 76 exclusive gated and guarded semi-detached houses) and the Rivervale Condominium (comprising 292 units in two tower blocks). As at end 2017, only eight units of the Rivervale Residences were as yet

## Management Discussion and Analysis by Group Managing Director



unsold with the sold units receiving their occupation permits in 3Q 2017. This development received a Commendation Award in the Landed Residential Development category at the SHEDA Excellence Awards 2017, underscoring not only its quality features but its commitment to providing a green and pleasant environment that engendered a sense of community for residents.

By the year's end, some 80% of the Rivervale Condominium had been completed. Encompassing a lush garden and cascading water features amidst a swimming pool and garden facilities, the development had a commendable take-up rate of 50% despite slowing sales in the local property market. The sale of these semi-detached homes and condominium units underpinned the commendable financial results of the Division in FY 2017.

To further strengthen the Division's earnings and contribution to CMS, the Division continues to explore mutually beneficial joint venture arrangements with private parties and State agencies to develop land banks around Kuching and major towns in Sarawak. This is especially important amidst the muted outlook for the coming year.

### DEVELOPMENT ACTIVITIES WITHIN SAMALAJU INDUSTRIAL PARK

The Group also has a 51% equity stake in Samalaju Properties Sdn Bhd which in turn has responsibility for the development of specific components within the

Samalaju Industrial Park or SIP. Samalaju Properties is a joint venture between CMS-owned Samalaju Industries Sdn Bhd (51%), Naim Land Sdn Bhd (39%) and State agency, Bintulu Development Authority (10%).

### Samalaju Eco Park

CMS is involved in the SIP by virtue of our undertaking the development of the new, approximately 2,000-acre Samalaju Eco Park township, as well as the adjoining services 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 FY 2015 and completed in FY 2017.

Samalaju Eco Park is the fruit of a vision to provide a balanced, healthy and sustainable lifestyle to the thousands working at the SIP. The Samalaju Eco Park township leverages on the natural semi-undulating terrain of the area and is designed to preserve as much of the land's natural landscape and gentle water features. Green and blue spaces in the form of parks and community gardens will 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 back in 3Q 2016, and the Occupation Permit issued in 3Q 2017. The construction of 16 units of 2-storey shop lots was completed in 1Q 2017 with the Occupation Permit issued in 3Q 2017.

### Samalaju Central

Strategically located at the heart of the SIP is Samalaju Central, a visually attractive and well-planned commercial/service hub. Within the radius of the hub lie large heavy industry manufacturing plants in the metals and polysilicon processing sectors such as OM (Sarawak) Sdn Bhd, Pertama Ferroalloys (Bintulu) Sdn Bhd, Press Metal Sarawak Sdn Bhd, OCIM Sdn Bhd (formerly known as Tokuyama Malaysia Sdn Bhd) and Sakura Ferroalloys Sdn Bhd.

Samalaju Central covers an area of 81.4 acres and comprises 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 4Q 2016 and the Occupation Permit was issued in 4Q 2017. Subsequent developments will be rolled out in phases in tandem with market demand.

CMS is involved in the SIP by virtue of our undertaking the development of the new, approximately 2,000-acre Samalaju Eco Park township, as well as the adjoining services and light industrial areas to create an attractive township to enhance the SIP's appeal to investors, potential employees and support industries.

## Management Discussion and Analysis by Group Managing Director



▲ Apartment blocks at Samalaju Eco Park

### Samalaju Light Industrial Park

The 206-acre Samalaju Light Industrial Park, which is located adjacent to the Samalaju Eco Park township development with highly undulating terrain, has been deemed as difficult to develop given current low market demand. The Management is currently pursuing a land swap deal with the State authorities on land that is almost similar in size and which is strategically located at the entrance to the SIP. The planning brief has been submitted and the Division is currently awaiting the State's decision. The proposed development will offer various types of light industrial units upon its completion and has been designed to cater to both small and medium-sized companies, as well as other supporting industries looking to gain a foothold in the area.

### Samalaju Lodges

Through CMS' involvement in another core area of the SIP – the provision of workers' accommodation and a hotel – the Division is addressing the immediate accommodation needs of industries locating to the industrial park. To this end, we have developed Samalaju Lodges and a hotel to provide short to medium-term accommodation for factory workers, supervisors, managers and visiting consultants of industries in the SIP, both during construction and pending completion of the adjoining township. The Samalaju Lodges' development is also catering to the medium to long-term lodging needs of construction workers and their supervisors while the new township is under construction.

For the year in review, the occupancy rate at Samalaju Lodges showed a slight improvement as compared to the previous year. There were minimal construction activities at the SIP while most plants were at the commercial production stage. New projects such as the Malaysian Phosphate Additives (Sarawak) Sdn Bhd and Cosmos Petroleum and Mining Sdn Bhd, too had not fully commenced their onsite construction

activities. Nonetheless, Samalaju Lodges remains the preferred accommodation for operation and maintenance operations from the plants in the immediate vicinity of SIP given its accessibility and wide-ranging facilities.

Samalaju Properties will continue to improve hospitality services and to sustain standards at Samalaju Lodges. It will also work hard to maintain the current pricing structure despite rising operational and material costs. In the meanwhile, the marketing team continues to proactively identify and engage prospective tenants looking for short to medium-term accommodation at the SIP by looking at possible ways to reconfigure the accommodation at Samalaju Lodges in line with clients' needs.

### Samalaju Resort Hotel

Perched on a 23-acre site along Tanjung Similajau, the 175-room Samalaju Resort Hotel development accords picturesque views of both the South China Sea and the Similajau National Park. Designed to be an oasis of calm amidst the bustle of the fast-growing SIP, the hotel offers 148 rooms and suites, as well as nine chalets (housing three rooms each). Equipped with amenities for both business travellers and those looking for a comfortable getaway, the hotel's amenities include swimming pools, a gym, a karaoke room, meeting and function rooms, a coffee house, a lounge, plus a business centre. Samalaju Resort Hotel also caters for corporate events, training sessions, meetings, and team building exercises making it an excellent training venue for both the private and public sectors.

The hotel is situated within short driving distance of companies that have established themselves at the SIP, thereby making it the accommodation of choice for employees of these companies, as well as the many sub-contractors and consultants visiting Samalaju.

## Management Discussion and Analysis by Group Managing Director



# Samalaju Development Division

**The Group's Samalaju Development Division continues to capitalise on developments under the Sarawak Corridor of Renewable Energy or SCORE initiative via several associate companies.**

### SAMALAJU INDUSTRIAL PARK

One of five growth nodes under the SCORE initiative, the Samalaju Industrial Park or SIP is the largest single industrial park in Malaysia. Spread over 7,000 hectares and home to a host of energy-intensive industries, the SIP is SCORE's most successful node and makes up the bulk of the investment projects approved under SCORE thus far.

As at end 2016, SCORE is reported to have attracted over RM104.0 billion in investments from the private and public sectors with some RM33.64 billion of this going towards 22 approved projects within the SIP. The approved investments into the SIP are envisaged to lead to the creation of over 17,000 job opportunities and the development of a significant long-term sustainable industrial base that will elevate the Malaysian economy into new areas of opportunity. Among the largest approved SIP investments in the pipeline include the US\$3.0 billion steel project by two of China's largest firms, Hebei Xinwuan Steel Group and MCC Overseas Limited, and the US\$2.0 billion methanol project in Bintulu.

Mandated and promoted extensively by the State, the SIP remains an attractive drawing card to investors, particularly heavy and energy-intensive industries that are keen to tap into the competitive edge afforded by Sarawak. Myriad benefits await the participants of the SIP including 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.

The appeal of the SIP was given a tremendous boost in 2Q 2017, when its Samalaju Industrial Port component opened its doors to existing and growing energy-intensive industries within Samalaju. Strategically located within the SIP, the new world-class port covers 393 hectares and is fully equipped with sophisticated systems and equipment. This includes diverse berths, harbour cranes, storage facilities, a conveyer system, reach stackers, heavy and high mast forklifts, excavators, cranes and wheel loaders, among other things.

Developed at a cost of RM1.80 billion, the port is capable of handling seven big vessels at any one time with a productivity capacity or cargo volume of 1,000 tonnes per hour by each of the four conveyor lines. Samalaju Industrial Port can readily increase its capacity with newer and advanced technology in the near future to make it the fastest handling port in the country. It is set to play a vital role in facilitating regional economic growth and delivering significant economic benefits to the players within the SIP, the State of Sarawak and throughout the region.

Today, CMS is capitalising on a variety of opportunities to be a major local participant within SCORE. Our continued involvement in the SIP is expected to serve as a major engine of growth for the Group. Our participation in the SIP comes by way of our being involved in the development of the township adjacent to the SIP. As highlighted in the aforementioned Property Development Division write-up, CMS through our 51%-owned subsidiary company Samalaju Properties Sdn Bhd, continues to be an active participant in the SIP in two core areas, firstly, our property development activities; and secondly, the provision of temporary workers' accommodation through our lodges and our hotel.

We are also participating in the SIP via our 25% equity stake in OM Materials (Sarawak) Sdn Bhd and in OM Materials (Samalaju) Sdn Bhd. This involves the development of a smelter with a 170,000 - 200,000 MTpa ferrosilicon alloys capacity and 250,000 - 300,000 MTpa manganese alloys capacity. The smelter began production in FY 2017.

Another investment in the SIP involves us taking up a 44.25% 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. The plant is expected to be commissioned by 2020.

The approved investments into the SIP are envisaged to lead to the creation of over 17,000 job opportunities and the development of a significant long-term sustainable industrial base that will elevate the Malaysian economy into new areas of opportunity.

## Management Discussion and Analysis by Group Managing Director



# Strategic Investments Unlisted Associates



↑ Ferrosilicon and Manganese Alloys Smelter



Total Ferrosilicon Production

**174,539** MT



Total Manganese Alloy  
Production

**173,910** MT

### FERROSILICON AND MANGANESE ALLOYS SMELTING PLANT

CMS is involved in the development and operations of a ferrosilicon and manganese alloys smelter in the SIP via a 25% equity stake in OM Materials (Sarawak) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd, while the remainder 75% is owned by OM Holdings Ltd, an Australian-listed vertically integrated miner, smelter and trader of ferroalloys and ores. The project centres on the development of a production facility with a 170,000 - 200,000 MTpa ferrosilicon alloys capacity and a 250,000 - 300,000 MTpa manganese alloys capacity (silicomanganese and high carbon ferromanganese).

While physical construction of Phase 1 of the ferrosilicon production facility was completed back in 2015, excessive production and inventory of ferroalloys in the overall ferroalloys markets at that time led to a substantial market slowdown. In order to diversify the product mix and reduce the impact of unfavourable market conditions on any one product type, the Company shut down six furnaces in plant A in FY 2016 and proceeded to undertake a reconfiguration of the product mix, adding manganese alloys to its production capability.

As a result of this, among other measures, OM Materials (Sarawak) was able to realign its business and diversify its product offerings. By reducing its reliance on the weakened ferrosilicon market, the business was able to position itself to benefit from the stronger market that began to emerge in 2017, as well as explore opportunities to fill the regional manganese alloy supply gap. The year in review saw demand for ferrosilicon recovering on the back of the revival in steel industry margins and reduced production in China. Today, against the backdrop of Sarawak's lower-than-market power pricing and its logistical advantages, the reconfiguration of the product mix is enabling OM Materials (Sarawak) 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 FY 2017, nine ferrosilicon furnaces and six manganese alloy furnaces were in operation. Ferrosilicon production output achieved a total production of 174,539 MT for the entire year which exceeded the nameplate daily production capacity of 55 MT per furnace. Meanwhile, total manganese alloy production touched some 173,910 MT in FY 2017 with most of the manganese alloy furnaces having

## Management Discussion and Analysis by Group Managing Director

been successfully ramped up to full production during the year on the back of in-house engineering and production expertise.

In FY 2017, even though OM Materials (Sarawak) was profitable in the second half of the financial year, the Company recorded a loss before tax of RM18.33 million primarily due to the delay in its ramp-up schedule and unrealised exchange losses arising from the weakening of the US Dollar. Given that 15 furnaces are now in operation, and that the price of ferrosilicon is soaring due to tight supply, management expects the Company to be profitable in FY 2018, even after allowing for currency exchange fluctuations. Notwithstanding market conditions, Management will do its part to continuously optimise production efficiencies and the sales-mix to meet market requirements, while simultaneously leveraging on strong technical teams with a good execution track record.

Over the long-run, we envisage that market demand for both ferrosilicon and manganese alloys from the smelter will strengthen on the back of long-term growth prospects for steel production in the region. The smelter too is expected to reap the benefits of competitive energy costs, a 10-year tax holiday with no import and or export duties, and its strategic proximity to growing East Asian markets.

Moreover, the binding market price-linked offtake arrangements with leading industry players for over 60% of production, the changes in industry dynamics (largely driven by rising power prices and labour costs), rising Asian demand for non-China sourced ferrosilicon, higher environmental standards affecting older plants, and the Chinese Government's disincentives to export lower value energy intensive products such as alloys, all bode 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 RM2.0 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 company called Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS). As at 31 January 2018, the shareholding of MPAS was revised with SISB holding a 44.25% equity stake and MPV holding a 37.61% equity stake (previously, each entity held a 40% equity stake in MPAS). Meanwhile, AESB holds the remaining 18.14% equity stake (previously, a 20% equity stake).

Today, MPAS is focusing its efforts to raise the financing for the integrated phosphate complex that will have an annual production capacity (by 2020) of approximately 500,000 MTpa of food, feed and fertiliser phosphate additives, 100,000 MTpa of ammonia and 900,000 MTpa 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 Sarawak's competitive power rates. It will employ nearly 1,200 skilled workers and employees and is likely to 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 RM2.0 billion and promotes the development of local intellectual property and the sharing of technology through a mutually beneficial joint venture. 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) that contain phosphorous in 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.

### INFORMATION & COMMUNICATION TECHNOLOGY BUSINESS

CMS' Information & Communication Technology (ICT) Division is tasked with growing our ICT-related businesses. The Division's efforts currently centre on looking after the Group's interests in our associate company, SACOFA Sdn Bhd, in which we have a 50% non-controlling equity stake.

SACOFA is a Sarawak-based telecommunications infrastructure and services provider that was accorded a 20-year exclusive right (back in March 2002) to build, manage, lease and maintain telecommunication towers in Sarawak. The Company was also granted "deemed native status" allowing it to acquire native lands in the State for the construction of telecommunication facilities.

CMS' 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 resources that SACOFA has, it is well positioned to support the State's ambitious telecommunications and broadband coverage targets, and in the longer-term to help make Sarawak both a regional hub for telecommunications-related activities and to help strengthen its economy.

In FY 2017, SACOFA maintained its strong earnings with revenue totalling RM205.00 million (FY 2016: RM194.77 million) and PBT amounting to RM105.82 million (FY 2016: RM98.20 million).

SACOFA continues to grow its asset portfolio through strong organic growth by expanding and fiberising its network. In FY 2017, it rolled out more than 270 towers bringing the total number of telecommunication

## Management Discussion and Analysis by Group Managing Director



↑ SACOFA's Four-legged telecommunications tower

towers it now operates throughout Sarawak to more than 1,300 with more than 11,000km of fibre optic cabling in place.

In 2Q 2017, SACOFA's efforts received a boost when Chief Minister of Sarawak, YAB Datuk Patinggi (Dr.) Abang Haji Abdul Rahman Zohari Bin Tun Datuk Abang Haji Openg announced the rollout of the blueprint to transform Sarawak's economy into a digital economy. To underscore the State Government's commitment in this area, an initial RM1.0 billion investment has been allocated to ensure Sarawak's ICT infrastructure is able to support the digital industries, commerce and investment that the State intends to draw in.

In November 2017, the Sarawak State Legislative Assembly passed the Sarawak Multimedia Authority Bill 2017, paving the way for the formation of the Sarawak Multimedia Authority (SMA). At the same time, the first version of the Sarawak Digital Economy Strategy Book 2018-2022, a document outlining the 'Vision, Mission and Strategies and 47 Strategic Actions', was launched thus heralding the start of the transformation of Sarawak into a digital economy.

Sarawak's digital economy aims to create an entirely new dimension of development and growth for the State by creating new jobs for young people in both the urban centres and rural areas, transforming the way they live and do business. It will challenge the traditional models of doing business in Sarawak and allow young, new entrepreneurs and business people to move to the forefront. The formation of an E-Commerce Transformation Plan up to 2030 for the youth, dubbed E-Com Y30, will prepare youth at the Digital Village within the Samajaya Free Industrial Trade Zone to graduate as e-Commerce start-ups and entrepreneurs with digital knowledge. All these developments augur well for SACOFA which fully supports the State's Digital Economy policy and vision.

The year in review saw SACOFA making strong inroads in several areas. The Company was awarded nine clusters (89 sites) by the Malaysian Communications and Multimedia Corporation (MCMC) under the T3E Phase 3, demonstrating SACOFA's strength in delivering world-class infrastructure in the State, on time and within budget. The project will take seven months to complete commencing 1Q 2018. SACOFA was also successful in renewing its NFP, NSP and ASP(C) Licences with the MCMC thereby demonstrating the confidence the regulator has in SACOFA's legal and regulatory compliance undertakings and its day-to-day operations.

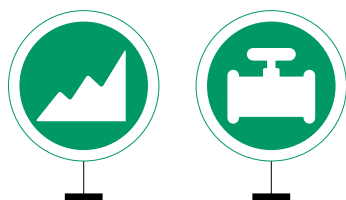
The SACOFA Open Fibre Internet Access (SOFIA) platform continues to be rolled out throughout the State. The most recent phase in FY 2017 involved SACOFA partnering with Celcom to deliver high speed internet access to tenants at Samalaju Properties' Eco Park Project.

SACOFA also went on to sign a memorandum of understanding (MOU) with PT Super Sistem Ultima (PT SSU), a telecommunications infrastructure specialist from Indonesia, for shared usage of an undersea fibre-optic cable linking East Malaysia with Peninsular Malaysia, Singapore and Indonesia under 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. The interconnectivity is expected to enhance the broadband experience particularly for Bruneians, East Malaysians and Indonesians in the Riau and Kalimantan areas, who will have access to higher broadband speeds at affordable prices. The boost in internet connectivity, coupled with the State's abundant hydro-electric power, is also expected to enhance Sarawak's prospects of attracting data centres.

SACOFA also signed an MOU with Datastream Technology Sdn Bhd (DST), the largest telecommunication player in Brunei Darussalam, via DST's wholly-owned subsidiary, DST International (B) Sdn Bhd, to form a strategic collaboration to bring international broadband quality to Sarawak. This partnership will be highly beneficial to broadband consumers in Sarawak as the synergy of activities will leverage on DST's strong partnership with MyRepublic, a highly reputable industry player in the broadband services arena. DST's in-depth telecommunications experience, together with its association with MyRepublic, and SACOFA's experience in providing ICT infrastructure, will all lend towards the realisation of high quality and affordable broadband services in Sarawak.

As a responsible concession holder, SACOFA continues to roll out its SACOFA4U community outreach programme, among the primary goals of which are to bridge the digital divide by strengthening telecommunication penetration in the rural areas and to develop an e-knowledge society. To date, SACOFA4U has provided free high-speed Wi-Fi services to 10 locations and will continue to expand its reach to more communities in the future. The programme covers schools, institutions of higher learning, religious places, government buildings and public areas. The SACOFA4U initiative underscores the importance of connectivity as a catalyst for growth and development in Sarawak by reaching out to larger, more sparsely populated communities across the State. Moving forward, SACOFA will continue to work with the MCMC, SMA, as well as the State and Federal Governments to support the Sarawak Rural Transformation Programme and improve connectivity in the hinterland and rural communities.

## Management Discussion and Analysis by Group Managing Director



# Strategic Investments Listed Associates

### KENANGA INVESTMENT BANK BERHAD

CMS is today the single largest shareholder of Kenanga Investment Bank Berhad (Kenanga) and its Group of Companies by virtue of a 25.38% equity stake. Established more than four decades ago, Kenanga, is listed on the Main Board of Bursa Malaysia. 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 2017, Kenanga registered a revenue of RM697.63 million (FY 2016: RM585.32 million) and a PBT of RM40.62 million (FY 2016: RM32.54 million). The higher PBT was mainly due to higher brokerage income of RM188.67 million (FY 2016: RM143.05 million) as a result of the improved market condition whilst Bursa Average Daily Trading Value for the year under review has reached RM5.10 billion (FY 2016: RM3.90 billion) per day.

As part of its efforts to digitalise and diversify its offerings to capture the millennial segment, Kenanga entered into a joint venture in 2016 with Rakuten Securities, Inc - one of the main subsidiaries of Japanese e-commerce and Internet group, Rakuten Inc (Rakuten). The joint venture company, Rakuten Trade Sdn Bhd (*formerly known as EB Global JV Sdn Bhd*), commenced business on 18 May 2017 as Malaysia's first fully online broker.

In 2017, Kenanga continued to garner a host of awards and accolades reflecting its strong market position. These included Outstanding Contribution in the Investment Banking Sector, Creativity in Digitalising Its Investor Outreach from Securities Commission Malaysia; Best Retail Equities Participating Organisation (Champion) and Best Remisier (1<sup>st</sup> Runner-Up) by Bursa Malaysia.

During the year, Kenanga's asset management subsidiary, Kenanga Investors Group (KIG), which consists of Kenanga Investors Berhad (KIB), and Kenanga Islamic Investors Berhad (KIIB), received its fair share of recognition. The Kenanga OnePRS Growth Fund, Kenanga OnePRS Conservative Fund and the Kenanga Growth Fund were selected as Fundsupermart.com's Recommended Unit Trusts, while KIG was awarded the Investors' Choice - Fund House of the year 2017 by Fundsupermart.com.

*Asia Asset Management*, a Hong Kong based publication, awarded Mr Ismitz Matthew De Alwis, Executive Director and Chief Executive Officer of KIG, the title "CEO of the Year", while Ms Lee Sook Yee, Chief Investment Officer, KIG was awarded the title "CIO of the Year". In addition, *Asia Asset Management* awarded KIB the Best Pension Fund Manager Award. KIG was also named Best Equity Group (Islamic) while two of its funds bagged awards: the Kenanga Syariah Growth Fund was lauded Best Equity Fund (Islamic) under the 10-years category, while Kenanga Malaysian Inc Fund was named Best Equity Fund (Provident)

under the 3-years category at The Edge|Thomson Reuters Lipper Malaysia Fund Awards 2018 event.

Kenanga's derivatives subsidiary, Kenanga Futures Sdn Bhd (KF), clinched the title Best Trading Participant - Equity & Financial Derivatives (Champion), Best Overall Derivatives Trading Participant (1<sup>st</sup> Runner-Up), as well as Best Institutional Derivatives Trading Participant (1<sup>st</sup> Runner-Up) from Bursa Malaysia.

### KKB ENGINEERING BERHAD

The CMS 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.

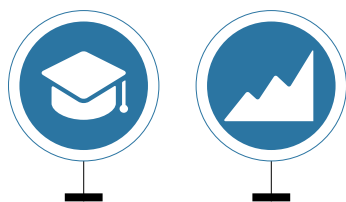
KKB is focusing its efforts on expanding its steel fabrication activities so that it can undertake larger and more complex projects, including those from the oil and gas sector. In line with this, KKB is leveraging on its new and modern fabrication plant that incorporates an open yard and heavy load-out 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 2017, OMSB successfully completed its two projects secured from Repsol Oil & Gas Malaysia Limited for Engineering, Procurement and Construction works on the Bunga Pakma Wellhead Riser platforms and Kinabalu Redevelopment Project. In January 2018, KKB increased its shareholding in OMSB, resulting in OMSB becoming a 60.81%-owned subsidiary company of KKB.

The slump in crude oil prices globally has inevitably affected oil and gas producing countries, including Malaysia. The CAPEX 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 2017, KKB recorded a net profit of RM3.26 million (FY 2016: Net loss of RM5.74 million) on the back of higher consolidated revenue of RM209.30 million (FY 2016: RM103.10 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 KKB 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.

## Management Discussion and Analysis by Group Managing Director



# Strategic Investments Others

In FY 2017, the FUM by COPE Private Equity declared record returns on capital and a gain amounting to RM305.60 million to its investors. On the back of its good performance, COPE Private Equity managed to raise a capital commitment of RM275.00 million for its fourth fund, COPE Opportunities IV, in 2017.

### COPE PRIVATE EQUITY SDN BHD

*(formerly known as CMS Opus Private Equity Sdn Bhd)*

COPE Private Equity Sdn Bhd is a private equity firm whose primary objective is to deliver long-term capital gains through investments in unlisted emerging growth companies in Malaysia. Established in 2006, COPE Private Equity has grown from strength-to-strength to become one of the leading private equity firms in Malaysia. With Funds under Management (FUM) of over RM500.00 million, the Company today is one of the few established private equity firms adopting Shariah-compliant investment principles for some of its funds.

FY 2017 was a watershed year for COPE Private Equity, having successfully exited three investments in the Logistics, Water & Utilities and Engineering Services sectors. One of its divestments which returned a money multiple of 7.3 times the capital invested, was identified by the Centre for Asia Private Equity Research as attaining the top exit performance in South East Asia in 1H 2017. Preqin, the leading private equity publication, in 3Q 2017 identified the Company's COPE 2 Fund as being among the Top 5 Performing Growth Funds in the world between 2010 and 2014.

In FY 2017, the FUM by COPE Private Equity declared record returns on capital and a gain amounting to RM305.6 million to its investors. On the back of its good performance, COPE Private Equity managed to raise a capital commitment of RM275.00 million for its fourth fund, COPE Opportunities IV, in 2017. The final close for this fund is expected in FY 2018.

Moving forward, COPE Private Equity will continue to expand its FUM and add value to its investee companies, while identifying appropriate high growth investments and retaining its talent pool. In early 2018, the Company underwent a rebranding exercise and changed its name from CMS Opus Private Equity to COPE Private Equity. This name is meant to reflect a fresh identity and perspective as the Company prepares for the next chapter in its journey of growth.

### CMS EDUCATION SDN BHD

CMS is involved in the development of our nation's future leaders through subsidiary CMS Education Sdn Bhd, the owner and operator of the Tunku Putra School. The School, which is located on an 18.51-acre campus in Kuching's Petra Jaya, first opened its doors to students in January 1997. Today,

it provides kindergarten, primary and secondary-level classes for national and international streams.

The 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, together 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. The year in review saw one of the school's top students receiving the accolade "Highest achiever in Malaysia in IGCSE Geography" for achieving outstanding results in the November 2016 IGCSE session.

The School continues to explore ways and means to deliver top notch education. In late 2017, CMS Education formed a partnership with HELP Education Services to take the School up to the next level. Under this initiative, students will be exposed to an array of intellectual, emotional physical, social, moral and spiritual, as well as artistic and creative elements aimed at developing their full potential. These holistic learning experiences coupled with career and leadership development training will ensure students receive a solid, well-rounded education.

Consequently, in March 2018, CMS Education Sdn Bhd, Ibraco Berhad and the HELP Education Group announced a partnership to establish the Tunku Putra-HELP International School in Kuching. The new Tunku Putra-HELP International School will begin its first intake in January 2020 at its new purpose-built campus, which will have a 1,500-student capacity.

This move will strengthen Tunku Putra School's role as a strategic asset that is contributing towards the State's development by ensuring staff of overseas investors working in Sarawak, as well as local parents, have access to a high standard of international schooling for their children.

For the year in review, Tunku Putra School generated gross revenue of RM10.40 million with 634 students enrolled at the end of the academic year. During the year, there were 156 new applications as compared to 133 new applications in FY 2016.

## Management Discussion and Analysis by Group Managing Director

### BUSINESS RISKS

As CMS moves forward 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 these key risks below, as well as the respective risk mitigation strategies.

#### RISK #1 - INVESTMENT RISK

##### Over-reliance on joint venture (JV) partners

As one of the major corporations in a fast-developing State, there is a lot of untapped potential in Sarawak from which the Group could benefit. Having said that, the Group also recognises its limitations in terms of financial resources, technical expertise, human resources and so on to undertake these kinds of projects on its own. As such, over the years, the Group has entered into various joint ventures to leverage on our JV partners' expertise to undertake projects in the State. Whilst the Group is confident about the feasibility of the projects that we enter into, one of the challenges posed is that the Group must constantly remind itself that it must not be overly complacent to rely too heavily on our JV partners to drive these projects.

To manage this risk, the Group has identified mitigation actions which include setting up of JV/partnership working committees, as well as an in-house project management team to ensure sufficient internal project ownership and control. The Group also conducts regular meetings with JV partners, employees and other stakeholders to ensure that these projects can be completed on spec and on time and their operations optimised successfully.

#### RISK #2 - EXTERNAL RISK

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

Despite the gradual recovery of commodity markets over the course of the year, the Group is cautious that its operations remain vulnerable to volatile economic and market conditions including fluctuating global commodity prices, as well as overall market supply and demand.

Recognising that very limited mitigation actions can be undertaken to materially downgrade this risk, the Group aims to reduce this risk by putting in place initiatives relating to its two industrial plants – that is to carefully evaluate and limit CAPEX to only critical items. At the same time, the Group is 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 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.

In regard to risks pertaining to Samalaju Properties Sdn Bhd, such as the slow take-up of space at the Samalaju Industrial Park among other things, we have identified mitigation actions which include CAPEX deferrals, reductions in the land premiums payable, as well as strict cost controls and adjustments to product offerings so that the prices and supply are in line with market demand and trends.

#### RISK #3 - 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 were leading towards a globally integrated economy. This destabilisation 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 in political and regulatory conditions may affect the growth and sustainability of the Group both over the short and in the longer-term at different levels. This risk remains one of the Group's top risks even though the Group has firstly visibly positioned itself as an ally supporting the State's overall economic development, as a result of its extensive pan-State presence, its strong balance sheet and its experienced management team.

Recognising these constraints, the Group has implemented several "preventive" controls to manage 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. Further, by remaining focused on ensuring the Group shows a steady upward trend both in profitability and in dividend payments and retains its positioning as the best listed proxy investment for Sarawak's growth story, the Group has been able to attract significant investment into its shares by leading Federal and State investment institutions, in addition to the many profitable joint ventures it has with State agency, Sarawak Economic Development Corporation. This has helped to improve the Group's image and positioning in the community generally, as well as among corporate and governmental circles where the Group is seen as a valuable partner and ally to the State by helping it achieve its developmental goals.

## Management Discussion and Analysis by Group Managing Director

### RISK #4 - EXTERNAL RISK

#### Exchange rate fluctuations

Following the sharp decline of the Ringgit Malaysia (Ringgit) to the US Dollars (USD) in 2016, relative volatility has continued to impact exchange rates. This affects our business investments and operations, especially the Cement Division, due to foreign currency denominated purchase of raw materials. Recognising that this volatility will continue, we are closely monitoring the movement of the USD against the Ringgit in order to decide on the timing of purchasing and use of USD.

However, there is limited mitigation action that can be taken to downgrade this risk at our associate level, as was the case at OM Materials (Sarawak) Sdn Bhd, which was impacted on this front in 2017. CMS' influence over its associate companies is at the Board level only, with the respective management of our associate companies being responsible for implementing their own mitigation actions.

### RISK #5 - 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 the third-party consultants involved; and working closely with proven JV/strategic partners who have industry knowledge and can make the appropriate financial commitment. On top of this, we ensure that measures such as a multi-tiered approval process and a Project Risk Scorecard that can be reviewed, approved and periodically updated by the relevant Group Board, among other things are in place in every new venture.

For further details on the principal risks of the Group, please refer to the Group Risk Committee Report on pages 76 to 77.

### 2018 OUTLOOK

The global upswing in economic activity that began in 2016 continues to strengthen. Global growth, which in 2016 was the weakest since the global financial crisis at 3.2%, is projected to have risen to 3.7% in 2017 and its forecast to rise to 3.7% in 2018. Broad-based upward revisions in the euro area, Japan, emerging Asia, emerging Europe, and Russia – where growth outcomes in 1H 2017 were better than expected – more than offset downward revisions for the United States and the United Kingdom.

But the recovery is not complete: while the baseline outlook is strengthening, growth remains weak in many countries, and inflation is below target in most advanced economies. Commodity exporters, especially of fuel, are particularly hard hit as their adjustment to a sharp stepdown in foreign earnings continues. And while short-term risks are broadly balanced, medium-term risks are still tilted to the downside. The welcomed cyclical pickup in global activity thus provides an ideal window of opportunity to tackle the key policy challenges – namely to boost potential output while ensuring its benefits are broadly shared, and to build resilience against downside risks. A renewed multilateral effort is also needed to tackle the common challenges of an integrated global economy facing threats from nationalist sentiments.

The Malaysian economy is expected to remain resilient in 2018, with real GDP forecast to expand between 5% and 5.5% (2017: 5.9%), led by domestic demand. The domestic economy is expected to experience broad-based growth across a range of diversified sectors. Domestic demand is expected to remain the primary anchor of growth, underpinned by robust growth in private-sector expenditure.

Under Malaysia's Budget 2018, over RM6.80 billion has been allocated for a range of infrastructure development projects in both Sabah and Sarawak. This augurs well for the State of Sarawak and for the Group given that this impacts positively on the areas we are active in. Among the allocations is a RM1.0 billion allocation to the Malaysian Communications and Multimedia Corporation or MCMC for the development of communications infrastructure and broadband facilities in both States; RM2.0 billion for projects under the Pan-Borneo Highway; nearly RM500.00 million for rural road projects in Sabah and Sarawak; and another RM620.00 million for rural electrification projects in both States.

The Sarawak State budget continues to be development-focused to stimulate economic activities and sustain growth. Some RM5.75 billion or 70% of the total budget is allocated for development and RM2.48 billion for operating expenditure. Of the development allocation, some 53% or RM3.06 billion would be provided for rural areas in 2018, higher than the RM2.65 billion allocated in 2016 and RM2.98 billion in 2017. The rollout of the State's digital economy blueprint and the related budget allocation too augurs well for Sarawak which is fast becoming one of the region's most attractive investment destinations.

In 2016, external headwinds buffeted Sarawak and economic growth declined. However, with global economic growth steadily on the uptrend again, the State is back on track to achieve its economic ambitions. Several factors, including the State's strong underlying fundamentals, are being brought into play to ensure Sarawak maintains its good growth momentum. One of these is the Sarawak Socio-Economic Transformation

## Management Discussion and Analysis by Group Managing Director

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 RM180.0 billion is required to transform the State from all angles. The first phase of SETP will be carried out under the 11<sup>th</sup> Malaysia Plan 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 to RM61,406. While macroeconomic headwinds may have 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.

Under the SCORE initiative, Sarawak envisages that it will attain the following growth milestones by 2030, namely a five-fold rise in the State's GDP and the creation of 1.60 million additional jobs. With RM334.0 billion expected to be injected into Sarawak's economy by 2030 (approximately 20% from the Government and 80% from the private sector), we are 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.

Some nine years on, SCORE is on track with its goal 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 the Group's early involvement as a major local private sector participant in multiple areas of SCORE, CMS 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 CMS' solid track record, strong balance sheet, unrivalled private sector knowledge of SCORE, our Management's professionalism and bandwidth, plus our synergised portfolio of Sarawak-based businesses, potential partners know they can count on us to strengthen their projects' appeal.

### OUR PROVEN STRATEGIES FOR SUCCESS

As the Group moves forward to sustain its growth momentum, we will focus our efforts on strengthening the good foundations laid thus far. Hailed as one of the best proxy-listed investments for Sarawak's accelerating economic growth, CMS' long-term strategy calls for us to ride the Sarawak's growth story by leveraging on two key strategic, yet synergised, 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.

In the first instance, we have taken up a 25% equity stake in OM Materials (Sarawak) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd, and a 44.25% equity stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd. While these businesses are not run by us, we do hold strategic stakes in them and expect them to yield long-term, sustainable and transformational profits growth through careful oversight and nurturing.

In the second instance, we expect our role as a key State infrastructure facilitator to strengthen with the Government having identified long-term initiatives such as the RM27.0 billion 1,663km-long Pan Borneo Highway as a key step towards boosting investment and economic activity in the State. Today, our core infrastructure-related businesses including our cement manufacturing, construction materials trading, premix, quarries, road maintenance and construction which contribute to the bulk of our revenues. As we ramp up the pace of development in relation to our Kuching land banks and the Samalaju township, our role in township and property development too is set to strengthen. Our investment in SACOFA, our ICT infrastructure development arm, also bodes well for us in the long-run.

Today, CMS is a professionally-run company in an economy which is set to grow for many years still. The market needs professionally-run companies like ours that transcend the political landscape and have the financial and management resources to play a strong role to help the economy grow. We have a responsibility to ensure we offer the market the right products and services on the right terms to meet evolving needs. To this end, we will adopt new ideas such as the digital economy, the Internet of Things, new types of cement and green buildings using recycled materials, as well as sustainable or new road surfacing materials. The list is endless and we will continue to scour the world for what we need to introduce or to adopt. At the same time, we will continue to listen closely to the State's agenda and priorities.

In our efforts to secure sustainable business growth these last few years, we have been guided by three business blueprints, namely the strategies under our *9-Point Scorecard* and our *ROAR V2 Strategy*, as well as the more recent *Edging Strategy*.

The strategies under our *9-Point Scorecard* have helped us maintain our good growth momentum and we will continue to look to them to stimulate growth and ensure we deliver a consistent, robust performance. These nine strategies dictate that we sustain solid and sustainable profits; uphold prudent financial policies to ensure a strong balance sheet; and ensure an experienced and professional management team is steering CMS forward. We are also called to undertake strong corporate governance measures; enhance ties and build respect among the communities that we serve; as well as gain strong support from our shareholders and bankers. Finally, we are to set our sights on private sector-driven profitability; leverage on a strong SCORE play; and develop, for future use, an expertise which will take us beyond Sarawak's shores.

## Management Discussion and Analysis by Group Managing Director



This year will see us making one final roar under our *ROAR V2 Strategy* which we introduced in 2012 and which is nearing its end. Standing for *Restructure, Organise, Advance and Roar*, this strategy has been integral to ensuring we deliver a proven flow of sustainable profits from a portfolio of synergised businesses. *ROAR V2* has also been instrumental in helping us propel closer towards fulfilling our ambition of becoming a Top 30 Company in Malaysia with RM10.0 billion plus in market capitalisation.

Our third strategy, the *Edging Strategy*, which we introduced back in 2016, serves to complement our existing initiatives, as well as 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 within our existing portfolio to create significant growth. Often overlooked by companies, business opportunities in the “near field of vision” or on the “edge” of a company’s range of focus, often carry missed opportunities for success with lower risks than a *Blue Ocean Strategy* or a greenfield expansion.

Following the incorporation of an *Edging Strategy* into their management plans and budgets, our core businesses have all met with some initial success. The Construction Materials & Trading Division for instance has been exploring the use of waste slag from smelters at Samalaju Industrial Park and using this as road base with good effect, as well as successfully finding new private sector customers to grow its sales. They have also been exploring the use of innovative new technologies for the premix plants, as well as the extension of a second line at the Sibanyis quarry. We are also looking at new construction revenue by securing additional works from existing concession contracts.

Our trading arm has extended its product lines, while our Property Development Division, having repositioned itself as a quality developer, is now initiating its own large-scale projects for pre-committed customers. Across all Divisions, there has been a successful drive to bring in new customers especially in the private sector. On the Human Resources front, we are automating our systems and across the board looking to develop a digital road map to optimise both our processes to improve

efficiency and to identify new business opportunities. All in all, the Group’s businesses are making good progress as they incorporate more out-of-the-box thinking and new technologies into their daily activities so that we do not get overtaken by other more dynamic entities.

As CMS goes about its business, we recognise that we need to stand out from other businesses, while remaining relevant to our diverse stakeholders. As such, we are focusing our 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 criterion calls for the setting up of a workplace environment with an abundance of moral values, loyalty, common purpose, empathy, team spirit and a sense of fairness. The same team that created this strategy is in place to roll out this strategy thereby ensuring continuity.

As we work on 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 to 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.

## Management Discussion and Analysis by Group Managing Director

### IN APPRECIATION AND GOODBYE

Some 43 years have passed since CMS was founded and CMS continues to grow from strength to strength as one of Sarawak's leading infrastructure facilitators. Our success to date comes on the back of the unstinting support of many parties.

On behalf of the Board of Directors, I wish to convey my heartfelt gratitude to our valued customers, suppliers, business partners, the Federal and State Governments and agencies, as well as our joint venture partners (including in particular State agency, Sarawak Economic Development Corporation) and our associate companies. Thank you for your unwavering trust and belief in CMS, as well as for extending us your firm support and cooperation.

I wish to express my utmost gratitude to our Board of Directors for their wise counsel and astute insights which helped guide us through the year's many challenges and emerge an even more resilient organisation.

To the CMS family of employees, my sincere gratitude for your hard work, unswerving loyalty and dedication to excellence. You never cease to amaze me with your amazing tenacity and I know you will all continue to step up to the plate in all that you are called on to do.

As you may know, I retired as Group Managing Director on 31 December 2017 after having served CMS for over 11 years. In that time, my team and I have worked hard to lay some solid groundwork for the next phase of CMS' transformational growth. The Group's businesses now all have a clear strategic direction that will carry them to greater heights. Our profits are now solidly sustainable, diversified and on a clear upward trend reflecting Sarawak's own economic growth. On top of this, we can now expect future transformational profit growth once our energy-intensive investments in OM Materials (Sarawak) and Malaysian Phosphate Additives (Sarawak) are completed, fully commissioned and accelerate into profitability. Moreover, today we have engaged, competent and high performing employees at all levels which gives us the bandwidth to manage our businesses and to grow.

As I retire from this position, I am pleased to have two talented leaders, who are both proudly Sarawakian and whom I have personally mentored, succeed me. This is all the more exciting for me, especially because I know them, their qualities, expertise and capabilities.

Dato Isaac Lugun and Mr Goh Chii Bing, who will serve as Group Chief Executive Officer - Corporate and Group Chief Executive Officer - Operations respectively, step up to the plate to manage the Group in two distinct areas as part of the Board's dual leadership strategy. Dato Isaac brings with him a wealth of experience in the corporate and strategic

investment areas, while Mr Goh, brings his accumulated expertise in core business operations. Dato Isaac will manage the Group's corporate strategic investments that include our associate companies in smelting, financial services and telecommunications infrastructure, while Mr Goh will oversee the Group's core Business Divisions, including cement, construction materials, property development, construction and road maintenance. As both these distinct areas of our business need very focused attention to realise their considerable potential, the Board decided after due consideration that two separate but complementary CEOs would best serve our specific needs.

These two talented 'CMS-grown' leaders bring with them an intimate understanding of CMS' businesses built up over the last 20 years or so and a shared belief in the Group's direction. Collectively, their proven track record and profound business acumen translates into an absolute continuity that all stakeholders can leverage on as we usher in a new era of leadership for CMS. Both gentlemen will work together with our current Group Chief Financial Officer, Tuan Syed Hizam Alsagoff, to deliver on our targets while I will remain on the Board as a Non-Independent Non-Executive Director. These three gentlemen's familiarity with the workings of CMS instils in the Board a confidence that our succession planning is sound, solid and geared for even greater success.

As I bid you all goodbye, I wish to express my heartfelt gratitude to all our stakeholders. Thank you for your very kind support all these years. A big thank you to my CMS family of the past 11 years, the Directors, Management and staff of CMS. Please accept my sincerest and humblest apologies for any offence caused and for any shortcomings in my time with CMS. It has been a wonderfully fulfilling time for me and I owe a very special thanks to our Chairman (who first suggested I should apply for this job) and for our Group Executive Director for their support and guidance over the years.

I wish the entire CMS family every success, especially my successors whom I know can lead CMS to the next level. Thank you and may our CMS truly become the '**PRIDE** of Sarawak and Beyond'.

Yours sincerely,



**DATO' RICHARD CURTIS**  
Group Managing Director

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## Undertaking development that strengthens communities

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On 26 August 2017, Projek Bandar Samariang Sdn Bhd celebrated 20 years of growth and development. The Group's involvement in the development of the Bandar Samariang township is consistent with Sarawak's greater plan to continue on a growth path that will deliver long-term opportunities and development for the State and its people. We are humbled yet elated to have played a part in developing this quality, sustainable township and creating strong community linkages that will endure for the long-term.



## Embedding Sustainability into Our Strategy

As CMS sets its sights on sustainable long-term growth, we remain committed to implementing responsible management and sustainable development practices on the Economic, Environmental and Social (EES) fronts.



### ECONOMIC

Following the embedding of an *Edging Strategy* into Divisional management plans and budgets, our core businesses all met with some early success in 2017.



### ENVIRONMENTAL

We made good progress on our 'CMS Goes Green' Awareness Campaign project, which calls for us to reduce our carbon foot print and utility bills.



### SOCIAL

In 2017, our CMS employee volunteers dedicated a total of 48,420 man-hours (2016: 45,434 man-hours) for CSR activities including fund-raising charity sales, rebuilding communities, jog-a-thons, community work and much more.

In 2017, CMS once again made solid progress in its pursuit of responsible business and sustainable growth by turning in noteworthy EES performances. One of the Group's key achievements, was our success in maintaining our status as a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index for the second consecutive year. This demonstrates that we are steadily entrenching ourselves in the international market as a progressive and ethical company and continuing to create long-term shared value for our stakeholders. Today, our value creation activities see us making the most of top-line growth opportunities, bottom-line improvements and risk mitigation activities. As the agenda of sustainability continues to be embedded throughout the Group, we continue to uphold excellence and drive innovation throughout our businesses. This in turn is enabling us to achieve greater business efficiency and a keener competitive edge without compromising on our EES performance.

To find out more about our 2017 sustainability initiatives and activities, please turn to our third standalone Sustainability Report titled 'Connecting Communities. Delivering Value', which is available for download from CMS' corporate website at [www.cmsb.com.my/investor-relations/reports/sustainability-reports/](http://www.cmsb.com.my/investor-relations/reports/sustainability-reports/).

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## Creating the infrastructure that binds people together

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In building the State's telecommunication towers and undertaking the fiberisation of the same, our telecommunications infrastructure and services provider associate, SACOFA Sdn Bhd, is creating the infrastructure that links communities together. In 2017, SACOFA rolled out more than 100 towers bringing the total number it now operates throughout Sarawak to more than 1,000 with more than 10,000km of fibre optic cabling in place. SACOFA's rollout of its SACOFA4U community outreach programme too has done much to bridge the digital divide by strengthening telecommunication penetration in rural areas.



## Board of Directors' Profile



male

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

*Group Chairman*

*Independent, Non-Executive Director*

**Nationality** Malaysian

**Age** 66

**Date of Appointment** 10 May 2006

#### **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 11 years, Tan Sri Syed Anwar was re-appointed as an Independent Non-Executive Director at the Company's 42<sup>nd</sup> 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, Malakoff Corporation 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 Malaysia Airports Holdings 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 Company.

Tan Sri Syed Anwar has attended all six (6) meetings of the Board of Directors in the financial year ended 31 December 2017.

## Board of Directors' Profile



male

### Y BHG DATO SRI MAHMUD ABU BEKIR TAIB

*Deputy Group Chairman*

*Non-Independent, Non-Executive Director*

#### Member

Nomination &  
Remuneration  
Committee

<b>Nationality</b>	Malaysian
<b>Age</b>	54
<b>Date of Appointment</b>	23 January 1995

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 CMS Property Development Sdn Bhd. He is also a director of CMS subsidiaries in cement, construction and road maintenance, construction materials and trading, strategic investments divisions and 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 five (5) out of six (6) meetings of the Board of Directors in the financial year ended 31 December 2017.

## Board of Directors' Profile



male

### Y BHG DATUK SYED AHMAD ALWEE ALSREE

*Group Executive Director*

**Member**  
Group Risk  
Committee

<b>Nationality</b>	Singaporean (Permanent Resident of Malaysia)
<b>Age</b>	52
<b>Date of Appointment</b>	4 September 2006

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 non-independent non-executive 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 Cement Industries Sdn Bhd (formerly known as CMS Clinker Sdn Bhd), CMS Education Sdn Bhd, CMS Land Sdn Bhd, CMS Roads Sdn Bhd, CMS Pavement Tech Sdn Bhd, HELP IBRACO CMS 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 ten (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 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 six (6) meetings of the Board of Directors in the financial year ended 31 December 2017.

## Board of Directors' Profile



male

### Y D H DATO' RICHARD ALEXANDER JOHN CURTIS

*Non-Independent, Non-Executive Director*

<b>Nationality</b>	British (Permanent Resident of Malaysia)
<b>Age</b>	66
<b>Date of Appointment</b>	4 September 2006

Dato' Richard Alexander John Curtis was appointed to the Board on 4 September 2006 as Group Managing Director. He retired on 31 December 2017 and remains as a Non-Independent Non-Executive Director of the Company effective 1 January 2018. Dato' Richard 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. He also pursued his own businesses (1988-1997) in retail, consultancy and construction. Dato' Richard was Chief Executive Officer of The Melium Group (1997-2000), a leading Malaysian retail company and F&B chain operator.

Dato' Richard is a non-independent non-executive director of Kenanga Investment Bank Berhad. He is also a director of a number of CMS subsidiaries in cement, construction materials and trading, construction and road maintenance and property development divisions. Dato' Richard is a trustee of Yayasan Raja Muda Selangor. He 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 director and/or major shareholder of the Company.

Dato' Richard has attended five (5) out of six (6) meetings of the Board of Directors in the financial year ended 31 December 2017.

## Board of Directors' Profile



male

### Y BHG DATUK SERI YAM KONG CHOY

*Independent, Non-Executive Director*

#### **Chairman**

Group Risk  
Committee

#### **Member**

Nomination &  
Remuneration  
Committee

**Nationality** Malaysian

**Age** 64

**Date of Appointment** 5 May 2015

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. He also sits on the boards of several CMS subsidiary companies. He 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 Company.

Datuk Seri Yam has attended all six (6) meetings of the Board of Directors in the financial year ended 31 December 2017.

## Board of Directors' Profile



male

### Y BHG DATU HUBERT THIAN CHONG HUI

*Independent, Non-Executive Director*

**Nationality** Malaysian

**Age** 70

**Date of Appointment** 6 June 2012

**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 Betong Premix Sdn Bhd. He is also a director of several CMS subsidiaries in cement, construction materials and trading, construction and road maintenance and property development divisions. Datu Hubert was the former Chairman of LAKU Management Sdn Bhd, a wholly-owned company of the State Government of Sarawak. 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 Company.

Datu Hubert has attended all six (6) meetings of the Board of Directors in the financial year ended 31 December 2017.

## Board of Directors' Profile



male

### CHIN MUI KHIONG

*Independent, Non-Executive Director*

**Chairman**  
Group Audit  
Committee

<b>Nationality</b>	Malaysian
<b>Age</b>	63
<b>Date of Appointment</b>	3 August 2015

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

Mr Chin has attended all six (6) meetings of the Board of Directors in the financial year ended 31 December 2017.

## Board of Directors' Profile



### UMANG NANGKU JABU

*Non-Independent, Non-Executive Director*

<b>Nationality</b>	Malaysian
<b>Age</b>	41
<b>Date of Appointment</b>	21 September 2017

Madam Umang Nangku Jabu was appointed to the Board of CMS on 21 September 2017. She holds a Bachelor of Business (Business Information Systems) and a Masters of Finance, both from RMIT University in Melbourne, Australia. Madam Umang also holds a Graduate Diploma in Industrial and Employee Relations and Master of Management in Human Resource in Management, both from Monash University, Melbourne, Australia.

Madam Umang has been working in the private sector as a Director of a number of companies. Currently, she is an independent non-executive director of Sarawak Plantation Berhad and a member of the Board of Trustees of the Iban Women's Charitable Trust.

Madam Umang does not own any shares in the Company and has no family relationship with any other director and/or major shareholder of the Company. She is a director and major shareholder of Betong Premix Sdn Bhd, a subsidiary company of CMS. She is also a major shareholder of DISA Sdn Bhd, which in turn is a major shareholder of CMS Wires Sdn Bhd, a subsidiary company of CMS.

Since her appointment, Madam Umang has attended one (1) meeting of the Board of Directors in the financial year ended 31 December 2017.

1. None of the Directors has been convicted of any offence (other than traffic offences) within the past five (5) 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 52 / 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 ten (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 in 2012.

#### 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 Cement Industries Sdn Bhd (*formerly known as CMS Clinker Sdn Bhd*), CMS Education Sdn Bhd, CMS Land Sdn Bhd, CMS Roads Sdn Bhd, CMS Pavement Tech Sdn Bhd, HELP IBRACO CMS Sdn Bhd and a director of several CMS subsidiaries.

#### Shareholdings

Datuk Syed Ahmad's shareholdings in CMS is set out on page 198.

#### 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 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 BHG DATO ISAAC LUGUN

*Group Chief Executive Officer - Corporate*

Male / Aged 60 / Malaysian

Dato Isaac Lugun joined CMS on 8 January 1996 and assumed the position of Group Chief Corporate Officer on 1 August 2017 which was re-designated as Group Chief Executive Officer – Corporate on 1 January 2018.

#### Responsibilities

Dato Isaac Lugun is responsible for Group Strategy, Corporate Communications, Investor Relations, Risk, Legal, Internal Audit and Secretarial Services of the Group. He oversees the Group's strategic investments in energy-intensive industries at Samalaju Industrial Park: in OM Materials (Sarawak) Sdn Bhd, a world-class manganese ferro alloy plant and in Malaysian Phosphate Additives (Sarawak) Sdn Bhd, a phosphate additives plant which, when completed, will be the largest in South East Asia, as well as the Group's strategic investment in SACOFA Sdn Bhd, a telecommunications infrastructure and service provider.

#### 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 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, Samalaju Hotel Management Sdn Bhd, Samalaju Management Services Sdn Bhd, Malaysian Phosphate Additives (Sarawak) Sdn Bhd, Samalaju Port Sdn Bhd and SACOFA Sdn Bhd.

#### Shareholdings

Dato Isaac Lugun holds 5,000 ordinary shares in CMS.

#### Family Relationship With Any Director And/Or Major Shareholder

Dato Isaac Lugun has no family relationship with any director and/or major shareholder of CMS.

## Senior Management Team



### GOH CHII BING

*Group Chief Executive Officer - Operations*

Male / Aged 56 / Malaysian

Goh Chii Bing joined CMS on 26 October 1992 and assumed the position of Group Chief Operating Officer on 1 August 2017 which was re-designated as Group Chief Executive Officer – Operations on 1 January 2018.

#### Responsibilities

Goh Chii Bing is responsible for the Group's business/operations, Human Resources, Procurement and Safety & Health.

#### Experience

Before assuming his current role, he has over five (5) years of experience as the Head of Cement Division, which includes the production of cement, clinker, ready-mix and range of precast concrete products including Industrialised Building System (IBS) products and solutions. He has also 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 (Hons). 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 Executive Director of CMS Works Sdn Bhd. He is also a director of Betong Premix Sdn Bhd, Cahya Mata Sarawak Management Services Sdn Bhd and many CMS subsidiaries in cement, construction materials & trading, construction & road maintenance and property development.

#### Shareholdings

Goh Chii Bing holds 149,000 ordinary shares in CMS.

#### Family Relationship With Any Director And/OR Major Shareholder

Goh Chii Bing has no family relationship with any director and/or major shareholder of CMS.



### SYED HIZAM ALSAGOFF

*Group Chief Financial Officer*

Male / Aged 50 / 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, CMS I-Systems Berhad, Al Wasatah Al Maliah Company (Closed Joint Stock Company), Saudi Arabia, and several CMS subsidiaries and associates.

#### Family Relationship With Any Director And/OR Major Shareholder

Syed Hizam Alsagoff has no family relationship with any director and/or major shareholder of CMS.

## Senior Management Team



### MOHAMED ZAID ZAINI

Head, Information & Communication  
Technology Division  
Chief Information Officer

Male / Aged 44 / Singaporean

Mohamed Zaid Zaini joined CMS as Head of Business Development 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. He was also appointed as the Managing Director of SACOFA Sdn Bhd, an associate company of CMS on 4 March 2016.

#### Responsibilities

Under his Chief Information Officer role, Mohamed Zaid is responsible for the overall management and operations of the Group Management Information Systems Department, overseeing a team of IT employees, systems, networks/servers, applications and support services throughout the Group.

As Head of the ICT Division, he is on the constant lookout for potential ICT opportunities for CMS, and also oversees and drives CMS' current investment and interest 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 at Webvisions Australia, for over ten (10) years. Throughout his career, he has held various positions in the areas of Business Development, Sales and Marketing, Accounts and Project Management at 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.

#### Directorships

Mohamed Zaid is a director of SACOFA Sdn Bhd, Pinnacle Tower Sdn Bhd, Sacofa Services Sdn Bhd and Sarawak Gateway Sdn Bhd.

#### Family Relationship With Any Director And/Or Major Shareholder

Mohamed Zaid is the brother-in-law of Datuk Syed Ahmad Alwee Alsree, Group Executive Director of CMS.



### DAVID LING KOAH WI

Group General Counsel

Male / Aged 48 / 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.

#### Family Relationship With Any Director And/Or Major Shareholder

David Ling has no family relationship with any director and/or major shareholder of CMS.

## Senior Management Team



### DANNY SIM WEI MIN

Senior General Manager, Group Procurement

Male / Aged 52 / 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.

#### Family Relationship With Any Director And/Or Major Shareholder

Danny Sim has no family relationship with any director and/or major shareholder of CMS.



### TAN MEI FUNG

General Manager, Group Finance

Female / Aged 58 / 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.

#### Family Relationship With Any Director And/Or Major Shareholder

Tan Mei Fung has no family relationship with any director and/or major shareholder of CMS.

## Senior Management Team



### ABDUL NASSER BIN MOHD SANUSI

Senior General Manager, Special Projects

Male / Aged 61 / 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.

#### Family Relationship With Any Director And/Or Major Shareholder

Abdul Nasser has no family relationship with any director and/or major shareholder of CMS.



### WENDY YONG SAN SAN

Senior General Manager,  
Group Human Resources

Female / Aged 47 / 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.

#### Directorships

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

#### Family Relationship With Any Director And/Or Major Shareholder

Wendy Yong has no family relationship with any director and/or major shareholder of CMS.

## Senior Management Team



### FRANCIS LOU CHEE NGEE

*Group Internal Auditor*

Male / Aged 50 / 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 26 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 Certified Internal Auditor and is a member of the Institute of Internal Auditors Malaysia (IIAM). He is also a current committee member of the IIAM Sarawak District Society.

#### Directorship

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

#### Family Relationship With Any Director And/Or Major Shareholder

Francis Lou has no family relationship with any director and/or major shareholder of CMS.



### LIM JIT YAW

*Head, Construction & Road Maintenance Division*

Male / Aged 50 / 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 inaugural 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.

#### Family Relationship With Any Director And/Or Major Shareholder

Lim Jit Yaw has no family relationship with any director and/or major shareholder of CMS.

## Senior Management Team



### VINCENT KUEH HOI CHUANG

*Head, Property Development Division*

Male / Aged 61 / 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, Laguna Avenue Sdn Bhd, Samalaju Properties Sdn Bhd, Samalaju Hotel Management Sdn Bhd and Samalaju Management Services Sdn Bhd.

#### Family Relationship With Any Director And/Or Major Shareholder

Vincent Kueh has no family relationship with any director and/or major shareholder of CMS.



### CHONG SWEE SIN

*Head, Construction Materials & Trading Division*

Male / Aged 54 / Malaysian

Chong Swee Sin joined CMS on 6 June 1991 and assumed his current position as 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 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.

#### Family Relationship With Any Director And/Or Major Shareholder

Chong Swee Sin has no family relationship with any director and/or major shareholder of CMS.

## Senior Management Team



### GOH CHII YEW

*Chief Executive Officer,  
Samalaju Properties Sdn Bhd*

Male / Aged 49 / 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 the commissioning of the steel plant, he continued to oversee the plant's 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.

#### Family Relationship With Any Director And/Or Major Shareholder

Goh Chii Yew has no family relationship with any director and/or major shareholder of CMS.



### SUHADI SULAIMAN

*Acting Chief Executive Officer,  
Cement Division*

Male / Aged 48 / Malaysian

Suhadi Sulaiman joined CMS in March 2005 and assumed his current position as Acting Chief Executive Officer of the Cement Division on 1 August 2017.

#### Responsibilities

Suhadi Sulaiman is responsible for the strategic direction, performance and management of the Division. He is responsible for all day-to-day management decisions and for implementing the Division's long and short-term plans. The scope of responsibility covers the production of semi-finished product clinker, production of various grades of Portland Cement and the production of downstream products such as ready-mix concrete and precast concrete products such as the Industrialised Building System (IBS) components and solutions.

#### Experience

Before assuming his current role, he has more than 20 years of experience in various industries in Kuala Lumpur and Sarawak. Since joining CMS, he has also been with the Construction & Road Maintenance Division and CMS Infra Trading Sdn Bhd. His various experiences in the Group has accorded Suhadi Sulaiman with the unique

position of having been in the positions of user/customer, dealer and now manufacturer of cement and concrete.

#### Qualifications

Suhadi Sulaiman graduated from Universiti Teknologi MARA (UiTM) in 1993 with a Bachelor Degree in Accountancy. He is a Council Member of The Cement and Concrete Association of Malaysia, as well as a Member of The Federation of Malaysian Manufacturers.

#### Directorship

Suhadi Sulaiman does not hold directorship in other companies and listed companies.

#### Family Relationship With Any Director And/Or Major Shareholder

Suhadi Sulaiman has no family relationship with any director and/or major shareholder of CMS.

Save for Y Bhg Datuk Syed Ahmad Alwee Asree and Mohamed Zaid Zaini, none of the Senior Management team has any family relationship with any Director/Major Shareholder and has no conflict of interest with the Company. None of the Senior Management team has been convicted of any offence (other than traffic offences) within the past five (5) years and any sanction/penalty imposed by the relevant regulatory bodies during the financial year.

## Corporate Governance Overview Statement

**Dear Shareholders,**

**This section of the Annual Report sets out how we approach governance and the implementation of our principles and compliance with formal governance codes. It is to be read in conjunction with the Corporate Governance Report, which is accessible online through our website at [www.cmsb.com.my](http://www.cmsb.com.my).**



*Board Charter*  
The Board of CMS adopted its Board Charter on 26 February 2014. In 2017, the Board reviewed and approved the revisions to the Board Charter to be consistent with recommended best practices including the MCCG 2017. The Board Charter is available online at the Company's website at [www.cmsb.com.my](http://www.cmsb.com.my).

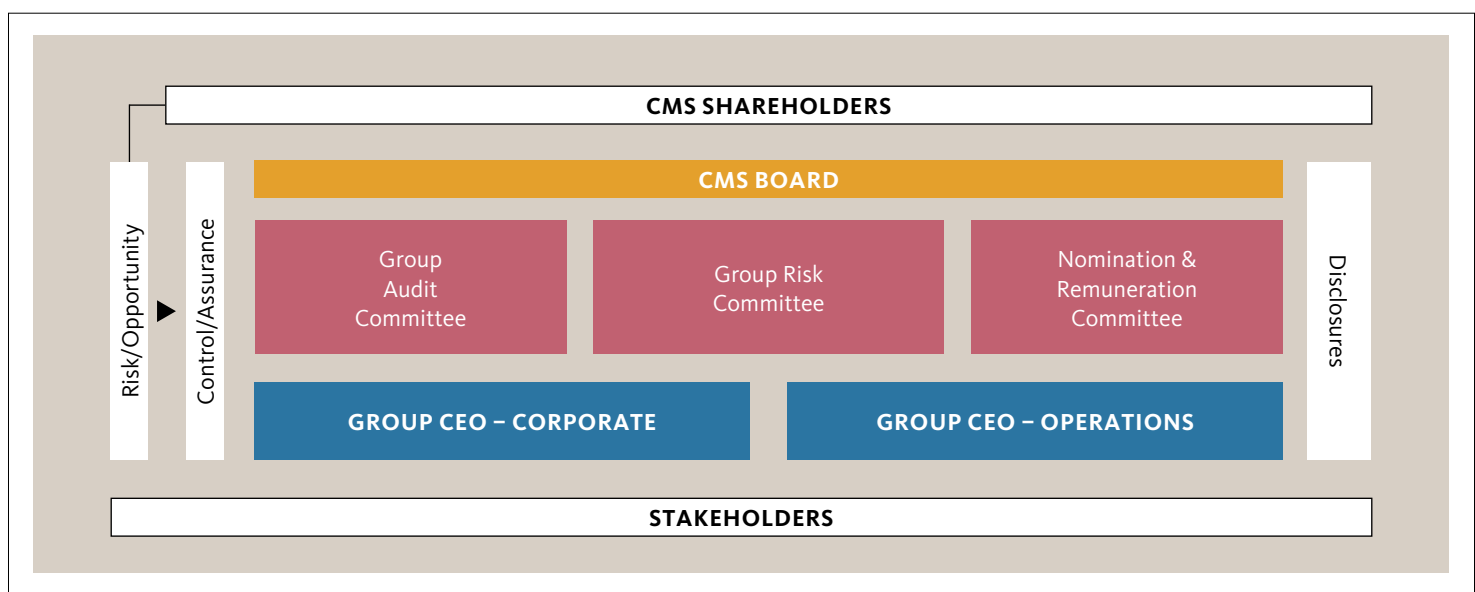
Our Board is committed to ensuring that it provides effective leadership and promotes a culture of uncompromising ethical standards based on honesty, integrity, openness and effective debate. As individuals, we believe that the highest standard of corporate governance is vitally important to the success of the business and will contribute to improve Company performance, as well as help the Board discharge its duties in the best interests of shareholders and for the long term success of the Company. The Board achieves this by requiring that good governance principles and practices are adhered to and are embedded throughout the Company.

The Board reviews CMS' long-term strategy and monitors, supports and, where required, challenges the management team, whose role it is to manage the Company successfully day-to-day, driving performance and creating value for our shareholders and other stakeholders. The Chairman leads the Board and for it to be effective in discharging its responsibilities, a level of independence and objectivity is maintained to ensure we have the correct balance of experience and skills and have sufficient knowledge of the operations of the business.

This year, the Board has devoted much of its attention to strategy, market changes and succession planning. Key discussions have been held around operational delivery, our business transformation and the associated business risks and their management. During the year, our Board saw changes to its composition with the retirement of Y A Bhg General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Hj Zainuddin (Retired) and appointment of Madam Umang Nangku Jabu after a long search for a lady director. We also welcomed Dato' Richard Alexander John Curtis to the Board in January 2018 as a Non-Independent Non-Executive Director. Dato' Richard was previously our Group Managing Director and brings an abundance of knowledge, as well as ensuring the smooth transition of the new management.

On 21 July 2017, we announced the appointment of two (2) key positions namely, Dato Isaac Lugun who was appointed Group Chief Corporate Officer and Mr Goh Chii Bing who was appointed Group Chief Operating Officer. Their appointment follows a planned succession of the Group Managing Director's position which the Board decided to abolish. The Board considered their appointment, who are both local candidates and have served the Group in various capacities for many years, was timely to continue the next chapter of the CMS growth journey. Subsequently on 29 December 2017, we announced the re-designation for Dato Isaac Lugun to Group CEO – Corporate and Mr Goh Chii Bing to Group CEO – Operations.

We continue to support and promote diversity within our business and CMS employs a diverse mix of people that reflects the communities we serve. We strongly believe that the business benefits from a diverse Board and Senior Management team in all aspects – age, race, ethnicity, mix of skills and experience and gender – and this facilitates better collective decision-making capacity. We will continue to promote diversity in its broadest sense.



## Corporate Governance Overview Statement

### OUR DIRECTORS AND THE COMPOSITION OF THE BOARD AND COMMITTEES

#### BOARD OF DIRECTORS

##### Independent Non-Executive Directors

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail (Group Chairman)  
Y Bhg Datu Hubert Thian Chong Hui  
Y Bhg Datuk Seri Yam Kong Choy  
Mr Chin Mui Khiong

##### Non-Independent Non-Executive Directors

Y Bhg Dato Sri Mahmud Abu Bekir Taib  
Madam Umang Nangku Jabu (appointed on 21 September 2017)  
Y A Bhg General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Hj Zainuddin  
(retired on 26 April 2017)

##### Executive Directors

Y Bhg Datuk Syed Ahmad Alwee Alsree  
Y D H Dato' Richard Alexander John Curtis (retired as Group Managing Director on 31 December 2017;  
re-designated as Non-Independent Non-Executive Director on 1 January 2018)

##### 6 Meetings/% attendance

24 February 2017 (100%)  
14 March 2017 (87.5%)  
15 May 2017 (100%)  
3 July 2017 (85.7%)  
25 August 2017 (100%)  
29 November 2017 (100%)



#### GROUP AUDIT COMMITTEE

The GAC assists and supports the Board's responsibility of overseeing the Group's operations by reviewing the Group's processes for producing financial information, internal controls and policies and procedures to assess the suitability, objectivity and independence of the Group's external auditors and internal audit functions.

##### Independent Non-Executive Directors

Mr Chin Mui Khiong (Chairman)  
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail  
Y Bhg Datu Hubert Thian Chong Hui

5 meetings  
100% attendance

#### NOMINATION & REMUNERATION COMMITTEE

The NRC assists and supports the Board's responsibility on matters related to nomination of new Directors, Board and Senior Management succession planning and annual assessment of Board, Board Committees and individual Directors' performance. The NRC also oversees the remuneration framework for the Board and employees in the Group.

##### Independent Non-Executive Directors

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail (Chairman)  
Y Bhg Datu Hubert Thian Chong Hui  
Y Bhg Datuk Seri Yam Kong Choy

##### Non-Independent Non-Executive Director

Y Bhg Dato Sri Mahmud Abu Bekir Taib

5 meetings  
95% attendance

#### GROUP RISK COMMITTEE

The GRC assists and supports the Board in overseeing the risk management framework for the Group.

##### Independent Non-Executive Directors

Y Bhg Datuk Seri Yam Kong Choy (Chairman)  
Y Bhg Datu Hubert Thian Chong Hui

##### Executive Director

Y Bhg Datuk Syed Ahmad Alwee Alsree

4 meetings  
100% attendance

## Corporate Governance Overview Statement Leadership

### THE BOARD

The Board is responsible for the stewardship of the Company and overseeing its conduct and affairs to create sustainable value for the benefit of its stakeholders.

The Board is committed to ensuring that it provides effective leadership and promotes uncompromising ethical standards, setting the tone for the Company. All its members have the knowledge, talent and experience to perform the functions required of a Director of the business.

At the end of the year, the Board of CMS comprised the Chairman, two (2) Executive Directors and five (5) Non-Executive Directors. All of the Directors, have attended the Mandatory Accreditation Programme. The biographies of each of the Directors, setting out their current roles, commitments and previous experience, are on page 45 to 52.

The Board holds regular scheduled meetings throughout the year. The Board met six (6) times during the year. The division of responsibilities between the Chairman and the Group Managing Director is fully documented. A summary is set out on page 64.

#### ROLE OF THE BOARD

- a. Together with Management promote good corporate governance and ensure the corporate governance structure is in place including standards of ethical, prudent and professional behaviour to promote a culture of corporate responsibility
- b. Review and adopt the strategic plan and direction for the CMS Group and ensure that resources are available to meet its objectives
- c. Review, challenge and decide on Management's proposals and monitor its implementation by Management
- d. Oversee the conduct of the CMS Group's businesses in accordance with the strategic plan and budgets and take any corrective actions, if necessary
- e. Identify principal risks and ensure the implementation of appropriate internal controls and mitigation measures
- f. Set risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework in place
- g. Ensure the Board and Senior Management have the necessary skills and experience and measures are in place to provide for orderly succession planning including appointing, training, fixing the compensation of and, where appropriate, replacing Senior Management
- h. Review and assess Management performance
- i. Oversee the development and implementation of investor relations and stakeholder communications policies for the CMS Group
- j. Review the adequacy and integrity of the CMS Group's management information and internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines
- k. Approve the appointment, resignation or removal of the Group Company Secretary
- l. Review and approve the financial statements including the annual audited accounts and quarterly reports, dividend, credit facilities from financial institutions and guarantees
- m. Approve the appointment of external auditors for the CMS Group and their related audit fees
- n. Establish such committees, policies and procedures to effectively discharge the Board's roles and responsibilities

## Corporate Governance Overview Statement Leadership

### MATTERS RESERVED FOR THE BOARD

a.	Group strategy, plans and budgets	f.	Acquisitions, disposals and/or transactions exceeding the authority limits of the Group's subsidiary companies including new business activities and/or ventures
b.	Approval of audited and quarterly financial statements	g.	Changes in key policies including dividend policy, procedures and delegated authority limits of the Group
c.	Memorandum and Articles of Association of the Company including amendments	h.	Changes to Senior Management of the Group and organisational structure
d.	Terms of Reference of Board and Board Committees		
e.	Appointment and/or removal of external auditors and auditors' remuneration		

### BOARD COMPOSITION AND ROLES

	Position	Individuals	Role and responsibilities
Chair	Group Chairman	Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	<ul style="list-style-type: none"> <li>Leadership of the Board</li> <li>Lead the Board in establishing and monitoring good corporate governance practices in the Company</li> <li>Oversee the effective discharge of the Board's fiduciary duties</li> <li>Set the Board agenda and ensure Board members receive complete, clear and accurate information in a timely manner</li> <li>Lead in discussion at meetings and ensure effective and efficient conduct of Board meetings</li> <li>Manage Boardroom dynamics and encourage active participation, promoting open debate and allowing dissenting views to be freely expressed thus facilitating the effective contribution of all Directors</li> <li>Schedule regular and effective evaluation of the Board's performance</li> <li>Promote constructive and respectful relations between Board members and between the Board and Senior Management</li> <li>Ensure the Directors have access to necessary training programmes or materials that match up with the identified development areas</li> <li>Ensure steps are taken for effective communications with stakeholders</li> </ul>
	Non-Executive Directors	Y Bhg Datu Hubert Thian Chong Hui Y Bhg Datuk Seri Yam Kong Choy Mr Chin Mui Khiong	<ul style="list-style-type: none"> <li>Non-Executive Directors provide considerable depth of knowledge and experience to the Board. Independent Non-Executive Directors are independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement. Independent Non-Executive Directors provide unbiased and independent views in their deliberations. The independence of the Non-Executive Directors is assessed annually whereby each of these Directors is required to submit a written declaration on their independence.</li> </ul>
Non-Independent	Non-Executive Directors	Y Bhg Dato Sri Mahmud Abu Bekir Taib Madam Umang Nangku Jabu (Appointed w.e.f. 21 September 2017) Y A Bhg General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Hj Zainuddin (Retired on 27 April 2017)	<ul style="list-style-type: none"> <li>Review and challenge Management's strategic proposals taking into consideration the risks involved, merits of the transactions and/or business arrangements</li> <li>Monitor Management's implementation of the approved strategies</li> <li>Provide an objective, independent and balanced view in the Board's deliberations</li> </ul>
	Group Executive Director	Y Bhg Datuk Syed Ahmad Alwee Alsree	<ul style="list-style-type: none"> <li>Implementation of broad policies and strategic investments approved by the Board</li> <li>Acts as a conduit between the Board and Senior Management</li> <li>Formulate and oversee implementation of major corporate policies and strategies adopted by the Board</li> <li>Ensure the CMS Group has an effective management team including an active succession plan and development</li> </ul>
Executive	Group Managing Director	Y D H Dato' Richard Alexander John Curtis (retired as Group Managing Director on 31 December 2017; re-designated as Non-Independent Non-Executive Director on 1 January 2018)	<ul style="list-style-type: none"> <li>Has day-to-day responsibility for managing the Group's operations</li> <li>Makes decisions on matters affecting the operations, performance and strategy</li> <li>Provides leadership and direction to senior management</li> <li>Coordinates all activities to implement strategy for managing the business in accordance with the Group's risk appetite and business plan set by the Board</li> <li>Promotes the Company's culture and standards</li> </ul>

## Corporate Governance Overview Statement Leadership

### BOARD SUPPORT

The Board is supported by the Group Company Secretary who, under the direction of the Chairman, ensures that communication and information flows between Board members and between the Board and management. The Group Company Secretary is also responsible for assisting the Chairman in all matters relating to corporate governance, including the Board evaluation process. Directors are able to take independent professional advice, when necessary, at the Company's expense. From time to time, other members of the management team attend Board meetings to present annual budgets, updates and proposals relating to their areas of responsibility and reporting on regulatory compliance, risk management and internal controls.

### BOARD MEETINGS AND ATTENDANCE

During the year attendance by Directors at Board and Board Committee meetings was as follows:

Name of Board Members	Attendance			
	Board	Committee		
		GAC	NRC	GRC
<b>Chairman, Independent Non-Executive Director</b>				
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	6/6	5/5	5/5	
<b>Independent Non-Executive Directors</b>				
Y Bhg Datu Hubert Thian Chong Hui	6/6	5/5	5/5	4/4
Y Bhg Datuk Seri Yam Kong Choy	6/6		5/5	4/4
Mr Chin Mui Khiong	6/6	5/5		
<b>Non-Independent Non-Executive Directors</b>				
Y Bhg Dato Sri Mahmud Abu Bekir Taib	5/6		4/5	
Madam Umang Nangku Jabu (appointed on 21 September 2017)	1/1			
Y A Bhg General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Hj Zainuddin (Retired on 26 April 2017)	2/2			
<b>Executive Directors</b>				
Y Bhg Datuk Syed Ahmad Alwee Alsree	6/6			4/4
Y D H Dato' Richard Alexander John Curtis	5/6			4/4

All Directors of the Board attended the AGM on 26 April 2017. All Directors of the Board attended the Board Strategic Retreat held on 11 September 2017 in Melaka.

## Corporate Governance Overview Statement Leadership

### BOARD ACTIVITY IN 2017

1. Noted the Group's Business Overview and report on Strategic Investments
2. Received report by Chairmen of respective Board Committees and approved the recommendations thereon
3. Approved the quarterly financial performance and results of the CMS Group
4. Approved the recommendation to the Shareholders on declaration of dividend for the year ended 31 December 2016
5. Approved the consolidated Audited Financial Statements of the Company for the year ended 31 December 2016 and authorised signatories
6. Approved the recommendation to the Shareholders on re-appointment of external auditors for the year ending 31 December 2017
7. Approved the Annual Report 2016 and Sustainability Report 2016
8. Approved the Circular to Shareholders for Recurrent Related Party Transactions and proposed Share Buy Back
9. Approved the 2018 Group Financial Budget and Capital Expenditure
10. Discussed the Group Cash Flow Forecast
11. Noted the proposed amendments of the Company's Memorandum and Articles of Association
12. Approved the revisions to the CMS Group Limits of Authority Manual
13. Approved the renewal of Directors & Officers Liability insurance for the CMS Group
14. Approved the revised organisational structure for the CMS Group
15. Approved appointment of Deloitte Enterprise Risk Services Sdn Bhd to carry out Corporate Governance review
16. Approved appointment of Ernst & Young Advisory Services Sdn Bhd to review Board Charter and carry out Board Effectiveness Evaluation ("BEE") for 2017
17. Approved the appointment of Rahmat Lim & Partners to undertake the review of the Memorandum and Articles of Association for the CMS Group
18. Approved the recommendation for CMS Resources Sdn Bhd to acquire 80% equity interest in Betong Premix Sdn Bhd
19. Approved the Anti-Fraud Management Policy
20. Approved revised Whistle Blowing Policy procedures
21. Noted the Human Resources, Sustainability and Investor Relations reports

## Corporate Governance Overview Statement Effectiveness



### BOARD STRATEGIC RETREAT

8<sup>th</sup> Board of Directors' Strategic Retreat was held in Melaka on 11 September 2017.



### NEW DIRECTOR INDUCTION

New Director, Madam Umang Nangka Jabu attended an induction programme which included a site visit to the Mambong Integrated Plant on 19 October 2017.



### SITE VISIT

Site visit to the Darul Hana Bridge, a project undertaken by PPES Works (Sarawak) Sdn Bhd on 25 August 2017.

### BOARD EVALUATION

The Board, through the NRC, conducts an annual evaluation on its effectiveness as a whole, each individual Director and the Board Committees established by the Board. The Board's effectiveness is assessed on the areas of composition, administration, accountability, responsibility, conduct and performance of each member of the Board and Board Committee including the respective Chairmen.

The NRC engages an external consultant once every three (3) years to facilitate an objective Board evaluation exercise. For 2017, EY was engaged to carry out the BEE.

The outcome of the Board evaluation forms the basis of the NRC's recommendation to the Board for the re-election and/or re-appointment of Directors at the general meeting.

The Board undertakes, through the NRC, an evaluation of its key officers annually.

### CONFLICT OF INTEREST

The Board has a Conflict of Interest policy to manage situations where conflict may arise on the part of Directors.

A Director who is directly or indirectly interested in a transaction or contract entered into or proposed to be entered into by the CMS Group shall be counted only to make the quorum at the Board meeting but does not participate in the decision or vote on the proposal. Such Director declares his interest and abstains from deliberation on the relevant resolution in respect of a related party transaction.

### BOARD INDUCTION AND CONTINUING EDUCATION PROGRAMME

The Board has an induction programme for new Directors that is facilitated by the Group Company Secretary. The new Director, Madam Umang Nangka Jabu, attended an induction programme on 19 October 2017 which included briefing by management and a site visit to the Mambong Integrated Plant.

In addition to the Mandatory Accreditation Programme as required by Bursa Securities, all Directors are provided with the opportunity and are encouraged to attend regular training to ensure they are kept up-to-date on relevant legal developments or changes, best practice and changes to commercial and financial risks. Typical training experience for Directors includes attendance at seminars, forums, conferences and working groups, as well as the provision of information from the Group Company Secretary. In order to fulfil their duties, procedures are in place for Directors to seek both independent advice and the advice and services of the Group Company Secretary. Details of the director's professional training can be found in our corporate governance report, which is available online at [www.cmsb.com.my](http://www.cmsb.com.my).

## Corporate Governance Overview Statement

### Nomination & Remuneration Committee Report

This report provides details of the composition of the Nomination & Remuneration (“the Committee”), a summary of the work of the Committee and how it has met its responsibilities during the year ended 31 December 2017.

#### COMPOSITION

The Committee comprises the following Board members:

**Y A M Tan Sri Dato’ Seri Syed Anwar Jamalullail (Chairman)**  
(Independent, Non-Executive Director)

**Y Bhg Dato Sri Mahmud Abu Bekir Taib**  
(Non-Independent, Non-Executive Director)

**Y Bhg Datu Hubert Thian Chong Hui**  
(Independent, Non-Executive Director)

**Y Bhg Datuk Seri Yam Kong Choy**  
(Independent, Non-Executive Director)

#### MEETINGS IN 2017

During the year ended 31 December 2017, the Committee held five (5) meetings which were attended by the members as follows:

Name of Directors	Total Meetings Attended
Y A M Tan Sri Dato’ Seri Syed Anwar Jamalullail	5/5
Y Bhg Dato Sri Mahmud Abu Bekir Taib	4/5
Y Bhg Datu Hubert Thian Chong Hui	5/5
Y Bhg Datuk Seri Yam Kong Choy	5/5

The Group Executive Director, Group Managing Director and Senior General Manager, Group Human Resource attend the Committee meetings by invitation.

#### SUMMARY OF THE WORK OF THE COMMITTEE IN 2017

##### Remuneration Function:

1. Recommended the remuneration for Non-Executive Directors including retirement gratuity for an NED
2. Recommended the Strategic Performance Management (SPM) for key officers and Key Performance Indicators (KPI) for Heads of Divisions/Departments for 2017 and 2018
3. Carried out a half year review of SPM/KPI for 2017
4. Recommended the guidelines for staff performance contract payment 2016 and salary increment proposals for 2017
5. Recommended the extension/offer of contract of employment for members of Senior Management
6. Recommended the appointment of key officers and remuneration package of senior management
7. Recommended the policy implementation of contract employment post retirement age

##### Nomination Function:

1. Recommended the change in Board and Board composition
2. Reviewed term of office and performance of GAC
3. Evaluated and recommended appointment of suitable candidates on the Board of Directors, Board Committees and Boards of subsidiary companies
4. Reviewed the outcome of the in-house BEE exercise for 2016
5. Recommended the Group Managing Director’s succession plan
6. Reviewed the Senior Management Succession Planning Development for 2017

##### Others:

1. Recommended the training programme for the Board of Directors for 2017
2. Recommended the TOR revisions for Board Committees

#### ROLE OF THE COMMITTEE

The NRC assists and supports the Board’s responsibility on matters related to nomination of new Directors, Board and Senior Management succession planning and annual assessment of Board, Board Committees and individual Directors’ performance. The NRC also oversees the remuneration framework for the Board and employees in the Group.

#### NOMINATION AND RECRUITMENT PROCESS

The NRC plays a key role in the Board recruitment process. In considering potential candidates for Directorships, the NRC takes into consideration the following:

- expertise and experience
- time commitment
- specialist knowledge/technical skills
- diversity in age, ethnicity, gender, experience and background
- conflict of interest, if any

## Corporate Governance Overview Statement Nomination & Remuneration Committee Report

Potential candidates are identified and recommended by Board members and/or major shareholders.

Prior to appointment, potential candidates are invited for interviews with the Group Executive Director, Deputy Group Chairman and/or Group Chairman. They are made aware of the expectations in terms of time commitment to carry out their roles as Directors and attendance at meetings and Group functions. The NRC, in its assessment, considers the number of listed companies the potential Directors are appointed as Directors.

The Group Company Secretary ensures all appointments follow the governance process and the potential Directors submit all necessary disclosures and/or information for the purpose of meeting statutory and other obligations.

### DIRECTOR'S RE-ELECTION

The NRC ensures that the Directors retire and are re-elected in accordance with the relevant regulations and laws, as well as the Company's Articles of Association.

Pursuant to 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.

Pursuant to Article 112 of the Company's Articles of Association, Madam Umang Nangku Jabu who was appointed as a Non-Independent Non-Executive Director in 2017 shall retire at the 43<sup>rd</sup> AGM and being eligible has offered herself for re-election.

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.

The Board recommends the re-election of the following Directors who will be retiring pursuant to Article 110 at the forthcoming AGM and are standing for re-election:

### Y D H Dato' Richard Alexander John Curtis

Dato' Richard Curtis was appointed on the Board as Group Managing Director on 4 September 2006 and retired on 31 December 2017 after serving for more than 11 years. The Board had approved the NRC's recommendation to retain Dato' Richard as a Non-Independent Non-Executive Director of the Company and a number of major operating activities in the Group for one (1) year from 1 January 2018 to 31 December 2018 to provide for an orderly succession of the Board and continuity.

### Y Bhg Datuk Seri Yam Kong Choy

Datuk Seri Yam was appointed on the Board as an Independent Non-Executive Director on 5 May 2015 and has served for more than two (2) years as at February 2018. Datuk Seri Yam is a member of the NRC and was recently appointed as Chairman of GRC on 29 November 2017. He is also a nominated representative on a number of major operating subsidiaries in the Group. The recommendation to re-elect Datuk Seri Yam is supported by his vast experience and knowledge particularly in property development and construction matters. Datuk Seri Yam has and continues to provide high level judgement and ensures robust discussions are held at all Board and Board Committee meetings of which he is a member. As a nominee director on a number of major operating subsidiary companies in the CMS Group, he has and continues to provide strong guidance to Management where he challenges Management in critical quantitative analysis and strategic matters.

### TENURE AND ANNUAL ASSESSMENT OF INDEPENDENT DIRECTORS

In 2017, the NRC carried out an assessment of the following Independent Non-Executive Directors:

- Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail
- Y Bhg Datu Hubert Thian Chong Hui
- Y Bhg Datuk Seri Yam Kong Choy

Save for Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail, the other Independent Non-Executive Directors have served on the Board for less than nine (9) years. A recommendation to retain Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail as an Independent Non-Executive Director was tabled and approved at the 42<sup>nd</sup> AGM on 26 April 2017.

Based on the outcome of the assessment, the Board was satisfied that the above Directors have maintained their independence throughout 2017. Each of the said Directors have provided his annual declaration of independence for 2017.

## Corporate Governance Overview Statement Nomination & Remuneration Committee Report

### BOARD REMUNERATION FRAMEWORK

There is no change to the Board Remuneration Framework since April 2016.

The disclosure of the remuneration of the Board on named basis and the top five (5) Senior Management in bands is set out in Note 10 of the audited financial statement for the year ended 31 December 2017 and the Corporate Governance Report respectively.

The NRC carries out the BEE exercise annually. An external consultant is engaged once every three (3) years to assist the NRC to facilitate an objective and candid board evaluation.

In December 2017, the Board approved the BEE for 2017 to be conducted by an external consultant, i.e. Ernst & Young Advisory Services Sdn Bhd ("EYAS"). The last BEE assessment conducted by an external consultant, i.e. Deloitte Enterprise Risk Services Sdn Bhd, was for 2014.

The BEE 2017 was conducted by EYAS through questionnaires which comprised the Board and Board Committee members' Self and Peer Assessment. In addition, EYAS carried out one-on-one interview sessions with Directors and selected members of Senior Management.

The effectiveness of the Board was assessed in the areas of the Board's responsibilities and composition, meeting process, administration and conduct, interaction and communication with Management and stakeholders and the Board's engagement, as well as the effectiveness of the Chairman and Group Managing Director. The assessment of individual Directors' contribution and performance was conducted based on performance criteria which are incorporated in the Directors' questionnaires. The effectiveness of the Board Committees was assessed in terms of structure and processes, accountabilities and responsibilities, as well as the effectiveness of the Chairmen of the respective Board Committees.

In February 2018, the Board resolved to adopt the BEE 2017 results, which included a Board Skills Assessment Matrix and the key areas for enhancement, as recommended by the NRC. The Board and Board Committees were self assessed as performing and, in many areas, exceeded expectations. For individual Directors, peer assessment showed all Directors are effective.

The Board, through the NRC, also reviewed the following:

Declarations by the four (4) Independent Directors. The Board was satisfied that they display independent judgement in the boardroom.

Self-evaluation of the three (3) key officers, namely GCEO – Corporate, GCEO – Operations and GCFO. The Board was satisfied that they have the requisite character, experience, integrity, competence and time to effectively discharge their respective roles.

Directors' attendance at Board and Board Committee meetings in 2017 which is above the minimum requirements. All the Directors attended the 42<sup>nd</sup> AGM in 2017 and currently serve no more than five (5) public listed companies in Malaysia.

The Board composition and structure. The Board was satisfied with regards to the size and composition.

The results of the BEE 2017 assessments form the basis of the NRC's recommendations to the Board for the re-election of Directors at the forthcoming AGM in 2018.

## Corporate Governance Overview Statement

### Accountability

#### COMMITTEES OF THE BOARD

The Board has three (3) Committees - Audit, Nomination and Remuneration and Group Risk. The composition, responsibilities and activities of each of these Committees are described in separate reports. The Group Company Secretary acts as Secretary to all of these Committees. The Terms of Reference of the Committees are available on the Company's website at [www.cmsb.com.my](http://www.cmsb.com.my)

#### FINANCIAL AND BUSINESS REPORTING

The respective responsibilities of the Directors and auditor in connection with the Financial Statements are explained in the Statement of Directors' Responsibility on page 86 and the Independent Auditor's Report on 94.

#### FAIR, BALANCED AND UNDERSTANDABLE

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. More information can be found on pages 72 to 74 of the Audit Committee Report.

#### INTERNAL CONTROL AND RISK MANAGEMENT

Overall responsibility for the system of internal control, reviewing its effectiveness and ensuring that there is a process to identify, evaluate and manage any significant risks that may affect the achievement of the Group's strategic objectives, lies with the Board.

The Board and the Group Audit Committee have reviewed the effectiveness of the Group's risk management and internal control systems in accordance with the MCCG for the period ended 31 December 2017, and up to the date of approving the Annual Report and Financial Statements. The risk management and internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. The assessment and control of risk are considered by the Board to be fundamental to achieving corporate objectives.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group and assessing the effectiveness of related controls has been established by the Board to ensure an acceptable risk/reward profile across the Group.

The process has been in place throughout 2017, and up to the date of approving the Annual Report and Financial Statements, the key elements of this process are:

- 1 A comprehensive system of monthly reporting from key executives, identifying performance against budgets and forecasts
- 2 Analysis of variances, major business issues, key performance indicators and regular forecasting
- 3 Well-defined policies governing appraisal and approval of capital expenditure and treasury operations
- 4 Regular meetings to identify and discuss key risks and mitigations with a broad sample of the senior management team and the Executive Directors
- 5 Review of the corporate risk register in terms of completeness and accuracy with the senior management team and the Executive Directors
- 6 Group Risk Committee discussion of the corporate risk register and the risk management system with subsequent reports to the Board
- 7 The use of the internal audit function to monitor, validate and report on the Group-wide risk assessment process
- 8 Our process for identifying, evaluating and managing the significant risks faced by the Group and assessing the effectiveness of related controls routinely identifies areas for improvement, but the Board has neither identified nor been advised of any failings or weaknesses which it has determined to be material or significant

More information on the Group's key risks and uncertainties is shown on pages 76 to 77.

## Corporate Governance Overview Statement

### 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 2017.**

#### COMPOSITION

The Committee comprises the following Board members:

**Mr Chin Mui Khiong (Chairman)**

(Independent, Non-Executive Director)

**Y A M Tan Sri Dato’ Seri Syed Anwar Jamalullail**

(Independent, Non-Executive Director)

**Datu Hubert Thian Chong Hui**

(Independent, Non-Executive Director)

#### MEETINGS IN 2017

During the year ended 31 December 2017 the Committee held five (5) meetings which were attended by the members as follows:

Name of Directors	Total Meetings Attended
Mr Chin Mui Khiong - Chairman	5/5 (100%)
Y A M Tan Sri Dato’ Seri Syed Anwar Jamalullail	5/5 (100%)
Datu Hubert Thian Chong Hui	5/5 (100%)

The Committee held three (3) meetings with the external auditors on 23 February 2017, 14 March 2017 and 28 November 2017 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 2017

The Committee carried out its duties in accordance with its terms of reference during the financial year and up to 5 March 2018. 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:

- 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.
- 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.
- 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,

- 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.
- 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.
- 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

## Corporate Governance Overview Statement Group Audit Committee Report

- 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 and approved the remuneration package including performance contract payment for the Group Internal Auditor
  - 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
  - reviewed the quality assessment and improvement programme to ensure that the internal audit function is effective and carries out constant improvement to provide quality and value added services
  - reviewed and approved the revision of 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 23 February 2017 and 24 August 2017 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.
- 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 2018. 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 an associate company affiliated to the external auditor for tax consultancy services to a subsidiary company of the Group. The Committee considered and was satisfied that the said associate company affiliated to the external auditor had the relevant expertise and knowledge and recommended 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.

### 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)
    - Communications (timeliness and transparency)
- ### 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 79 to 84.
  - b) One (1) 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 2017 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.

## Corporate Governance Overview Statement Group Audit Committee Report

### 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.
- 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 MMLR, 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 2017 for inclusion in the Annual Report 2017 and recommended their adoption by the Board.
- e) Reviewed the recommendation to the Board on proposed first and final dividend for the year ended 31 December 2017.

### SUMMARY OF WORK OF INTERNAL AUDIT FUNCTION

It is the policy of the Board 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 objective, 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 (ISPPA).

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 27 years of working experience. He is a Certified member of the Institute of Internal Auditors and has relevant experience to execute the roles and responsibilities of the internal audit function.

The Internal Audit function, which is independent of the activities they audit, has carried out 25 planned audits, one (1) ad-hoc investigation and all related audit follow-up activities during the year. Areas reviewed include:

- Corporate Governance Review
- Enterprise Wide Risk Management Review
- Related Party Transactions Review
- Review of the Group-wide Health, Safety, Environment & Security Processes
- IT Security Review
- ERM Controls Validation Review
- Project Management Audits
- Cement Plant Maintenance Audits
- Audit of Inventory Management (Raw materials and spare parts)
- Audit of Assets Management (Fleet Management Support)
- Process Understanding of State Road Maintenance Operations
- Premix Production Operations Review
- Ad-hoc investigation (Whistle-Blowing Report)
- Physical stocktakes
- Occupational permits tracking

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 2017, eight (8) 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 (9) and the cost of maintaining the function in 2017 amounted to RM1,311,594 (2016: RM1,234,918).

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

## Corporate Governance Overview Statement Group Risk Committee Report

**This report provides details of the composition of the Group Risk Committee (“the Committee”), a summary of the work of the Committee and how it has met its responsibilities, and a summary of the principle risks during the year ended 31 December 2017.**

### COMPOSITION

The Committee comprises the following Board members:

#### **Datuk Seri Yam Kong Choy**

(Appointed as Chairman w.e.f. 29 November 2017)  
(Independent, Non-Executive Director)

#### **Datuk Syed Ahmad Alwee Alsree**

(Stepped down as Chairman w.e.f. 29 November 2017)  
(Group Executive Director)

#### **Datu Hubert Thian Chong Hui**

(Independent, Non-Executive Director)

#### **Dato’ Richard Curtis**

(Stepped down w.e.f. 29 November 2017)  
(Group Managing Director)

### MEETINGS IN 2017

During the year of review, there were four (4) meetings held with a full attendance rate by the Committee members, as table below:

Name of Directors	Total Meetings Attended
Datuk Syed Ahmad Alwee Alsree	4/4
Dato’ Richard Curtis	4/4
Datu Hubert Thian Chong Hui	4/4
Datuk Seri Yam Kong Choy	4/4

The Group Internal Auditor, Group Risk Coordinators and Group Chief Financial Officer attend the Committee meetings by invitation.

### SUMMARY OF THE WORK OF THE COMMITTEE IN 2017

1. Discussed and deliberated on the quarterly Risk Management reports
2. Discussed and deliberated on the risks arising from major/significant projects and business operations
3. Discussed and deliberated the Project Risk Scorecards submitted
4. Received report on the Business Continuity Management Mobilisation Testing results jointly conducted by external consultant and Group Risk Unit and discussed issues arising from the testing
5. Reviewed and recommended to the Board to approve the Enterprise-wide Risk Management Framework (“ERM Framework”)
6. Reviewed and recommended to the Board to approve the revisions to the Committee’s Terms of Reference
7. Approved and endorsed the risk appetite statement
8. Reviewed and recommended to the Board to approve the proposed revision of the composition of the GRC to be in line with “Step Up Practice 9.3” of MCGG 2017

### TERMS OF REFERENCE

The Committee operates in accordance with its Terms of Reference (“TOR”). During the year of review, the Board reviewed and approved the revisions to the Terms of Reference.

The complete and detailed TOR is accessible to the public on the Company’s official website at [www.cmsb.com.my](http://www.cmsb.com.my).

### DUTIES

The Committee was established with the primary responsibility of ensuring the effectiveness of the risk management function at the CMS Group level. The Committee meets at least once every quarter and as and when required to review specific risk related matters.

The duties of the Committee are:

- To provide direction, oversight and advice to the risk management process
- To monitor material risk exposure with potentially significant business impact or requiring a group wide response
- To review the risk management structure or framework, risk management process and support systems and where appropriate recommend changes to cope with the changing environments
- To review and deliberate on key issues and mitigation strategies highlighted in the quarterly risk reports submitted
- To advise the Board on risk related issues and recommend strategies, policies and risk tolerance for Board information and approval as appropriate
- To review and provide oversight on due diligence on corporate proposals and strategic transactions involving acquisitions/disposals in by the Group exceeding RM10.00 million, other than those in the ordinary course of business/operations. The Company shall comply with the relevant provisions as set out in Chapter 10 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad subject to the transaction value of such corporate proposals and strategic transactions
- To review all agreements/contracts pertaining to the set up of a new business not in the ordinary course of existing business
- To review the formation, liquidation, merger and/or corporate reorganisation of the Group

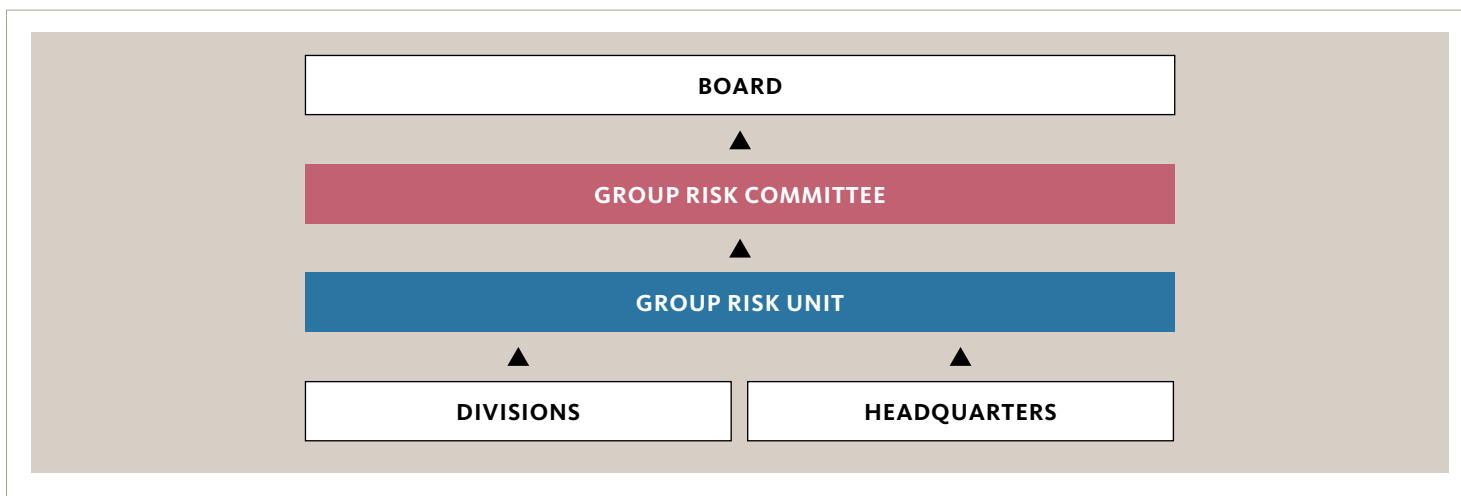
## Corporate Governance Overview Statement Group Risk Committee Report

### OTHER RESPONSIBILITIES

Assess, review, update and recommend any changes to its TOR to the Board of Directors for approval pursuant to changes to the relevant regulatory requirements or when there are changes to the direction and/or strategies of the Company that may affect the Committee's role.

### 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 Divisions decision making process.



### PRINCIPAL RISKS

There are a number of major risks and uncertainties faced by the Group in its business operations which, if not attended to and managed properly, would potentially expose the Group. Our risk management process and controls seek to identify and ensure that appropriate mitigation measures and monitoring are in place to address not only these major risks but also all other risks identified in the risk management process. The major risks are as follows:

Risk Description	Key Controls and Risk Treatment
<b>Investment Risks</b> Whilst the Group is actively looking for good projects and investment opportunities within the State, the Group acknowledges investment risks such as over-reliance on associates or joint venture partners, flawed investment strategy and execution etc. that could potentially derail the Group's investment objectives if not properly managed.	The Group aims to reduce these risks through working with experienced and reputable partners, carrying out adequate due diligence before committing to each project, seeking external advice where necessary and carrying out proper feasibility studies. Risks are also managed through constant monitoring and timely identification of issues and formulating appropriate risk mitigation steps/measures.
<b>Operational Risks</b> 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.
<b>Financial Risks</b> 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.

## Corporate Governance Overview Statement Group Risk Committee Report

Risk Description	Key Controls and Risk Treatment
<b>Strategic Risks</b> 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.

<b>Political Risks</b> There is today a rising destabilisation in what was generally once an increasing 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. Development on the political and regulatory fronts may affect the growth and sustainability of the Group both in the short and in the long-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 (1) of the Group's top risks.	The Group will continue to engage with regulators/government to ensure that the Group are able to obtain up-to-date feedback from the Government on its performance level. In addition, the Group will continue to play an active role as a socially responsible entity and a strong advocate of sustainable practices who cares for the local communities.
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### CONCLUSION

The Committee is confident that a sound risk management environment exists within the Group which is ingrained in the Group's corporate culture and through the implementation of an effective risk management programme that has clear identification of responsibilities, adequate controls functions and subsequent management actions to be taken. The Committee also acknowledges that risk management is an on-going process and will continue to ensure its relevance and effectiveness in order that it will be aligned with and can facilitate towards achieving the Group's vision and mission.

## Corporate Governance Overview Statement

### Relations with Shareholders

#### INVESTOR RELATIONS POLICY

The Board has in place an IR strategy to ensure an effective communication channel between the Company, its Shareholders and the general public. The IR unit was previously headed by the Group Managing Director until his retirement on 31 December 2017. This role is now headed by Group CEO – Corporate with effect from 1 January 2018. The IR unit 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 IR unit 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 the Company's website at [www.cmsb.com.my](http://www.cmsb.com.my).

#### TIMELY 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 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](http://www.cmsb.com.my). The Company uses technology to increase the effectiveness and timeliness of information dissemination. Our corporate website 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](http://www.cmsb.com.my).

#### ANNUAL GENERAL MEETING

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 Managing Director 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.

Suggestions which are received from the Shareholders at the Company's AGM are considered for implementation, where appropriate. The Notice of Meeting for the 43<sup>rd</sup> 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 43<sup>rd</sup> AGM will be put to vote by poll as required under the Main Market Listing Requirements.

#### SUSTAINABILITY STATEMENT

As CMS sets its sights on sustainable long-term growth, we remain committed to implementing responsible management and sustainable development practices on the Economic, Environmental and Social (EES) fronts.

In 2017, CMS once again made solid progress in its pursuit of responsible business and sustainable growth by turning in noteworthy EES performances. One (1) of the Group's key achievements, was our success in maintaining our status as a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index for the second consecutive year. This demonstrates that we are steadily entrenching ourselves in the international market as a progressive and ethical company and continuing to create long-term shared value for our stakeholders. Today, our value creation activities see us making the most of top-line growth opportunities, bottom-line improvements and risk mitigation activities. As the agenda of sustainability continues to be embedded throughout the Group, we continue to uphold excellence and drive innovation throughout our businesses. This in turn is enabling us to achieve greater business efficiency and a keener competitive edge without compromising on our EES performance.

To find out more about our 2017 sustainability initiatives and activities, please turn to our third standalone Sustainability Report titled 'Connecting Communities. Delivering Value', which is available for download from CMS' corporate website at [www.cmsb.com.my/investor-relations/reports/sustainability-reports/](http://www.cmsb.com.my/investor-relations/reports/sustainability-reports/).

**This Corporate Governance Overview Statement was approved by the Board of CMS on 12 March 2018.**

## 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 (“CMS”) for the financial year ended 31 December 2017.**

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 & RESPONSIBILITIES

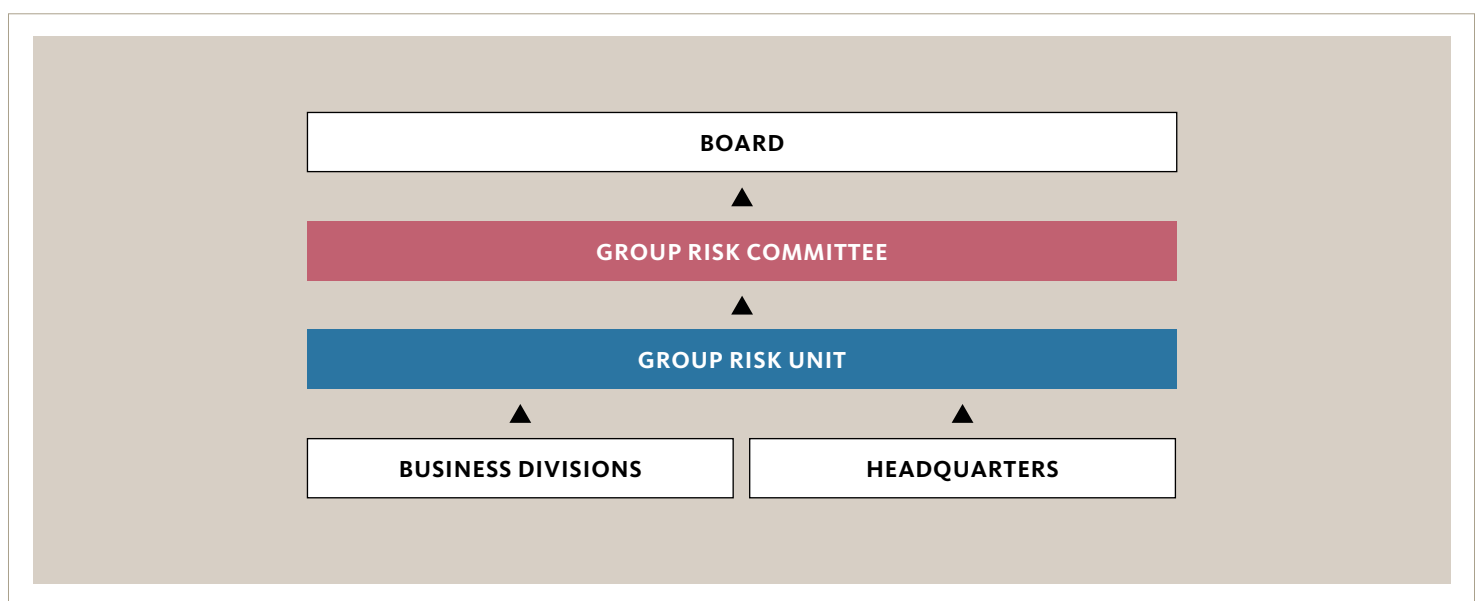
The Board recognises its responsibilities and the importance of sound risk management practices and internal control, and reviewing the adequacy and integrity of those systems. In discharging its stewardship responsibilities, the Board has established a sound risk management and internal control framework – Enterprise-Wide Risk Management Framework (“the ERM Framework”) based on the MS ISO 31000:2010 Risk Management – Principles and Guidelines on Implementation which is also consistent with the guidance provided to Directors as set out in the “Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers”. The ERM Framework, which is embedded into the culture, processes and structure of CMS (“the Group”), and is subject to review by the Board, provides an ongoing process for identifying, evaluating and managing major risks faced by the Group that may affect the achievement of its business objectives and strategies. However, the Board also recognises that the systems and the ERM Framework is a 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.



## Statement on Risk Management and Internal Control

### 2. The Group Risk Committee

A Group Risk Committee (“GRC”) was established by the Board in 2009. 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 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 for the Board’s information, guidance and approval, as appropriate.

The Group’s risk management structure encompasses the whole organisation.

### 3. The Group Risk Unit Function

The Group Risk Unit (“GRU”) facilitates the implementation of the ERM Framework and processes at Headquarters and the respective Divisions. GRU 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 a timely basis.

Additionally, GRU 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.

GRU 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.

### 4. Risk Management Framework & Policy

The Group’s ERM 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. During the year of review, the formalised framework was approved by the GRC and the Board subsequently.

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:

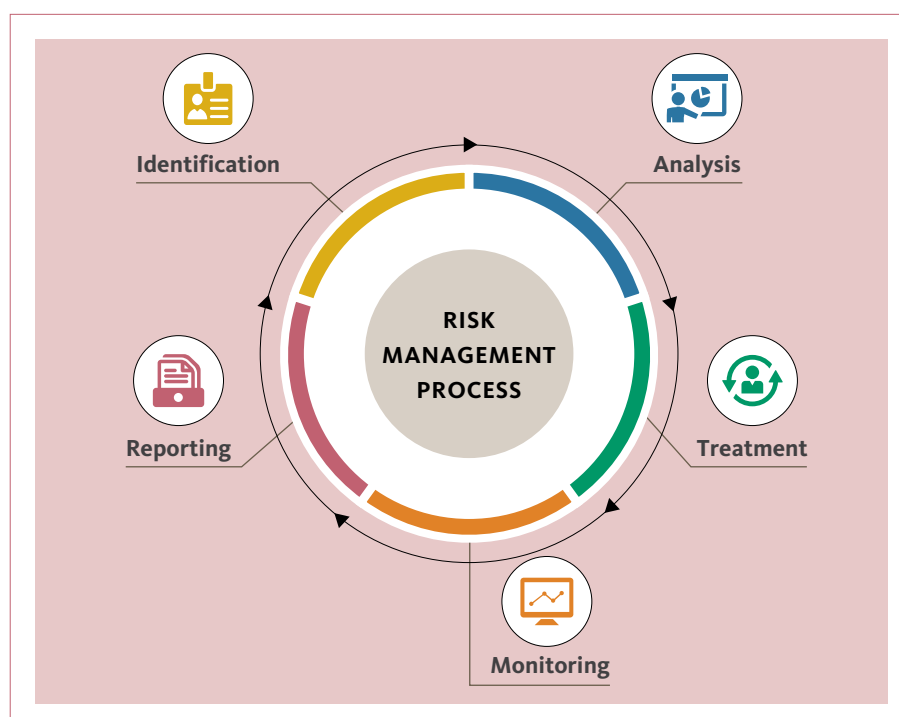
- Informed risk management is an essential element of a corporate strategy
- Effective risk management provides greater assurance that the Group’s strategy and business objectives will be achieved without major surprises
- Each Business Division is responsible for managing risks that can impact the achievement 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

### 5. Risk Appetite Statement

The Group’s risk appetite statement provides a general guideline on the level of risk the Group is willing to accept in order to achieve its business objectives which has been reviewed and approved by the GRC and subsequently the Board.

### 6. 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 summarised in the diagram below:



## Statement on Risk Management and Internal Control

### a) Identification

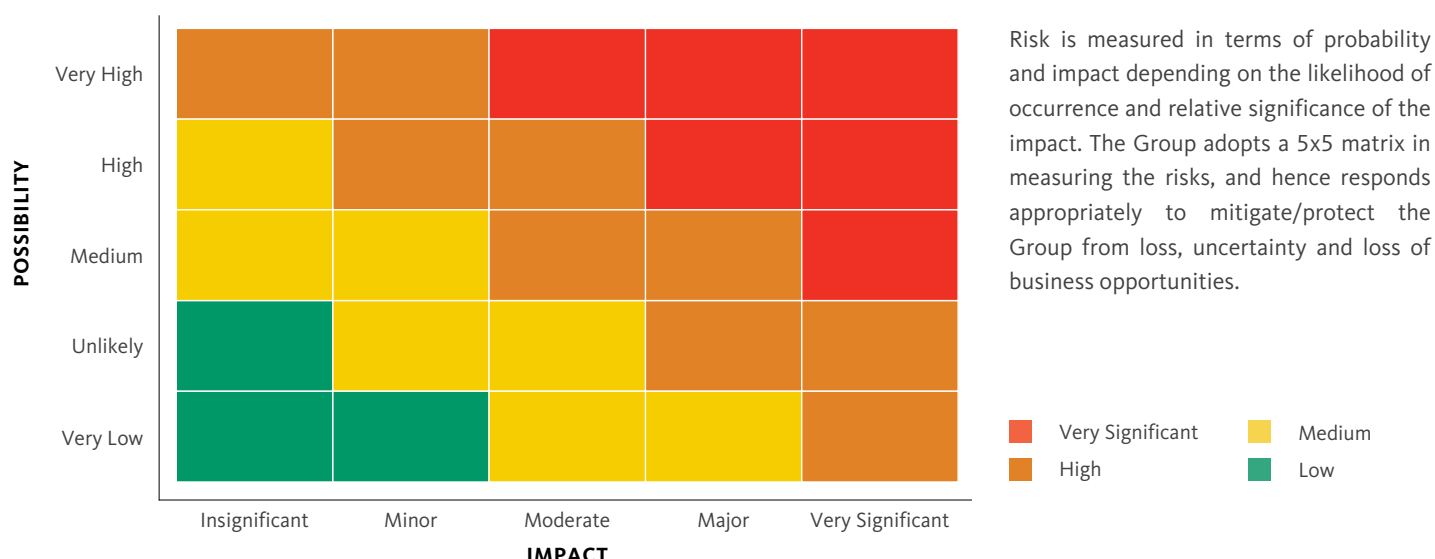
Risks are defined as any event which may have an impact upon its business objectives.

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 RATING HEAT MAP 5X5 MATRIX**



### c) Treatment

Risk treatment in Group entails three (3) lines of control namely:



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 occurring 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 actions.

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.

## Statement on Risk Management and Internal Control

### 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 GRU and Group Managing Director before presentation to the GRC and the Board. Each Division is also required to present the risk reports to their respective Boards periodically to assist them to discharge their governance and fiduciary duties.

## 7. Project Risk Management

As part of the Group's commitment to be a more vigilant organisation, management has utilised the Project Risk Scorecard ("PRS") to manage the Group's project risks. A PRS is 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, 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 these risks and provide periodic updates from time to time.

## 8. Business Continuity Management

Business continuity management ("BCM") is regarded as an integral part of the Group's risk management process. As such, the Group has formulated a business continuity plan ("BCP") 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 BCP 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.

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.

## 9. 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.

## 10. 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 selected 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) Audit on Adequacy of Risk Management Process

During the financial year, Group Internal Audit has carried out an audit on the adequacy of the Group Risk Management Process. The audit result indicates that the Group Risk Management process as a whole, is well-established and operating effectively.

### 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 (1) 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 five (5) of the major Divisions in 2017, and will be gradually rolled out to other Divisions going forward.

## Statement on Risk Management and Internal Control

### d) Bottom-up Risk Management

As part of the aim to make risk management relevant at all levels across the Group, the process of expanding the reporting framework such that 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.

### e) Business Continuity Plan Testing

As part of the BCP improvement programme, the Group has engaged Tricor Roots Consulting Sdn Bhd to plan, develop and execute a BCM exercise to cover the Group's key businesses to improve the Group's capability and readiness to handle major business disruptive event or 'disaster' scenarios, and enhance the Group's corporate reputation as a resilient organisation in the event of a crisis.

The BCM exercise was successfully carried out for CMSB HQ in the second quarter of 2017 based on certain pre-defined disaster scenario.

Going forward, the Group aims to gradually roll-out the BCM programme to other Divisions so that all employees within the Group will be familiar with their roles and responsibilities in an event of crisis.

## 11. 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's Financial Policies and Procedures Manual.
- A detailed Group Procurement Policies and Procedures Manual to regulate procurement of goods and services in the Group. This includes the centralisation of competitive sourcing and evaluation of major purchases to leverage on the Group's buying power and the establishment of a Central Tender Committee which has the responsibility to review and endorse all high value purchases in the Group.
- A detailed 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 subject to robust challenges by the management before they are put forward for approval 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 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 who collectively oversee the financial reporting process, internal controls, risk management and governance to provide assurance to the Board.
- 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 programmes.
- All significant contracts and legally enforceable agreements are vetted by the Group's Legal Department.

## Statement on Risk Management and Internal Control

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 this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

RPG 5 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditor was made solely for, and directed solely to the Board in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the board of directors in respect of any aspect of this report.

**This Statement was approved by the Board of CMS on 12 March 2018.**

## 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 2017 are set out below:

	Company RM'000	Group RM'000
Fees paid/payable to Messrs Ernst & Young and its affiliates		
Statutory Audit	165	898
Non-audit services including tax services	191	897
<b>Total</b>	<b>356</b>	<b>1,795</b>

### 3. MATERIAL CONTRACTS

There was no material contract entered into by the Company and its subsidiary companies involving interests of Directors, Chief Executives who are not a Director or major shareholders either still subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year.

### 4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

At the 42<sup>nd</sup> Annual General Meeting held on 26 April 2017, 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 2017 pursuant to the Shareholders' Mandate are disclosed in Note 38 to the Audited Financial Statements 2017.

## Statement of Directors' Responsibility

The Directors are required by the Companies Act 2016 ("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 2017.

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 2017 set out on pages 98 to 197, 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 of CMS on 12 March 2018.**



## FINANCIAL STATEMENTS

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## 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 2017.

### PRINCIPAL ACTIVITIES

The Company is principally an investment holding company. It also provides centralised treasury 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	213,210	34,555
- Non-controlling interests	33,797	-
	247,007	34,555

### 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.

### ISSUE OF SHARES AND DEBENTURES

There were no issuance of shares or debentures during the financial year.

### SHARE OPTIONS

No option was granted by the Company to any parties to take up unissued shares of the Company during the financial year.

### DIVIDENDS

Since the end of the previous financial year, the Company paid on 25 May 2017 a first and final tax exempt (single-tier) dividend of 6.30 sen per ordinary share, totalling RM67,685,670 in respect of the financial year ended 31 December 2016.

At the forthcoming Annual General Meeting, a first and final tax exempt (single-tier) dividend in respect of the financial year ended 31 December 2017, of 8.00 sen per share on 1,074,375,720 ordinary shares, amounting to a dividend payable of RM85,950,058 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 2018.

## Directors' Report

### 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:

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail	Group Chairman
Dato Sri Mahmud Abu Bekir Taib	Deputy Group Chairman
Datuk Syed Ahmad Alwee Alsree	Group Executive Director
Dato' Richard Alexander John Curtis	
Datu Hubert Thian Chong Hui	
Datuk Seri Yam Kong Choy	
Chin Mui Khiong	
Umang Nangku Jabu	(Appointed on 21 September 2017)
General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi bin Haji Zainuddin (Retired)	(Retired on 26 April 2017)

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:

Abdul Nasser bin Mohd Sanusi	(Alternate to Goh Chii Bing)
Annette Stella Bessant	
Chong Swee Sin	
Cyrill Eigensatz	(Appointed on 15 September 2017)
Dato Isaac Lugun	
Dato Robert Geneid	
Datu Junaidi bin Reduan	
Datuk Hajjah Raziah @ Rodiah binti Mahmud	(Alternate to Dato Robert Geneid)
Datuk Hasmi bin Hasnan	
Datuk Matthew Tee Kai Woon	(Alternate to Datuk Tee Hock Hin)
Datuk Tee Hock Hin	
Dr. Tan Cheng Kiat	(Alternate to We Her Ching)
Emily Hii San San	(Alternate to Wong Ping Eng)
Fariz Salleh bin Mohamad Ali	
Gelayan anak Mambang	(Resigned on 15 September 2017)
Goh Chii Bing	
Haji Arba'eni @ Arba'en bin Askam	(Appointed on 1 January 2018)
Haji Othman bin Abdul Rani	
Haji Soedirman bin Haji Aini	
Hajjah Rakayah binti Hamdan	
Hajjah Siti Hajar binti Abang Mon	
James Ambrose Dago	
John Wayne anak Chamberlin Sirau	(Resigned on 1 November 2017)
Kueh Hoi Chuang	
Ling Koah Wi	
Rodziah binti Morshidi	
Syed Hizam Alsagoff	
We Her Ching	
Wendy Yong San San	
Wong Ping Eng	

## Directors' Report

### 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 below) 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 38(a) to the financial statements.

### DIRECTORS' REMUNERATION

Included in the analysis below is remuneration for directors of the Company and its subsidiaries in accordance with the requirements of Companies Act 2016.

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Executive:</b>				
Salaries and other emoluments	6,703	5,918	3,739	2,829
Defined contribution plans	791	711	450	340
Total executive directors' remuneration (excluding benefits-in-kind)	7,494	6,629	4,189	3,169
Estimated money value of benefits-in-kind	405	403	299	286
Total executive directors' remuneration (including benefits-in-kind)	7,899	7,032	4,488	3,455
<b>Non-executive:</b>				
Fees	1,094	1,067	658	733
Other emoluments	1,840	1,730	1,464	1,479
Defined contribution plans	131	130	131	130
Total non-executive directors' remuneration (excluding benefits-in-kind)	3,065	2,927	2,253	2,342
Estimated money value of benefits-in-kind	148	77	117	77
Total non-executive directors' remuneration (including benefits-in-kind)	3,213	3,004	2,370	2,419
Total directors' remuneration	11,112	10,036	6,858	5,874

## Directors' Report

### DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, 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			
	At 1.1.2017	Acquired	Disposed	At 31.12.2017
Direct interest:				
Dato Sri Mahmud Abu Bekir Taib	87,000,255	-	(60,181,000)	26,819,255
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.

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.

### INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Group maintained a directors and officers liability insurance for purpose of Section 289 of the Companies Act 2016, throughout of year, which provide appropriate insurance cover for the directors and officers of the Group. The amount of insurance premium effected for any directors and officers of the Group during the financial year was RM83,000. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

### 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 prepared, 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.

## Directors' Report

### OTHER STATUTORY INFORMATION (CONT'D.)

- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would render 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;
  - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
  - (iii) 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; and
  - (iv) 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.
- (c) 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.
- (d) 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;
  - (ii) the results of the operations of the Group and of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

### AUDITORS

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

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

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 March 2018.



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



**Datuk Syed Ahmad Alwee Alsree**

## Statement by Directors

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

We, **YAM Tan Sri Dato' Seri Syed Anwar Jamalullail** and **Datuk Syed Ahmad Alwee Alsree**, 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 98 to 197 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2017 and of the financial performance and the cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 12 March 2018.



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



**Datuk Syed Ahmad Alwee Alsree**

## 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 98 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 12 March 2018.



**Syed Hizam Alsagoff**  
Group Chief Financial Officer

Before me,



**PHANG DAH NAN**  
Commissioner For Oaths  
No. 25, 1st Floor,  
Jalan Chan Bee Kiew  
Off Jalan Padungan,  
93100 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 2017 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 98 to 197.

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 2017, and of their financial performance and their 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 2016 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. We have determined that there are no key audit matters to communicate in our report on the financial statements of the Company. The key audit matters for the audit of the financial statements of the Group are described below. These matters were addressed in the context of our audit of the financial statements of the Group as a 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 2017, the Group's goodwill stood at RM63 million resulting from the acquisition of two subsidiaries. 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 units 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 rates and discount rates. 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.

**Independent Auditors' Report**

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

**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 recognised 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 and liquidated ascertained damages. 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(b) 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 2017, the Group's carrying amount on the investment stood at RM206 million. As the associate's production was ramped up in the current financial year and given the volatility of the market prices in prior years, the Group undertook a review to determine whether any impairment is required on the carrying amount of its investment. 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. In view of the above factors, we have determined this to be a key audit matter.

Our audit procedures included, among others, evaluating the key assumptions, such as revenue growth, gross margin, 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 used against external data as well as our own assessments in relation to key inputs based on our knowledge of the industry.

Since the projections are highly dependent on the achievability of the key assumptions made by management which may impact the estimated value-in-use and as the value-in-use approach may not be appropriate for start-up entities, we have also used a valuation expert to assist in determining the fair value of the investment by using the fair value of comparable companies' market multiples to arrive at the Enterprise value-to-EBITDA range.

We have evaluated the competence, capabilities and objectivity of the valuation expert and obtained an understanding of the work of our expert; evaluated the appropriateness of our expert's work as audit evidence for the relevant assertion. We also focused on the disclosure on impairment of investment in associates included in the significant accounting judgements and estimates in Note 3.2(c) 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.

## Independent Auditors' Report

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

### 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 2016 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.

## Independent Auditors' Report

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

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

#### *Auditors' responsibilities for 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 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**

AF: 0039

Chartered Accountants



**AU YONG SWEE YIN**

3101/02/20 (J)

Chartered Accountant

Kuching, Malaysia

Date: 12 March 2018

# Statements of Profit or Loss and Other Comprehensive Income

For the financial year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Revenue</b>	4	<b>1,606,444</b>	1,551,319	<b>111,505</b>	109,053
Cost of sales		<b>(1,245,002)</b>	(1,192,743)	<b>(33,313)</b>	(30,070)
<b>Gross profit</b>		<b>361,442</b>	358,576	<b>78,192</b>	78,983
<b>Other items of income</b>					
Interest income	5	<b>4,369</b>	4,753	-	-
Other income	6	<b>20,548</b>	39,705	<b>969</b>	1,336
<b>Other items of expense</b>					
Administrative expenses		<b>(52,881)</b>	(52,295)	<b>(23,636)</b>	(19,042)
Selling expenses		<b>(14,460)</b>	(13,712)	-	-
Finance costs	7	<b>(23,667)</b>	(10,600)	<b>(15,944)</b>	(237)
Other expenses		<b>(37,126)</b>	(12,394)	<b>(1,995)</b>	(29,463)
Share of results of associates		<b>40,640</b>	(35,169)	-	-
Share of results of joint ventures		<b>31,909</b>	23,275	-	-
<b>Profit before tax</b>	8	<b>330,774</b>	302,139	<b>37,586</b>	31,577
Income tax expense	11	<b>(83,767)</b>	(84,828)	<b>(3,031)</b>	(1,272)
<b>Profit net of tax</b>		<b>247,007</b>	217,311	<b>34,555</b>	30,305
<b>Other comprehensive income</b>					
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:					
Foreign currency translation		<b>(3)</b>	1	-	-
Share of other comprehensive income of associates		<b>(8,125)</b>	58,236	-	-
Share of other comprehensive income of a joint venture		<b>(432)</b>	280	-	-
<b>Other comprehensive income for the year</b>		<b>(8,560)</b>	58,517	-	-
<b>Total comprehensive income for the year</b>		<b>238,447</b>	275,828	<b>34,555</b>	30,305
<b>Profit attributable to:</b>					
Owners of the Company		<b>213,210</b>	169,177	<b>34,555</b>	30,305
Non-controlling interests		<b>33,797</b>	48,134	-	-
		<b>247,007</b>	217,311	<b>34,555</b>	30,305
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		<b>204,698</b>	227,566	<b>34,555</b>	30,305
Non-controlling interests		<b>33,749</b>	48,262	-	-
		<b>238,447</b>	275,828	<b>34,555</b>	30,305
		<b>2017</b>	<b>2016</b>		
<b>Earnings per share attributable to owners of the Company (sen per share):</b>					
Basic/Diluted	12	<b>19.85</b>	15.75		

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

# Statements of Financial Position

As at 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	727,960	721,567	1,743	1,925
Prepaid land lease payments	14	14,448	15,210	8,861	9,286
Land held for property development	15(a)	241,516	234,333	-	-
Investment properties	16	5,274	5,390	-	-
Intangible assets	17	2,201	3,823	101	101
Goodwill	18	62,954	61,709	-	-
Investments in subsidiaries	19	-	-	1,164,118	1,094,745
Investments in associates	20	897,565	869,179	243,853	243,853
Investments in joint ventures	21	27,197	46,611	-	-
Deferred tax assets	22	22,621	34,989	-	-
Other receivables	24	52,312	86,242	36,073	62,418
Investment securities	27	70	300	-	-
		2,054,118	2,079,353	1,454,749	1,412,328
Current assets					
Property development costs	15(b)	251,866	354,748	-	-
Inventories	23	294,310	185,361	-	-
Trade and other receivables	24	270,737	289,145	266,716	256,438
Other current assets	25	102,372	37,442	-	-
Investment securities	27	96,520	9,662	96,520	9,662
Derivative financial asset	28	35,414	35,414	35,414	35,414
Tax recoverable		4,030	3,142	-	472
Cash and bank balances	29	977,835	457,070	876,358	391,129
		2,033,084	1,371,984	1,275,008	693,115
TOTAL ASSETS		4,087,202	3,451,337	2,729,757	2,105,443

## Statements of Financial Position

As at 31 December 2017

(cont'd.)	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
EQUITY AND LIABILITIES					
Current liabilities					
Income tax payable		20,549	23,147	2,024	-
Loans and borrowings	30	51,731	142,880	-	35,000
Trade and other payables	31	525,475	395,057	1,187,170	996,749
Other current liabilities	32	91,873	126,783	-	-
		689,628	687,867	1,189,194	1,031,749
Net current assets/(liabilities)		1,343,456	684,117	85,814	(338,634)
Non-current liabilities					
Deferred tax liabilities	22	36,835	39,292	37	37
Loans and borrowings	30	584,633	105,076	500,000	-
Trade and other payables	31	93,719	84,363	-	-
		715,187	228,731	500,037	37
TOTAL LIABILITIES		1,404,815	916,598	1,689,231	1,031,786
Net assets		2,682,387	2,534,739	1,040,526	1,073,657
Equity attributable to owners of the Company					
Share capital	33	867,902	537,188	867,902	537,188
Share premium	34	-	330,716	-	330,714
Other reserves	35	9,092	40,090	168,000	168,000
Retained earnings		1,472,852	1,304,842	4,624	37,755
		2,349,846	2,212,836	1,040,526	1,073,657
Non-controlling interests		332,541	321,903	-	-
TOTAL EQUITY		2,682,387	2,534,739	1,040,526	1,073,657
TOTAL EQUITY AND LIABILITIES		4,087,202	3,451,337	2,729,757	2,105,443

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 2017

Group	Note	Attributable to owners of the Company						Non-controlling interests
		Total equity	Total	Share capital (Note 33)	Share premium (Note 34)	Other reserves (Note 35)	Retained earnings	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2017</b>		2,534,739	2,212,836	537,188	330,716	40,090	1,304,842	321,903
Profit net of tax		247,007	213,210	-	-	-	213,210	33,797
Other comprehensive income, net of tax		(8,560)	(8,512)	-	-	(8,512)	-	(48)
Total comprehensive income		238,447	204,698	-	-	(8,512)	213,210	33,749
<b>Transactions with owners</b>								
Dividends to owners of the Company	43(a)	(67,686)	(67,686)	-	-	-	(67,686)	-
Dividends to non-controlling interests		(23,257)	-	-	-	-	-	(23,257)
Non-controlling interests arising from acquisition of a subsidiary	19(a)	146	-	-	-	-	-	146
Total transactions with owners		(90,797)	(67,686)	-	-	-	(67,686)	(23,111)
Share of associates' reserves		(2)	(2)	-	(2)	(22,486)	22,486	-
Transfer pursuant to Companies Act 2016		-	-	330,714	(330,714)	-	-	-
<b>At 31 December 2017</b>		<b>2,682,387</b>	<b>2,349,846</b>	<b>867,902</b>	<b>-</b>	<b>9,092</b>	<b>1,472,852</b>	<b>332,541</b>

In accordance with Section 618(2) of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. As at 31 December 2017, share premium amounted to RM330,713,721 has been transferred to share capital and the number of shares remain unchanged at 1,074,375,720.

**Statements of Changes in Equity**

For the financial year ended 31 December 2017

Group (cont'd.)	Note	Attributable to owners of the Company						Non-controlling interests
		Total equity	Total	Share capital (Note 33)	Share premium (Note 34)	Other reserves (Note 35)	Retained earnings	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2016</b>		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
<b>Transactions with owners</b>								
Dividends to owners of the Company	43(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(c)(i)	3,000	-	-	-	-	-	3,000
Total transactions with owners		(53,816)	(32,231)	-	-	-	(32,231)	(21,585)
Share of associates' reserves		-	-	-	-	461	(461)	-
<b>At 31 December 2016</b>		2,534,739	2,212,836	537,188	330,716	40,090	1,304,842	321,903

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 2017

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
<b>At 1 January 2017</b>		<b>1,073,657</b>	<b>537,188</b>	<b>330,714</b>	<b>168,000</b>	<b>37,755</b>
Profit net of tax, representing total comprehensive income		<b>34,555</b>	-	-	-	<b>34,555</b>
<b>Transaction with owners</b>						
Dividends to owners of the Company	43(a)	<b>(67,686)</b>	-	-	-	<b>(67,686)</b>
Transfer pursuant to Companies Act 2016		-	<b>330,714</b>	<b>(330,714)</b>	-	-
<b>At 31 December 2017</b>		<b>1,040,526</b>	<b>867,902</b>	-	<b>168,000</b>	<b>4,624</b>
<b>At 1 January 2016</b>		<b>1,075,583</b>	<b>537,188</b>	<b>330,714</b>	<b>168,000</b>	<b>39,681</b>
Profit net of tax, representing total comprehensive income		<b>30,305</b>	-	-	-	<b>30,305</b>
<b>Transaction with owners</b>						
Dividends to owners of the Company	43(a)	<b>(32,231)</b>	-	-	-	<b>(32,231)</b>
<b>At 31 December 2016</b>		<b>1,073,657</b>	<b>537,188</b>	<b>330,714</b>	<b>168,000</b>	<b>37,755</b>

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

## Statements of Cash Flows

For the financial year ended 31 December 2017

Group	Note	2017 RM'000	2016 RM'000
<b>Operating activities</b>			
Profit before tax		330,774	302,139
<u>Adjustments for:</u>			
Amortisation of intangible assets	8	1,731	1,399
Amortisation of prepaid land lease payments	8	762	764
Bad debts written off	8	-	23
Depreciation of property, plant and equipment	8	55,374	60,605
Depreciation of investment properties	8	116	118
Gain on disposal of land	6	-	(25,000)
Gross dividend income	4	(3,427)	(9,599)
Impairment loss on amount due from an associate	8	972	1,972
Impairment loss on investment securities	8	300	-
Impairment loss on trade and other receivables	8	367	1,746
Interest expense	7	23,228	10,035
Interest income	4/5	(24,352)	(10,430)
Inventories written down	8	-	84
Inventories written off	8	9	117
Net fair value changes in investment securities held as fair value through profit and loss	6	(611)	(1,030)
Net gain on disposal of property, plant and equipment	8	(550)	(162)
Project development cost written back	8	-	(149)
Property, plant and equipment written off	8	944	1,037
Reversal of allowance for obsolete inventory	8	-	(8)
Reversal of impairment loss on amount due from an associate	6	(1,972)	-
Reversal of impairment loss on trade and other receivables	6	(486)	(1,836)
Reversal of impairment loss on investment in redeemable preference shares	6	(6,973)	-
Share of results of associates		(40,640)	35,169
Share of results of joint ventures		(31,909)	(23,275)
Unrealised foreign exchange loss/(gain)	6/8	6,743	(4,507)
Total adjustments		(20,374)	37,073
<b>Operating cash flows before changes in working capital</b>		<b>310,400</b>	<b>339,212</b>

## Statements of Cash Flows

For the financial year ended 31 December 2017

Group (cont'd.)	Note	2017 RM'000	2016 RM'000
<b>Operating activities (cont'd.)</b>			
<u>Changes in working capital</u>			
Decrease/(increase) in property development costs		103,917	(82,438)
(Increase)/decrease in land held for development		(7,183)	67,775
Increase in inventories		(108,699)	(41,789)
Increase in other current assets		(64,930)	(288)
Decrease in receivables		19,403	120,302
Increase/(decrease) in payables		67,776	(166,383)
Increase in other current liabilities		34,751	80,489
Total changes in working capital		45,035	(22,332)
<b>Cash flows from operations</b>		<b>355,435</b>	<b>316,880</b>
Interest received		26,166	7,217
Interest paid		(22,225)	(21,188)
Income taxes paid, net of refund		(77,237)	(83,350)
<b>Net cash flows from operating activities</b>		<b>282,139</b>	<b>219,559</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	13	(59,966)	(55,795)
Acquisition of investment securities		(92,107)	(19,239)
Acquisition of additional interests in associates	20(a)/(b)	-	(176,900)
Additional costs incurred on intangible assets	17	(109)	(1,080)
Additional investments in joint ventures	21	(3,320)	(3,601)
Dividends received from associates		4,127	2,068
Dividends received from investments		3,427	9,599
Distribution of profit from joint ventures		26,065	9,834
Net cash outflow from acquisition of a subsidiary	19(a)	(1,690)	-
Proceeds from disposal of property, plant and equipment		1,247	2,724
Proceeds from disposal of investment securities		5,790	108,735
Proceeds from redemption of investments in redeemable preference shares		31,821	5,637
Proceeds from repayment of loan to an associate		29,688	-
<b>Net cash flows used in investing activities</b>		<b>(55,027)</b>	<b>(118,018)</b>

## Statements of Cash Flows

For the financial year ended 31 December 2017

Group (cont'd.)	Note	2017 RM'000	2016 RM'000
<b>Financing activities</b>			
Drawdown of borrowings		<b>133,500</b>	256,490
Repayment of borrowings		<b>(248,296)</b>	(172,212)
(Increase)/decrease in deposits pledged to licensed banks	29(b)	<b>(57)</b>	67
Proceeds from issuance of Islamic medium term notes		<b>500,000</b>	-
Proceeds from issuance of shares to a non-controlling interest	19(c)(i)	-	3,000
Dividends paid to owners of the Company	43(a)	<b>(67,686)</b>	(32,231)
Dividends paid to non-controlling interests		<b>(23,257)</b>	(24,585)
<b>Net cash flows from financing activities</b>		<b>294,204</b>	30,529
<b>Net increase in cash and cash equivalents</b>		<b>521,316</b>	132,070
<b>Cash and cash equivalents at 1 January</b>		<b>455,073</b>	323,003
<b>Effect of foreign exchange changes on cash and cash equivalents</b>		<b>(608)</b>	-
<b>Cash and cash equivalents at 31 December</b>	29	<b>975,781</b>	455,073

# Statements of Cash Flows

For the financial year ended 31 December 2017

Company	Note	2017 RM'000	2016 RM'000
<b>Operating activities</b>			
Profit before tax		37,586	31,577
<u>Adjustments for:</u>			
Amortisation of prepaid land lease payments	8	425	426
Depreciation of property, plant and equipment	8	305	293
Gross dividend income	4	(76,468)	(93,776)
Impairment loss on amount due from a subsidiary	8	1,357	29,140
Interest expense	7	49,225	30,277
Interest income	4	(35,037)	(15,277)
Net fair value changes in investment securities	6	(611)	(1,030)
Property, plant and equipment written off	8	30	-
Unrealised foreign exchange loss	8	608	-
Waiver of amount due from a subsidiary	8	-	63
Total adjustments		(60,166)	(49,884)
<b>Operating cash flows before changes in working capital</b>		<b>(22,580)</b>	<b>(18,307)</b>
<u>Changes in working capital</u>			
Decrease/(increase) in receivables		14,710	(30,268)
Increase in payables		190,421	175,700
Total changes in working capital		205,131	145,432
<b>Cash flows from operations</b>		<b>182,551</b>	<b>127,125</b>
Interest received		35,037	15,277
Interest paid		(49,225)	(30,202)
Taxes paid		(535)	(1,262)
<b>Net cash flows from operating activities</b>		<b>167,828</b>	<b>110,938</b>

## Statements of Cash Flows

For the financial year ended 31 December 2017

Company (cont'd.)	Note	2017 RM'000	2016 RM'000
<b>Investing activities</b>			
Acquisition of investment securities		(92,037)	(19,239)
Acquisition of property, plant and equipment	13	(153)	(13)
Dividends received		76,468	93,776
Proceeds from disposal of investment securities		5,790	108,735
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 subsidiary		(69,373)	(191,900)
<b>Net cash flows (used in)/from investing activities</b>		<b>(79,305)</b>	<b>20,541</b>
<b>Financing activities</b>			
Dividends paid to owners of the Company	43(a)	(67,686)	(32,231)
Drawdown of borrowings		-	35,000
Repayment of borrowings		(35,000)	-
Proceeds from issuance of Islamic medium term notes		500,000	-
<b>Net cash flows from financing activities</b>		<b>397,314</b>	<b>2,769</b>
<b>Net increase in cash and cash equivalents</b>		<b>485,837</b>	<b>134,248</b>
<b>Effect of foreign exchange changes on cash and cash equivalents</b>		<b>(608)</b>	<b>-</b>
<b>Cash and cash equivalents at 1 January</b>		<b>390,919</b>	<b>256,671</b>
<b>Cash and cash equivalents at 31 December</b>	29	<b>876,148</b>	<b>390,919</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2017

## 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. BASIS OF PREPARATION AND 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 2016 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 2017, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017.

#### 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
1 January 2017	Annual Improvements to MFRS Standards 2014 - 2016 Cycle: Amendments to MFRS 12: Disclosure of Interests in Other Entities - Clarification of the Scope of Disclosure Requirements in MFRS 12

#### (a) Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows requires 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 these amendments, entities are not required to provide comparative information for preceding periods. Apart from the additional disclosures in Note 44, the application of these amendments has had no impact on the Group and the Company.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

##### (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.

The application of these amendments has had no impact on the Group and on the Company as the Group and the Company already assess the sufficiency of future taxable profits in a way that is consistent with these amendments.

##### (c) Annual Improvements to MFRS Standards 2014 - 2016 Cycle

##### Amendments to MFRS 12: Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in MFRS 12

The amendments clarify that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The application of these amendments has had no effect on the Group as none of the Group's interest in these entities are classified, or included in a disposal group that is classified, as held for sale.

#### 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

	Annual Improvements to MFRS Standards 2014 - 2016 Cycle:
1 January 2018	(i) Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards
1 January 2018	(ii) 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 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
1 January 2018	Amendments to MFRS 140: Transfers of Investment Property
1 January 2018	MFRS 9: Financial Instruments
1 January 2018	MFRS 15: Revenue from Contracts with Customers
1 January 2018	IC Interpretation 22: Foreign Currency Transactions and Advance Consideration
	Annual Improvements to MFRS Standards 2015 - 2017 Cycle:
1 January 2019	(i) Amendments to MFRS 3: Business Combinations
1 January 2019	(ii) Amendments to MFRS 11: Joint Arrangements
1 January 2019	(iii) Amendments to MFRS 112: Income Taxes
1 January 2019	(iv) Amendments to MFRS 123: Borrowing Costs
1 January 2019	Amendments to MFRS 9: Prepayment Features with Negative Compensation
1 January 2019	Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures
1 January 2019	MFRS 16: Leases
1 January 2019	IC Interpretation 23: Uncertainty over Income Tax Treatment
1 January 2021	MFRS 17: Insurance Contracts
Deferred	Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

##### (a) Annual Improvements to MFRS Standards 2014 - 2016 Cycle

The Annual Improvements to MFRS Standards 2014-2016 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.

##### Amendments to MFRS 128: Investments in Associates and Joint Ventures

The amendments clarify that:

- an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition, on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- if an entity, that is not itself an investment entity, has an interest in associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to 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. This election is made separately for each investment entity associate or joint venture, at a later date on which:
  - (i) the investment entity associate or joint venture is initially recognised;
  - (ii) the associate or joint venture becomes an investment entity; and
  - (iii) the investment entity associate or joint venture first becomes a parent.

Earlier application of these amendments are permitted and must be disclosed.

##### (b) Amendments to MFRS 140: Transfers of Investment Property

The amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of change in use.

Entities can apply these amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Earlier application of the amendments is permitted and must be disclosed. The Group will apply these amendments when they become effective. However, since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

##### (c) MFRS 9: Financial Instruments

MFRS 9 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. During 2017, the Group has performed an assessment of all aspects of MFRS 9. The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts MFRS 9.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

##### (c) MFRS 9: Financial Instruments (cont'd.)

Based on the analysis of the Group's and the Company's financial assets and financial liabilities as at 31 December 2017 on the basis of facts and circumstances that exist at that date, the directors of the Company have assessed the impact of MFRS 9 to the Group's and the Company's financial statements as follows:

##### (i) Classification and measurement

The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Derivative financial asset currently carried at cost will also be measured at fair value through profit or loss.

##### (ii) Impairment

The Group will apply the simplified approach and record lifetime expected losses on all trade and other receivables. The Group has determined that there will be no significant impact on the Group's and the Company's financial statements.

The Group and the Company are currently finalising the quantitative effects of applying the standard on the financial statements of the Group and of the Company.

##### (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 depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

The Group and the Company plan to adopt the new standard on the required effective date using the full retrospective method. The directors have assessed the effects of applying the new standard on the Group's and the Company's financial statements and have identified the following areas that will be affected:

##### (i) Property development

The Group is in the business developing residential and commercial properties. The Group currently recognises revenue from the sale of development properties under construction using the completion method. Under MFRS 15, performance obligations for the sale of development properties are satisfied over time where the Group is restricted contractually from directing the properties for alternative use as they are being developed and has an enforceable right to payment for performance completed to date. Accordingly, the revenue currently recognised using the completed contract method will be adjusted upon adoption of MFRS 15 to recognised the revenue over time.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

##### (d) MFRS 15: Revenue from Contracts with Customers (cont'd.)

###### (ii) Costs incurred in obtaining a contract

Sales commissions incurred are currently taken to profit or loss because they do not qualify for recognition as an asset under any of the other accounting standards. Upon the adoption of MFRS 15, the Group will capitalise such commissions as incremental costs to obtain a contract if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue.

###### (iii) Presentation and disclosure requirements

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new and the Group has assessed that the impact of some of these disclosures will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgments made, i.e. when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to each performance obligation and the assumptions made to estimate the stand-alone selling prices of each performance obligation. MFRS 15 also requires revenue recognised to be disaggregated into categories that depict the nature, amount, timing and uncertainty of revenue and cash flows.

The Group and the Company are currently finalising the quantitative effects of applying the standard on the financial statements of the Group and of the Company.

##### (e) 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. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

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 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

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. The Group plans to assess the potential effect of MFRS 16 in its financial statements in year 2018.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

##### (f) Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies MFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). In applying MFRS 9, an entity does not account for any losses of the associate, or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying MFRS 128 Investments in Associates and Joint Ventures.

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. As the amendments eliminate ambiguity in the wording of the standard, the directors of the Company do not expect the amendments to have any impact on the Group's and the Company's financial statements.

##### (g) Annual Improvements to MFRS Standards 2015 - 2017 Cycle

The Annual Improvements to MFRS Standards 2015 - 2017 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) Amendments to MFRS 3: Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

##### (ii) Amendments to MFRS 11: Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in MFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies these amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

##### (iii) Amendments to MFRS 112: Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies these amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies these amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

##### (g) Annual Improvements to MFRS Standards 2015 - 2017 Cycle (cont'd.)

##### (iv) Amendments to MFRS 123: Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies these amendments to borrowing costs incurred on or after the beginning of the annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

##### (h) IC Interpretation 23: Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of MFRS 112 and does not apply to taxes or levies outside the scope of MFRS 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the estimation of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Group and the Company will apply the interpretation from its effective date.

##### (i) 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### 2.4 Basis of consolidation

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

## 2. BASIS OF PREPARATION AND 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. All contingent consideration shall be measured at fair value and such changes shall be recognised in profit or loss.

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

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

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

### 2.5 Subsidiaries

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

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

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

### 2.6 Investments in associates and joint ventures

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

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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

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

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

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

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

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

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

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

#### 2.7 Foreign currency

##### (a) Functional and presentation currency

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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

##### (b) Foreign currency transactions

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

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

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

##### (c) Foreign operations

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

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

#### 2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment, except for freehold land, are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land have unlimited useful lives and therefore are not amortised. Leasehold land are amortised over their lease terms. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and infrastructure	50 years or over the period of lease whichever is shorter
Plant and machinery	2 years to 50 years
Equipment and others	3 years to 30 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet ready for use.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

#### 2.9 Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation and accumulated impairment losses. The prepaid land lease payments are amortised over their lease terms.

#### 2.10 Land held for property development and property development costs

##### (a) Land held for property development

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

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

##### (b) Development properties

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

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

The costs of development properties include:

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

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

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

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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### 2.11 Investment properties

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

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

#### 2.12 Intangible assets

##### (a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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

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

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

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

##### (b) Other intangible assets

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

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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

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

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

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

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

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

#### 2.13 Impairment of non-financial assets

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

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

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

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

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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

### 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.

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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

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.

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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

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

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

#### 2.18 Impairment of financial assets

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

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

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

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

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

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

##### (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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### 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.

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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

##### Other financial liabilities (cont'd.)

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

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

#### 2.22 Financial guarantee contracts

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

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

#### 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).

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### 2.24 Provisions

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

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

#### 2.25 Borrowing costs

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

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

#### 2.26 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### 2.26 Revenue (cont'd.)

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

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

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

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

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

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

##### (e) Road maintenance contracts

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

##### (f) Dividend income

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

##### (g) Interest income

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

##### (h) Rental income

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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### 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
- 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### 2.27 Taxes (cont'd.)

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

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.

#### 2.28 Employee benefits

##### 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.

#### 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 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) 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.

##### (b) Construction and road maintenance 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

##### (c) 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.

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sale of goods	774,168	878,010	-	-
Sale of land	7	10,399	-	-
Sale of properties	150,856	29,005	-	-
Construction and road maintenance	216,253	182,281	-	-
Rendering of services	440,951	435,538	-	-
Interest income	19,983	5,677	35,037	15,277
Dividend income from investments	3,427	9,599	3,427	9,599
Rental income:				
- Investment properties (Note 16)	528	528	-	-
- Land and buildings	271	282	-	-
Dividend income from subsidiaries	-	-	72,364	82,110
Dividend income from associates	-	-	677	2,067
	1,606,444	1,551,319	111,505	109,053

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 5. INTEREST INCOME

	Group	
	2017	2016
	RM'000	RM'000
Interest income from:		
- Loans and receivables	4,156	4,610
- Short term deposits	213	143
	4,369	4,753

### 6. OTHER INCOME

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fee income	390	2	-	1
Gain on disposal of land	-	25,000	-	-
Gain on disposal of property, plant and equipment	593	174	-	-
Insurance settlement	604	2	-	-
Licence fee	728	-	-	-
Miscellaneous income	2,787	2,381	358	293
Net realised gain on disposal of investment securities	-	12	-	12
Net fair value changes in investment securities held as fair value through profit or loss	611	1,030	611	1,030
Net foreign exchange gain:				
- Realised	-	1,307	-	-
- Unrealised	-	4,507	-	-
Rental income	3,553	1,299	-	-
Reversal of impairment loss on:				
- Amount due from an associate	1,972	-	-	-
- Trade and other receivables (Note 24(a))	486	1,836	-	-
Reversal of impairment loss on investment in redeemable preference shares	6,973	-	-	-
Supervision fees	1,851	2,155	-	-
	20,548	39,705	969	1,336

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 7. FINANCE COSTS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Interest expense on:				
- Islamic medium term notes	15,846	-	15,846	-
- Bank borrowings and bank overdraft	8,398	16,280	66	207
- Amount due to subsidiaries under central cash management account	-	-	33,313	30,070
- Amount due to a joint venture	19	82	-	-
- Land premium payable	7,495	4,948	-	-
	31,758	21,310	49,225	30,277
Interest expense capitalised in:				
- Land held for property development (Note 15(a))	(7,495)	(5,086)	-	-
- Property development costs (Note 15(b))	(1,035)	(6,189)	-	-
	(8,530)	(11,275)	-	-
	23,228	10,035	49,225	30,277
Other finance costs:				
- Trade facility charges	397	530	-	-
- Facility fee and commitment fee	42	40	32	30
	439	570	32	30
	23,667	10,605	49,257	30,307
Recognised in profit or loss as:				
- Cost of sales	-	5	33,313	30,070
- Finance costs	23,667	10,600	15,944	237
	23,667	10,605	49,257	30,307

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 8. PROFIT BEFORE TAX

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets (Note 17)	1,731	1,399	-	-
Amortisation of prepaid land lease payments (Note 14)	762	764	425	426
Auditors' remuneration:	1,127	1,152	236	461
- Statutory audit	898	824	165	150
- Other services	229	331	71	311
Bad debts written off	-	23	-	-
Depreciation of property, plant and equipment (Note 13)	55,374	60,605	305	293
Depreciation of investment properties (Note 16)	116	118	-	-
Employee benefits expense (Note 9)	145,042	125,375	10,191	7,770
Impairment loss on:				
- Amount due from a subsidiary	-	-	1,357	29,140
- Amount due from an associate	972	1,972	-	-
- Investment securities	300	-	-	-
- Trade and other receivables (Note 24 (a))	367	1,746	-	-
Inventories written down	-	84	-	-
Inventories written off	9	117	-	-
Minimum operating lease payments on:	15,815	15,714	820	797
- Land and buildings	6,344	5,837	820	797
- Plant and equipment	7,908	7,866	-	-
- Wharf	1,563	2,011	-	-
Non-executive directors' remuneration (Note 10)	2,510	2,574	2,253	2,342
Net foreign exchange loss:				
- Realised	933	-	-	-
- Unrealised	6,743	-	608	-
Net gain on disposal of property, plant and equipment	(550)	(162)	-	-
Project development costs written back (Note 15(b))	-	(149)	-	-
Property, plant and equipment written off	944	1,037	30	-
Reversal of allowance for obsolete inventory	-	(8)	-	-
Waiver of amount due from a subsidiary	-	-	-	63

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 9. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	128,760	111,523	9,105	6,945
Contributions to defined contribution plans	15,072	12,817	1,067	810
Social security contributions	1,210	1,035	19	15
	145,042	125,375	10,191	7,770

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM4,598,000 (2016: RM3,483,000) and RM4,189,000 (2016: RM3,169,000), respectively, as further disclosed in Note 10.

### 10. DIRECTORS' REMUNERATION

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Executive:</b>				
Salaries and other emoluments	4,104	3,109	3,739	2,829
Defined contribution plans	494	374	450	340
Total executive directors' remuneration (excluding benefits-in-kind) (Note 9)	4,598	3,483	4,189	3,169
Estimated money value of benefits-in-kind	306	292	299	286
Total executive directors' remuneration (including benefits-in-kind)	4,904	3,775	4,488	3,455
<b>Non-executive:</b>				
Fees	788	853	658	733
Other emoluments	1,591	1,591	1,464	1,479
Defined contribution plans	131	130	131	130
Total non-executive directors' remuneration (excluding benefits-in-kind) (Note 8)	2,510	2,574	2,253	2,342
Estimated money value of benefits-in-kind	148	108	117	77
Total non-executive directors' remuneration (including benefits-in-kind)	2,658	2,682	2,370	2,419
Total directors' remuneration	7,562	6,457	6,858	5,874

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 10. DIRECTORS' REMUNERATION (CONT'D.)

The remuneration of the directors of the Company during the financial year are set out below:

Group	Directors' fees RM'000	Other emoluments RM'000	Total RM'000
<b>2017</b>			
<b>Executive Directors:</b>			
Datuk Syed Ahmad Alwee Alsree	-	2,645	2,645
Dato' Richard Alexander John Curtis	-	2,259	2,259
	-	4,904	4,904
<b>Non-executive Directors:</b>			
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	150	771	921
Dato Sri Mahmud Abu Bekir Taib	186	620	806
General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Haji Zainuddin (Retired)	37	161	198
Datu Hubert Thian Chong Hui	166	182	348
Datuk Seri Yam Kong Choy	124	86	210
Chin Mui Khiong	100	48	148
Umang Nangku Jabu	25	2	27
	788	1,870	2,658
	788	6,774	7,562
<b>2016</b>			
<b>Executive Directors:</b>			
Datuk Syed Ahmad Alwee Alsree	-	2,002	2,002
Dato' Richard Alexander John Curtis	-	1,773	1,773
	-	3,775	3,775
<b>Non-executive Directors:</b>			
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	150	769	919
Dato Sri Mahmud Abu Bekir Taib	186	616	802
General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Haji Zainuddin (Retired)	112	32	144
Datu Hubert Thian Chong Hui	148	169	317
Datuk Seri Yam Kong Choy	124	74	198
Datuk Kevin How Kow	33	124	157
Chin Mui Khiong	100	45	145
Umang Nangku Jabu	-	-	-
	853	1,829	2,682
	853	5,604	6,457

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 10. DIRECTORS' REMUNERATION (CONT'D.)

The remuneration of the directors of the Company during the financial year are set out below: (cont'd.)

Company	Directors' fees RM'000	Other emoluments RM'000	Total RM'000
<b>2017</b>			
<b>Executive Directors:</b>			
Datuk Syed Ahmad Alwee Alsree	-	2,645	2,645
Dato' Richard Alexander John Curtis	-	1,843	1,843
	-	4,488	4,488
<b>Non-executive Directors:</b>			
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	150	771	921
Dato Sri Mahmud Abu Bekir Taib	150	594	744
General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Haji Zainuddin (Retired)	33	159	192
Datu Hubert Thian Chong Hui	100	82	182
Datuk Seri Yam Kong Choy	100	56	156
Chin Mui Khiong	100	48	148
Umang Nangku Jabu	25	2	27
	658	1,712	2,370
	658	6,200	6,858
<b>2016</b>			
<b>Executive Directors:</b>			
Datuk Syed Ahmad Alwee Alsree	-	2,002	2,002
Dato' Richard Alexander John Curtis	-	1,453	1,453
	-	3,455	3,455
<b>Non-executive Directors:</b>			
Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail	150	769	919
Dato Sri Mahmud Abu Bekir Taib	150	596	746
General Dato' Seri DiRaja Tan Sri (Dr.) Mohd Zahidi Bin Haji Zainuddin (Retired)	100	23	123
Datu Hubert Thian Chong Hui	100	78	178
Datuk Seri Yam Kong Choy	100	50	150
Datuk Kevin How Kow	33	124	157
Chin Mui Khiong	100	46	146
Umang Nangku Jabu	-	-	-
	733	1,686	2,419
	733	5,141	5,874

Other emoluments comprise salaries, allowances, bonuses, defined contribution plan, gratuity and benefits-in-kind.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 11. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Statements of profit or loss and other comprehensive income:</b>				
Current income tax:				
- Malaysian income tax	75,008	78,896	3,000	60
- Real property gains tax	-	2,872	-	-
- (Over)/under provision in respect of previous years	(1,152)	1,853	31	182
	73,856	83,621	3,031	242
Deferred income tax (Note 22):				
- Origination and reversal of temporary differences	9,897	1,910	-	1,030
- Effect of reduction in income tax rate	-	(1,116)	-	-
- Under provision in respect of previous years	14	413	-	-
	9,911	1,207	-	1,030
Income tax expense recognised in profit or loss	83,767	84,828	3,031	1,272

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Accounting profit before tax	330,774	302,139
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	79,386	72,513
Adjustments:		
Share of results of associates	(9,754)	8,441
Share of results of joint ventures	(7,658)	(5,586)
Non-deductible expenses	26,331	23,128
Income not subject to tax	(2,242)	(13,204)
Benefits from previously unrecognised tax losses and unabsorbed capital allowances	(3,218)	(15)
Deferred tax asset recognised on reinvestment allowance	-	(6,431)
Deferred tax assets not recognised	3,550	4,258
Difference between corporate income tax and real property gains tax	-	574
Effect of reduction in income tax rate	-	(1,116)
Effect of reduction in income tax rate on incremental chargeable income	(1,490)	-
(Over)/under provision of income tax in respect of previous years	(1,152)	1,853
Under provision of deferred tax in respect of previous years	14	413
Income tax expense recognised in profit or loss	83,767	84,828

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 11. INCOME TAX EXPENSE (CONT'D.)

	Company	
	2017 RM'000	2016 RM'000
Accounting profit before tax	37,586	31,577
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	9,021	7,578
Adjustments:		
Group tax relief transferred from subsidiaries	(306)	(240)
Non-deductible expenses	12,718	16,422
Income not subject to tax	(18,433)	(22,670)
Under provision of income tax in respect of previous years	31	182
Income tax expense recognised in profit or loss	3,031	1,272

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

The Malaysian corporate tax rate will be reduced to a range of 20% to 24% from the current year's tax rate of 24% for Years of Assessment 2017 and 2018. The reduction in income tax rate is based on the percentage of increase in chargeable income as compared to immediate preceding year of assessment.

Tax savings during the financial year arising from:

	Group	
	2017 RM'000	2016 RM'000
Utilisation of current year tax losses	102	93
Utilisation of tax losses brought forward	824	62
	926	155

### 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	
	2017	2016
Profit net of tax attributable to owners of the Company (RM'000)	213,210	169,177
Weighted average number of ordinary shares in issue ('000)	1,074,376	1,074,376
Basic earnings per share (sen)	19.85	15.75

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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 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
<b>Cost:</b>					
<b>At 1 January 2016</b>	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)
<b>At 31 December 2016 and 1 January 2017</b>	<b>76,961</b>	<b>388,694</b>	<b>921,189</b>	<b>121,247</b>	<b>1,508,091</b>
Additions	3,847	4,759	38,436	12,924	59,966
Arising from acquisition of a subsidiary	-	148	4,575	2,216	6,939
Disposals	(15)	-	(1,351)	(580)	(1,946)
Reclassification	-	6,399	(6,399)	-	-
Written off	-	(174)	(1,910)	(1,812)	(3,896)
<b>At 31 December 2017</b>	<b>80,793</b>	<b>399,826</b>	<b>954,540</b>	<b>133,995</b>	<b>1,569,154</b>
<b>Accumulated depreciation:</b>					
<b>At 1 January 2016</b>	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)
<b>At 31 December 2016 and 1 January 2017</b>	<b>12,258</b>	<b>132,437</b>	<b>559,777</b>	<b>82,052</b>	<b>786,524</b>
Depreciation charge for the year:	1,268	11,225	32,995	10,045	55,533
- Recognised in profit or loss (Note 8)	1,268	11,225	32,967	9,914	55,374
- Capitalised in construction costs (Note 26)	-	-	28	131	159
Arising from acquisition of a subsidiary	-	31	2,113	1,194	3,338
Disposals	(6)	-	(836)	(407)	(1,249)
Written off	-	-	(1,421)	(1,531)	(2,952)
<b>At 31 December 2017</b>	<b>13,520</b>	<b>143,693</b>	<b>592,628</b>	<b>91,353</b>	<b>841,194</b>
<b>Net carrying amount:</b>					
At 31 December 2016	64,703	256,257	361,412	39,195	721,567
At 31 December 2017	67,273	256,133	361,912	42,642	727,960

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

Company	Motor vehicles RM'000	Equipment and others RM'000	Total RM'000
<b>Cost:</b>			
<b>At 1 January 2016</b>	7,847	6,040	13,887
Additions	-	13	13
Disposals	(3,954)	(3,189)	(7,143)
<b>At 31 December 2016 and 1 January 2017</b>	<b>3,893</b>	<b>2,864</b>	<b>6,757</b>
Additions	77	76	153
Written off	(390)	(2)	(392)
<b>At 31 December 2017</b>	<b>3,580</b>	<b>2,938</b>	<b>6,518</b>
<b>Accumulated depreciation:</b>			
<b>At 1 January 2016</b>	3,738	5,554	9,292
Depreciation charge for the year (Note 8)	237	56	293
Disposals	(1,820)	(2,933)	(4,753)
<b>At 31 December 2016 and 1 January 2017</b>	<b>2,155</b>	<b>2,677</b>	<b>4,832</b>
Depreciation charge for the year (Note 8)	242	63	305
Written off	(360)	(2)	(362)
<b>At 31 December 2017</b>	<b>2,037</b>	<b>2,738</b>	<b>4,775</b>
<b>Net carrying amount:</b>			
At 31 December 2016	1,738	187	1,925
At 31 December 2017	<b>1,543</b>	<b>200</b>	<b>1,743</b>

#### (a) Assets under construction

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

	Group	
	2017 RM'000	2016 RM'000
Long term leasehold land	-	1,621
Buildings and infrastructure	1,795	1,432
Plant and machinery	27,279	13,666
	<b>29,074</b>	16,719

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (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 RM467,785,931 (2016: RM448,606,114) and RM3,173,217 (2016: RM3,435,620) for the Group and the Company, respectively.

#### (c) Land

Included in the carrying amount of land are:

	Group	
	2017 RM'000	2016 RM'000
Freehold land	417	417
Leasehold land	66,856	64,286
	67,273	64,703

### 14. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cost:</b>				
<b>At 1 January and 31 December</b>	<b>24,014</b>	24,014	<b>11,925</b>	11,925
<b>Accumulated amortisation:</b>				
At 1 January	8,804	8,040	2,639	2,213
Amortisation for the year (Note 8)	762	764	425	426
<b>At 31 December</b>	<b>9,566</b>	8,804	<b>3,064</b>	2,639
<b>Net carrying amount</b>	<b>14,448</b>	15,210	<b>8,861</b>	9,286
Amount to be amortised:				
- Not later than one year	762	764	425	426
- Later than one year but not later than five years	3,054	3,053	1,704	1,704
- Later than five years	10,632	11,393	6,732	7,156

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 7 to 39 years (2016: 8 to 40 years) and 21 to 39 years (2016: 22 to 40 years), respectively.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (a) Land held for property development

Group	Leasehold land RM'000	Development expenditure RM'000	Total RM'000
<b>Cost:</b>			
<b>At 1 January 2016</b>	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)
<b>At 31 December 2016 and 1 January 2017</b>	<b>210,363</b>	<b>23,970</b>	<b>234,333</b>
Additions	-	7,618	7,618
Adjustments	-	(431)	(431)
Disposals	(2)	(2)	(4)
<b>At 31 December 2017</b>	<b>210,361</b>	<b>31,155</b>	<b>241,516</b>

Certain long term leasehold land of the Group with a carrying amount of RM18,327,899 (2016: RM18,327,899) are pledged 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 RM7,495,000 (2016: RM5,086,000) (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
<b>Cumulative property development costs:</b>			
<b>At 1 January 2016</b>	89,955	761,913	851,868
Adjustments	(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 costs written back (Note 8)	-	149	149
Unsold units transferred to inventories	(370)	(44,705)	(45,075)
<b>At 31 December 2016 and 1 January 2017</b>	<b>86,675</b>	<b>874,950</b>	<b>961,625</b>
Costs incurred during the year	4,901	99,110	104,011
Unsold units transferred to inventories	(2,331)	(98,481)	(100,812)
<b>At 31 December 2017</b>	<b>89,245</b>	<b>875,579</b>	<b>964,824</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 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
<b>Cumulative costs recognised in profit or loss:</b>			
<b>At 1 January 2016</b>	3,541	582,355	585,896
Recognised during the year	228	20,753	20,981
<b>At 31 December 2016 and 1 January 2017</b>	<b>3,769</b>	<b>603,108</b>	<b>606,877</b>
Recognised during the year	<b>7,884</b>	<b>98,197</b>	<b>106,081</b>
<b>At 31 December 2017</b>	<b>11,653</b>	<b>701,305</b>	<b>712,958</b>
<b>Property development costs:</b>			
At 31 December 2016	82,906	271,842	354,748
At 31 December 2017	<b>77,592</b>	<b>174,274</b>	<b>251,866</b>

Included in property development costs were finance costs capitalised during the year amounting to RM1,035,000 (2016: RM6,189,000) (Note 7).

### 16. INVESTMENT PROPERTIES

Group	Long term leasehold land RM'000	Buildings RM'000	Total RM'000
<b>Cost:</b>			
<b>At 31 December 2016 and 31 December 2017</b>	<b>3,177</b>	<b>2,918</b>	<b>6,095</b>
<b>Accumulated depreciation:</b>			
<b>At 1 January 2016</b>	192	395	587
Depreciation charge for the year (Note 8)	39	79	118
<b>At 31 December 2016 and 1 January 2017</b>	<b>231</b>	<b>474</b>	<b>705</b>
Depreciation charge for the year (Note 8)	<b>38</b>	<b>78</b>	<b>116</b>
<b>At 31 December 2017</b>	<b>269</b>	<b>552</b>	<b>821</b>
<b>Net carrying amount:</b>			
At 31 December 2016	2,946	2,444	5,390
At 31 December 2017	<b>2,908</b>	<b>2,366</b>	<b>5,274</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

Company	Long term leasehold land RM'000	Buildings and others RM'000	Total RM'000
<b>Cost:</b>			
<b>At 1 January 2016</b>	5,828	24,852	30,680
Disposals	(5,828)	(24,852)	(30,680)
<b>At 31 December 2016 and 1 January 2017</b>	-	-	-
Disposals	-	-	-
<b>At 31 December 2017</b>	-	-	-
<b>Accumulated depreciation:</b>			
<b>At 1 January 2016</b>	617	3,518	4,135
Disposals	(617)	(3,518)	(4,135)
<b>At 31 December 2016 and 1 January 2017</b>	-	-	-
Disposals	-	-	-
<b>At 31 December 2017</b>	-	-	-
<b>Net carrying amount:</b>			
<b>At 31 December 2016</b>	-	-	-
<b>At 31 December 2017</b>	-	-	-

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

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rental income (Note 4)	(528)	(528)	-	-
Direct operating expenses:				
- income generating investment properties	676	144	-	-
- non-income generating investment properties	37	37	-	-
<b>Fair value of investment properties</b>	<b>7,100</b>	<b>7,100</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 17. INTANGIBLE ASSETS

Group	Computer software RM'000	Others RM'000	Total RM'000
<b>Cost:</b>			
<b>At 1 January 2016</b>	9,461	1,027	10,488
Additions	1,080	-	1,080
<b>At 31 December 2016 and 1 January 2017</b>	<b>10,541</b>	<b>1,027</b>	<b>11,568</b>
Additions	109	-	109
<b>At 31 December 2017</b>	<b>10,650</b>	<b>1,027</b>	<b>11,677</b>
<b>Accumulated amortisation:</b>			
<b>At 1 January 2016</b>	5,604	742	6,346
Amortisation charge for the year (Note 8)	1,393	6	1,399
<b>At 31 December 2016 and 1 January 2017</b>	<b>6,997</b>	<b>748</b>	<b>7,745</b>
Amortisation charge for the year (Note 8)	1,725	6	1,731
<b>At 31 December 2017</b>	<b>8,722</b>	<b>754</b>	<b>9,476</b>
<b>Net carrying amount:</b>			
At 31 December 2016	3,544	279	3,823
At 31 December 2017	1,928	273	2,201

Company	Computer software RM'000	Others RM'000	Total RM'000
<b>Cost:</b>			
<b>At 1 January 2016</b>	2,560	101	2,661
Disposals	(2,560)	-	(2,560)
<b>At 31 December 2016 and 31 December 2017</b>	<b>-</b>	<b>101</b>	<b>101</b>
<b>Accumulated amortisation:</b>			
<b>At 1 January 2016</b>	2,313	-	2,313
Disposals	(2,313)	-	(2,313)
<b>At 31 December 2016 and 31 December 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount:</b>			
At 31 December 2016	-	101	101
At 31 December 2017	-	101	101

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 18. GOODWILL

	Group	
	2017	2016
	RM'000	RM'000
<b>At 1 January</b>	<b>61,709</b>	61,709
Arising from acquisition of a subsidiary (Note 19(a))	<b>1,245</b>	-
<b>At 31 December</b>	<b>62,954</b>	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	
	2017	2016
	RM'000	RM'000
Manufacturing of cement and clinker	<b>61,709</b>	61,709
Manufacturing and selling of premix	<b>1,245</b>	-
	<b>62,954</b>	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	
	2017	2016	2017	2016
CMS Cement Industries Sdn. Bhd. (formerly known as CMS Clinker Sdn. Bhd.)	<b>24%</b>	24%	<b>12%</b>	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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	1,109,995	1,040,622
Redeemable preference shares, at cost	110,000	110,000
Less: Accumulated impairment losses	(55,877)	(55,877)
	1,164,118	1,094,745

Details of the subsidiaries are as follows:

			Proportion of ownership interest	
Name of subsidiaries	Country of incorporation	Principal activities	2017 %	2016 %
Direct subsidiaries of the Company				
Cahaya 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. <sup>(i)</sup>	Malaysia	Production and sale of premix and road construction	40.0	40.0
CMS Premix (Miri) Sdn. Bhd. <sup>(i)</sup>	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 Cement Industries Sdn. Bhd. (formerly known as 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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

			Proportion of ownership interest	
Name of subsidiaries	Country of incorporation	Principal activities	2017 %	2016 %
Subsidiary of CMS I-Systems Berhad				
CMS I-Systems (India) Pte. Ltd. <sup>(ii)</sup>	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
Subsidiaries of CMS Resources Sdn. Bhd.				
Betong Premix Sdn. Bhd. <sup>(iii)</sup>	Malaysia	Manufacture and sale of premix	80.0	-
CMS Penkuari Sdn. Bhd. <sup>(iv)</sup>	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.	Malaysia	Developing and upgrading the Pan Borneo Highway from Sg. Awik Bridge to Bintangor Junction	70.0	70.0

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

			Proportion of ownership interest	
Name of subsidiaries	Country of incorporation	Principal activities	2017 %	2016 %
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
Subsidiaries of Samalaju Properties Sdn. Bhd.				
Samalaju Hotel Management Sdn. Bhd.	Malaysia	Hotel owner and operator	100.0	100.0
Samalaju Management Services Sdn. Bhd. <sup>(v)</sup>	Malaysia	Dormant	100.0	-

(i) Another 60% is held by CMS Resources Sdn. Bhd.

(ii) Audited by firms other than Ernst & Young.

(iii) On 15 September 2017, CMS Resources Sdn. Bhd. acquired 600,000 ordinary shares representing 80% equity interest in Betong Premix Sdn. Bhd. ("BPSB") for a total cash consideration of RM1,826,790.

(iv) Another 40% is held by CMS Premix Sdn. Bhd.

(v) Has yet to commence business.

#### (a) Acquisition of a subsidiary

The fair value of the identifiable assets and liabilities of BPSB as at the date of acquisition were:

	Fair value recognised on acquisition RM'000
Property, plant and equipment	3,601
Inventories	259
Trade and other receivables	3,583
Tax recoverable	105
Cash and bank balances	136
Loans and borrowings	(3,204)
Trade and other payables	(3,753)
Total identifiable net assets at fair value	727
Non-controlling interest (20% of net assets)	(146)
Goodwill arising on acquisition (Note 18)	1,245
Purchase consideration transferred	1,826

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (a) Acquisition of a subsidiary (cont'd.)

	Cash flow on acquisition RM'000
Net cash acquired with the subsidiary	136
Cash paid	(1,826)
Net cash flow on acquisition	(1,690)

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

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

#### (c) Increase in paid-up share capital of subsidiaries

(i) In the previous financial year, PBJV increased its issued and paid-up share capital from RM2 to RM10,000,000 divided into 9,999,998 ordinary shares, 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 69,373,000 (2016: 46,900,000) ordinary shares in Samalaju Industries Sdn. Bhd. ("SISB") for a total cash consideration of RM69,373,000 (2016: RM46,900,000).

In the previous financial year, the Company also subscribed for 110,000,000 redeemable preference shares in SISB for a total cash consideration of RM110,000,000.

(iii) In the previous financial year, the Company subscribed for an additional 35,000,000 ordinary shares in Cahya Mata Sarawak Management Services Sdn. Bhd. for a total cash consideration of RM35,000,000.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (d) 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 relate to amounts before inter-company elimination.

	PPES Works (Sarawak) Sdn. Bhd. (Group) RM'000	CMS Land Sdn. Bhd. (Group) RM'000	CMS Resources Sdn. Bhd. (Group) RM'000
<b>2017</b>			
<b>Summarised Statements of Financial Position</b>			
<b>As at 31 December</b>			
Non-current assets	5,648	21,096	72,383
Current assets	318,310	160,894	388,496
Total assets	323,958	181,990	460,879
Current liabilities	118,712	62,286	215,315
Non-current liabilities	1,066	-	1,261
Total liabilities	119,778	62,286	216,576
Net assets	204,180	119,704	244,303
Equity attributable to owners of the Company	200,548	56,494	198,345
Non-controlling interests	3,632	63,210	45,958
<b>Summarised Statements of Profit or Loss and Other Comprehensive Income</b>			
<b>Year ended 31 December</b>			
Revenue	194,512	64,119	391,936
Profit for the year	13,065	17,829	35,721
Profit attributable to owners of the Company	6,297	9,093	19,847
Profit attributable to non-controlling interests	6,768	8,736	15,874
Dividends paid to non-controlling interests	5,145	-	16,651
<b>Summarised Statements of Cash Flows</b>			
Net cash from operating activities	59,673	4,737	70,092
Net cash used in investing activities	(2,669)	(12)	(14,426)
Net cash used in financing activities	(10,500)	(3,600)	(39,367)
Net increase in cash and cash equivalents	46,504	1,125	16,299
Cash and cash equivalents at beginning of the year	183,714	45,879	278,674
Cash and cash equivalents at end of the year	230,218	47,004	294,973

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (d) 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 relate to amounts before inter-company elimination. (cont'd.)

	PPES Works (Sarawak) Sdn. Bhd. (Group) RM'000	CMS Land Sdn. Bhd. (Group) RM'000	CMS Resources Sdn. Bhd. (Group) RM'000
<b>2016</b>			
<b>Summarised Statements of Financial Position</b>			
<b>As at 31 December</b>			
Non-current assets	3,478	21,488	59,452
Current assets	269,447	162,339	355,172
Total assets	272,925	183,827	414,624
Current liabilities	71,298	76,627	168,599
Non-current liabilities	11	5,326	563
Total liabilities	71,309	81,953	169,162
Net assets	201,616	101,874	245,462
Equity attributable to owners of the Company	101,338	47,002	138,603
Non-controlling interests	100,278	54,872	106,859
<b>Summarised Statements of Profit or Loss and Other Comprehensive Income</b>			
<b>Year ended 31 December</b>			
Revenue	158,451	53,738	476,270
Profit for the year	19,588	7,315	75,649
Profit attributable to owners of the Company	10,034	3,731	42,160
Profit attributable to non-controlling interests	9,554	3,584	33,489
Dividends paid to non-controlling interests	7,938	-	14,686
<b>Summarised Statements of Cash Flows</b>			
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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 20. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 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	435,198	186,790	186,790
Irredeemable Convertible Preference Shares	110,000	110,000	-	-
	812,431	812,431	243,853	243,853
Share of post-acquisition reserves	85,134	56,748	-	-
	897,565	869,179	243,853	243,853
Fair value of investments in associates for which there is published price quotation	149,979	149,440	65,635	81,965

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

		Proportion of ownership interest	
Name of associates	Principal activities	2017 %	2016 %
Held by the Company:			
KKB Engineering Berhad	Steel fabrication, civil construction, hot dip galvanising and the manufacture of LPG cylinders	20.0	20.0
Kenanga Investment Bank Berhad	Investment holding stockbroking and financial services business	4.2	4.2
Sacofa Sdn. Bhd.	Telecommunication infrastructure providers	50.0	50.0
Held through subsidiaries:			
Kenanga Investment Bank Berhad	Investment holding, stockbroking and financial services business	21.2	21.2
Malaysian Phosphate Additives (Sarawak) Sdn. Bhd. <sup>(i)</sup>	Manufacturing and trading of inorganic feed phosphates	40.0	40.0
OM Materials (Samalaju) Sdn. Bhd. <sup>(i)</sup>	Processing, smelting and trading of ferro alloy products	25.0	25.0
OM Materials (Sarawak) Sdn. Bhd. <sup>(ii)</sup>	Processing, smelting and trading of ferro alloy products	25.0	25.0

<sup>(i)</sup> Has yet to commence business operations.

<sup>(ii)</sup> The shares of this associate have been pledged to a consortium of banks for credit facilities granted to this associate.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

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

The ICPS will mature ten years from the date of issuance and will bear a cumulative fixed dividend rate of 6.5% per annum on the issue price compounded annually.

Each ICPS is convertible into one new OM Sarawak share.

#### (b) Additional investment in an associate

In the previous financial year, the Group acquired 66.9 million ordinary shares in Malaysian Phosphate Additives (Sarawak) Sdn. Bhd., through its wholly-owned subsidiary, SISB, for a total cash consideration of RM66.9 million.

#### (c) Material associates

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

	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
<b>2017</b>				
<b>As at 31 December</b>				
Non-current assets	539,920	141,534	1,804,118	568,260
Current assets	5,952,582	217,588	936,269	296,983
Current liabilities	(5,601,036)	(58,331)	(558,298)	(185,479)
Non-current liabilities	-	(2,117)	(1,871,444)	(84,800)
Net assets	891,466	298,674	310,645	594,964
Revenue	697,439	209,271	1,631,707	205,002
Profit/(loss) for the year	24,166	3,296	(18,327)	79,366
Other comprehensive income	(2,584)	-	(29,754)	(211)
Total comprehensive income	21,582	3,296	(48,081)	79,155
Dividends received by the Group during the year	4,127	-	-	-

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (c) Material associates (cont'd.)

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

	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
<b>2017</b>				
<b>As at 31 December</b>				
Net assets	891,466	298,674	310,645	594,964
Total ICPS issued by an associate	-	-	(174,761)	-
Non-controlling interests	-	(11,775)	-	(178)
	891,466	286,899	135,884	594,786
Effective interests in associates	25.38%	20.00%	25.00%	50.00%
Group's share of net assets	226,254	57,380	33,971	297,393
Goodwill	14,297	4,991	50,079	-
ICPS subscribed by the Group	-	-	110,000	-
Group's carrying amount	240,551	62,371	194,050	297,393
<b>Group's share of results for the year ended 31 December</b>				
Group's share of profit or loss	6,139	328	(4,413)	39,804
Group's share of other comprehensive income	(656)	-	(7,439)	(30)
Group's share of total comprehensive income	5,483	328	(11,852)	39,774

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.

	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
<b>2016</b>				
<b>As at 31 December</b>				
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
<b>Year ended 31 December</b>				
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	-	-

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (c) Material associates (cont'd.)

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

	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
<b>2016</b>				
<b>As at 31 December</b>				
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
<b>Group's share of results for the year ended 31 December</b>				
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

### 21. INVESTMENTS IN JOINT VENTURES

	Group	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost	5,824	2,504
Redeemable preference shares, at cost	2	26,569
Less: Accumulated impairment losses	-	(6,973)
	2	19,596
Share of post-acquisition reserves	21,371	24,511
	27,197	46,611

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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Proportion of ownership interest	
		2017 %	2016 %
COPE Private Equity Sdn. Bhd. (formerly known as CMS Opus Private Equity Sdn. Bhd.) <sup>(i)</sup>	Management of private equity investments	51.0	51.0
COPE-KPF Opportunities 1 Sdn. Bhd. <sup>(ii)</sup>	Investment holding	26.7	26.7
COPE Opportunities 2 Sdn. Bhd. <sup>(ii)</sup>	Investment holding	16.4	16.4
PPES Works - Naim Land JV <sup>(i)</sup>	Construction of bridges	55.0	55.0
PPES Works Larico JV <sup>(i)</sup>	Construction of 275kV Balingian - Selangau transmission line and 275kV Selangau - Mapai transmission line	51.0	51.0
PPES Works - PCSB JV <sup>(i)</sup>	Design and build interchange via shallow underpasses	51.0	51.0
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

<sup>(i)</sup> 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.

<sup>(ii)</sup> 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. In the previous 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. While during the year, redemptions totalling RM31,821,308 were made at a gain of RM5,254,482.

<sup>(iii)</sup> During the year, the Group invested an additional RM20,000 in PPES Works Wibawa JV and RM3,300,000 in PPES Works - Naim Land JV, for top up of working capital requirements.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### Material joint ventures

The following table summarises the financial information in respect of each of the Group's material joint ventures. The summarised financial information represents the amounts in the 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
<b>2017</b>		
<b>As at 31 December</b>		
Non-current assets	45,819	10,523
Cash and cash equivalents	237	17
Other current assets	3,533	4,308
Current liabilities	(10,001)	(3,683)
Net assets	39,588	11,165
<b>Year ended 31 December</b>		
Revenue	700	1,232
Profit for the year	42,135	54,550
Total comprehensive income	42,135	54,550
<b>2016</b>		
<b>As at 31 December</b>		
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
<b>Year ended 31 December</b>		
Revenue	687	1,609
Profit for the year	30,792	38,680
Total comprehensive income	30,792	38,680

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### Material joint ventures (cont'd.)

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
<b>2017</b>		
<b>As at 31 December</b>		
Net assets	39,588	11,165
Effective interest in joint ventures	26.67%	16.39%
Group's carrying amount	10,558	1,830
<b>2016</b>		
<b>As at 31 December</b>		
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

### 22. DEFERRED TAX

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>At 1 January</b>	(4,303)	(3,096)	(37)	993
Recognised in statements of profit or loss and other comprehensive income (net) (Note 11)	(9,911)	(1,207)	-	(1,030)
<b>At 31 December</b>	(14,214)	(4,303)	(37)	(37)

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets, net	22,621	34,989	-	-
Deferred tax liabilities, net	(36,835)	(39,292)	(37)	(37)
	(14,214)	(4,303)	(37)	(37)

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	68,283	75,578	-	-
Deferred tax liabilities	(82,497)	(79,881)	(37)	(37)
	(14,214)	(4,303)	(37)	(37)

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
<b>Deferred tax assets:</b>				
<b>At 1 January 2016</b>	2,159	66,396	4,642	73,197
Recognised in statements of profit or loss and other comprehensive income	(2,159)	(3,542)	8,082	2,381
<b>At 31 December 2016</b>	-	62,854	12,724	75,578
Recognised in statements of profit or loss and other comprehensive income	-	(12,882)	5,587	(7,295)
<b>At 31 December 2017</b>	-	49,972	18,311	68,283

Group	Property, plant and equipment RM'000	Property development costs RM'000	Other temporary differences RM'000	Total RM'000
<b>Deferred tax liabilities:</b>				
<b>At 1 January 2016</b>	(69,824)	(5,467)	(1,002)	(76,293)
Recognised in statements of profit or loss and other comprehensive income	(4,335)	732	15	(3,588)
<b>At 31 December 2016</b>	(74,159)	(4,735)	(987)	(79,881)
Recognised in statements of profit or loss and other comprehensive income	(2,940)	1,318	(994)	(2,616)
<b>At 31 December 2017</b>	(77,099)	(3,417)	(1,981)	(82,497)

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

Company	Unabsorbed capital allowances RM'000
<b>Deferred tax assets:</b>	
<b>At 1 January 2016</b>	993
Recognised in statements of profit or loss and other comprehensive income	(1,030)
<b>At 31 December 2016</b>	(37)
Recognised in statements of profit or loss and other comprehensive income	-
<b>At 31 December 2017</b>	(37)

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

	Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses	53,181	50,970
Unabsorbed capital allowances	11,678	7,786
Other deductible temporary differences	7,079	11,271
	<b>71,938</b>	70,027

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	
	2017 RM'000	2016 RM'000
<b>Cost</b>		
Raw materials	29,881	33,508
General stores	95,086	88,817
Work-in-progress	53	56
Goods-in-transit	348	66
Finished goods	24,797	12,538
Completed development units	144,145	50,376
	<b>294,310</b>	185,361

During the year, the amount of inventories recognised as an expense in cost of sales of the Group was RM368,151,126 (2016: RM429,942,724).

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Current</b>				
<b>Trade receivables</b>				
Third parties	207,378	231,898	-	-
Retention sums on construction contracts (Note 26)	3,318	8,782	-	-
Amount due from associates	2,496	6,373	-	-
Amount due from joint ventures	384	167	-	-
	213,576	247,220	-	-
Less: Allowance for impairment				
- Third parties	(2,327)	(3,084)	-	-
Trade receivables, net	211,249	244,136	-	-
<b>Other receivables</b>				
Amount due from subsidiaries:				
- Central cash management accounts	-	-	261,743	235,417
- Current accounts	-	-	33,768	52,258
- Loans	-	-	287	574
Amount due from joint ventures	4,077	23,904	-	-
Amount due from an associate	8,324	4,000	74	-
Interest receivable	-	-	3,199	-
Deposits	8,888	5,579	429	405
Sundry receivables	38,672	11,595	890	101
Retention sum on construction contracts (Note 26)	75	479	-	-
	60,036	45,557	300,390	288,755
Less: Allowance for impairment				
- Amount due from subsidiaries under current account	-	-	(33,674)	(32,317)
- Others	(548)	(548)	-	-
Other receivables, net	59,488	45,009	266,716	256,438
	270,737	289,145	266,716	256,438
<b>Non-current</b>				
<b>Other receivables</b>				
Amount due from subsidiaries under loans	-	-	36,073	62,418
Amount due from an associate under shareholders' loans	40,284	70,964	-	-
Amount due from an associate	13,000	17,250	-	-
Less: Allowance for impairment				
- Amount due from an associate	(972)	(1,972)	-	-
	52,312	86,242	36,073	62,418
<b>Total trade and other receivables (current and non-current)</b>	<b>323,049</b>	<b>375,387</b>	<b>302,789</b>	<b>318,856</b>
Add: Cash and bank balances (Note 29)	977,835	457,070	876,358	391,129
<b>Total loans and receivables</b>	<b>1,300,884</b>	<b>832,457</b>	<b>1,179,147</b>	<b>709,985</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (a) Trade receivables

Trade receivables, inclusive of amounts due from associates and joint ventures, are non-interest bearing and are generally on 30 to 120 day (2016: 30 to 120 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. Certain trade receivables of the Group are secured by financial guarantees as disclosed in Note 40(a)(i).

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	
	2017 RM'000	2016 RM'000
Neither past due nor impaired	126,367	162,467
1 to 30 days past due not impaired	20,310	21,481
31 to 60 days past due not impaired	13,361	10,813
61 to 90 days past due not impaired	15,184	10,950
91 to 120 days past due not impaired	6,511	4,243
More than 121 days past due not impaired	27,818	27,460
	83,184	74,947
Impaired	4,025	9,806
	213,576	247,220

#### 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 RM83,184,000 (2016: RM74,947,000) which are past due but not impaired. These receivables are unsecured. None of the past due account holders have history of default records.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 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	
	2017 RM'000	2016 RM'000
Trade receivables	4,025	9,806
Less: Allowance for impairment	(2,327)	(3,084)
	1,698	6,722
Movement in allowance accounts:		
<b>At 1 January</b>	3,084	3,174
Charges for the year (Note 8)	367	1,746
Reversal of impairment loss (Note 6)	(486)	(1,836)
Written off	(638)	-
<b>At 31 December</b>	2,327	3,084

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 3.58% to 5.80% (2016: 4.10% to 5.31%) 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 RM36,073,402 (2016: RM62,131,204) included in amount due from subsidiaries under loans is unsecured and earns interest at 5.20% to 5.74% (2016: 4.75% to 5.56%) 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).

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (b) Other receivables (cont'd.)

##### (iv) Amounts due from joint ventures and an associate

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

##### (v) Amount due from an associate under shareholders' loans

The amount is unsecured and earns interest at 5.20% to 5.74% (2016: 4.75% to 5.56%) per annum.

### 25. OTHER CURRENT ASSETS

	Group	
	2017 RM'000	2016 RM'000
Prepaid operating expenses	3,199	3,282
Amount due from customers for contracts work (Note 26)	91,131	28,986
Progress billings in respect of property development costs	8,042	5,174
	102,372	37,442

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

	Group	
	2017 RM'000	2016 RM'000
Construction contract costs incurred to-date	640,907	531,384
Attributable profits less recognised losses	78,385	53,021
	719,292	584,405
Less: Progress billings	(669,933)	(605,683)
	49,359	(21,278)
Presented as:		
Amount due from customers for contracts work (Note 25)	91,131	28,986
Amount due to customers for contracts work (Note 32)	(41,772)	(50,264)
	49,359	(21,278)
Retention sums on construction contracts included in:		
Trade receivables (Note 24)	3,318	8,782
Other receivables (Note 24)	75	479
Trade payables (Note 31)	9,512	12,411

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

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

	Group	
	2017 RM'000	2016 RM'000
Depreciation of property, plant and equipment (Note 13)	159	52
Operating leases:		
- lease payments on land and buildings	503	141
- lease payments on equipment	61	-

### 27. INVESTMENT SECURITIES

Group	2017		2016	
	Carrying amount RM'000	Market value of investments RM'000	Carrying amount RM'000	Market value of investments RM'000
<b>Current</b>				
<b>Fair value through profit or loss</b>				
Income debt securities (unquoted in Malaysia)	91,970	91,970	5,062	5,062
Real Estate Investment Trust (quoted in Malaysia)	4,550	4,550	4,600	4,600
Total current investment securities	96,520	96,520	9,662	9,662
<b>Non-current</b>				
<b>Available-for-sale financial assets</b>				
Equity instruments (unquoted in Malaysia), at cost	-	-	300	-
<b>Fair value through profit or loss</b>				
Redeemable participatory shares (unquoted in Malaysia)	70	-	-	-
Total non-current investment securities	70	-	300	-

Company	2017		2016	
	Carrying amount RM'000	Market value of investments RM'000	Carrying amount RM'000	Market value of investments RM'000
<b>Current</b>				
<b>Fair value through profit or loss</b>				
Income debt securities (unquoted in Malaysia)	91,970	91,970	5,062	5,062
Real Estate Investment Trust (quoted in Malaysia)	4,550	4,550	4,600	4,600
Total current investment securities	96,520	96,520	9,662	9,662

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 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 at an exercise price of RM1.50 at any time during the exercise period.

### 29. CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash in hand and at banks	102,737	61,041	3,150	181
Short-term deposits with licensed banks	875,056	68,287	873,166	63,206
Wholesale fund	42	327,742	42	327,742
Total cash and bank balances	977,835	457,070	876,358	391,129

- (a) 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 2017 for the Group and the Company were 4.17% (2016: 4.17%) and 3.65% (2016: 4.31%), respectively.
- (b) As at 31 December 2017, included in short-term deposits with licensed banks of the Group and the Company is an amount of RM145,000,000 (2016: RM10,000,000) being deposits placed with an associate.
- (c) Short-term deposits of the Group and the Company amounting to RM2,054,004 (2016: RM1,996,636) and RM210,000 (2016: RM210,000), respectively, have been pledged as security for banking facilities granted to the Group and the Company.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and short-term deposits	977,835	457,070	876,358	391,129
Less: Deposits pledged to licensed banks	(2,054)	(1,997)	(210)	(210)
Cash and cash equivalents	975,781	455,073	876,148	390,919

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 30. LOANS AND BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current</b>				
<b>Secured:</b>				
Obligation under finance lease	727	-	-	-
Revolving credits	17,000	20,600	-	-
	17,727	20,600	-	-
<b>Unsecured:</b>				
Shareholders' loan	275	551	-	-
Revolving credits	10,000	50,000	-	35,000
Bankers' acceptances	2,300	50,300	-	-
Term loans	21,429	21,429	-	-
	34,004	122,280	-	35,000
Total current	51,731	142,880	-	35,000
<b>Non-current</b>				
<b>Secured:</b>				
Obligation under finance lease	1,261	-	-	-
<b>Unsecured:</b>				
Islamic medium term notes	500,000	-	500,000	-
Shareholders' loan	-	276	-	-
Term loans	83,372	104,800	-	-
	583,372	105,076	500,000	-
Total non-current	584,633	105,076	500,000	-
Total loans and borrowings	636,364	247,956	500,000	35,000

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
On demand or within 1 year	51,731	142,880	-	35,000
More than 1 year and less than 5 years	522,690	85,989	500,000	-
5 years or more	61,943	19,087	-	-
	636,364	247,956	500,000	35,000

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

- (a) The revolving credits of a subsidiary are secured by legal charges over landed properties of the subsidiary (Note 15(a)).
- (b) The interest rates of the Group and Company were as follows:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Bankers' acceptances	3.53 to 3.60	3.50 to 3.95	-	-
Finance lease	2.62 to 6.60	-	-	-
Revolving credits	4.53 to 5.80	4.53 to 5.80	-	4.53 to 4.58
Term loans	4.58 to 4.84	4.58 to 4.84	-	-
Islamic medium term notes	4.80	-	4.80	-

- (c) The shareholders' loan is charged interest at 5% (2016: 5%) per annum and is repayable from June 2015 to June 2018.

### 31. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current</b>				
<b>Trade payables</b>				
Third parties	388,519	268,822	-	-
Deposits payable	416	1,626	-	-
Retention sums on construction contracts (Note 26)	9,512	12,411	-	-
Amount due to joint ventures	7,890	6,345	-	-
	406,337	289,204	-	-
<b>Other payables</b>				
Sundry payables	57,920	52,703	1,165	1,220
Accrued operating expenses	45,092	30,230	813	877
Amount due to subsidiaries under				
- Central cash management accounts	-	-	1,181,510	993,014
- Current accounts	-	-	-	1,563
Amount due to joint ventures	1,141	3,890	-	-
Deposits payable	5,575	5,812	-	-
Interest payable	3,907	327	3,682	75
Land premium payable	1,054	7,848	-	-
Retention monies	4,449	5,043	-	-
	119,138	105,853	1,187,170	996,749
	525,475	395,057	1,187,170	996,749

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Non-current</b>				
<b>Trade payables</b>				
Deposit payable	273	23	-	-
<b>Other payables</b>				
Land premium payable	93,446	84,340	-	-
	93,719	84,363	-	-
<b>Total trade and other payables (current and non-current)</b>	<b>619,194</b>	479,420	<b>1,187,170</b>	996,749
Add: Loans and borrowings (Note 30)	636,364	247,956	500,000	35,000
<b>Total financial liabilities carried at amortised cost</b>	<b>1,255,558</b>	727,376	<b>1,687,170</b>	1,031,749

#### (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 (2016: one month to four months).

#### (b) Sundry payables

Sundry payables are non-interest bearing and are repayable on demand, apart from the Group's current other payables amounting to RM15,853,519 (2016: RM16,193,249) that is normally settled on an average term of six months (2016: average term of six months).

#### (c) Amount due to subsidiaries

Amount due to subsidiaries under central cash management accounts is unsecured, repayable on demand and bears interest at rates ranging from 3.46% to 5.00% (2016: 2.88% to 5.31%) per annum.

#### (d) Amount due to joint ventures

Amount due to joint ventures is unsecured, non-interest bearing and is repayable on demand.

#### (e) Land premium payable

Included in the Group's land premium payable (current and non-current) is an amount of RM91,571,705 (2016: RM84,076,531) relating to the acquisition of land held for property development by a subsidiary and is payable by 2024.

The remaining amount of RM2,928,585 (2016: RM8,110,980) relates to other parcels of leasehold land acquired by subsidiaries which are payable by 2021.

These amounts are unsecured and bear interest at rates ranging between 5.22% to 6.38% (2016: 5.22% to 6.38%) per annum.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (e) Land premium payable (cont'd.)

These payables are due as follows:

	Group	
	2017	2016
	RM'000	RM'000
Repayable within one year	1,054	7,848
More than one year and less than five years	58,436	18,394
More than five years	35,010	65,946
	<b>94,500</b>	<b>92,188</b>

### 32. OTHER CURRENT LIABILITIES

	Group	
	2017	2016
	RM'000	RM'000
Progress billings in respect of property development costs	50,101	76,519
Amount due to customers for contracts work (Note 26)	41,772	50,264
	<b>91,873</b>	<b>126,783</b>

### 33. SHARE CAPITAL

	Group and Company			
	Number of ordinary share		Amount	
	2017	2016	2017	2016
	'000	'000	RM'000	RM'000
<b>Issued capital</b>				
<b>At 1 January</b>	<b>1,074,376</b>	1,074,376	<b>537,188</b>	537,188
Transition to no-par regime on 31 January 2017 (Note 34)	-	-	<b>330,714</b>	-
<b>At 31 December</b>	<b>1,074,376</b>	1,074,376	<b>867,902</b>	537,188

The new Companies Act 2016 which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 33. SHARE CAPITAL (CONT'D.)

	Group and Company Number of non-convertible redeemable preference shares	Amount RM'000
At 31 December 2016 and 31 December 2017	800	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.

#### (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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	330,716	330,716	330,714	330,714
Movement during the year:				
Share of an associate's reserves	(2)	-	-	-
Transition to no-par regime on 31 January 2017 (Note 33)	(330,714)	-	(330,714)	-
At 31 December	-	330,716	-	330,714

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

The new Companies Act 2016 (the "Act"), which came into effect on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM330,713,721 for the purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 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	Total RM'000
<b>At 1 January 2016</b>	9,609	24,305	(12,000)	28,372	(4,437)	(41,196)	(23,413)	(18,760)
<b>Other comprehensive income:</b>								
Foreign currency translation	-	1	-	-	-	-	-	1
Share of other comprehensive income of associates	-	11,631	-	-	2,062	44,415	-	58,108
Share of other comprehensive income of a joint venture	-	-	-	-	280	-	-	280
Share of an associate's reserves	-	11,632	-	-	2,342	44,415	-	58,389
	-	-	-	461	-	-	-	461
<b>At 31 December 2016</b>	9,609	35,937	(12,000)	28,833	(2,095)	3,219	(23,413)	40,090
<b>At 1 January 2017</b>	9,609	35,937	(12,000)	28,833	(2,095)	3,219	(23,413)	40,090
<b>Other comprehensive income:</b>								
Share of other comprehensive income of associates	-	(9,740)	-	-	990	650	-	(8,100)
Share of other comprehensive income of a joint venture	-	-	-	-	(412)	-	-	(412)
Share of an associate's reserves	-	(9,740)	-	-	578	650	-	(8,512)
	-	-	-	(22,486)	-	-	-	(22,486)
<b>At 31 December 2017</b>	9,609	26,197	(12,000)	6,347	(1,517)	3,869	(23,413)	9,092

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

	Company RM'000
<b>Merger reserve:</b>	
At 31 December 2016 and 31 December 2017	<b>168,000</b>

#### (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 functional currency.

#### (c) Statutory and regulatory reserve

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

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

#### (d) Available-for-sale reserve

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

#### (e) Cash flow hedge reserve

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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 36. COMMITMENTS

#### (a) Capital commitments

Capital commitments as at the reporting date were as follows:

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for:				
- Property, plant and equipment	29,583	22,577	-	-
- Investment in redeemable preference shares	53,799	2,103	-	-
	83,382	24,680	-	-
Approved but not contracted for:				
- Property, plant and equipment	270,817	268,346	37	40
- Intangible assets	4,015	1,225	-	-
- Investment in associates	334,000	352,000	-	-
- Investment in redeemable preference shares	-	6,667	-	-
	608,832	628,238	37	40
	692,214	652,918	37	40

#### (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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Not later than 1 year	8,443	7,699	985	787
Later than 1 year and not later than 5 years	23,718	20,073	1,030	695
Later than 5 years	26,844	31,407	-	-
	59,005	59,179	2,015	1,482

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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 36. 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	
	2017 RM'000	2016 RM'000
Not later than 1 year	2,608	2,710
Later than 1 year and not later than 5 years	5,417	5,542
Later than 5 years	4,094	3,240
	<b>12,119</b>	<b>11,492</b>

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

### 37. CONTINGENCIES

(a)	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Share of contingent liabilities of an associate	-	1,093	-	179

- (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 a subsidiary, Samalaju Industries Sdn. Bhd. ("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 2017, 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 37. CONTINGENCIES (CONT'D.)

- (b) (ii) The Company has, on the basis of its 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 2017.

The Company has also, on the basis of its 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 2017.

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.

### 38. 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Subsidiaries</b>				
Interest income	-	-	(11,424)	(11,604)
Interest expenses	-	-	33,313	30,070
Administrative fee expense	-	-	5,179	3,203
<b>Associates</b>				
Dividend income from funds managed by an associate	(1,109)	(8,602)	(1,109)	(8,602)
Interest income	(1,638)	(3,217)	(1,638)	(3,217)
Sale of goods	(182)	(234)	-	-
Rental income	(5,856)	(5,492)	-	-
Sale of land	-	(25,000)	-	-
Management fee	(1,656)	(1,242)	-	-
Purchase of goods	12,140	-	-	-
Payment of services	492	113	-	113
<b>Joint ventures</b>				
Administrative fee income	(138)	(71)	-	-
Interest income	(271)	(798)	-	-
Rental income	(793)	(887)	-	-
Supervision fee/management fee	(2,401)	(127)	-	-
Contract costs/contractor charges	19,941	27,434	-	-

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 38. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

#### (a) Sale and purchase of goods and services (cont'd.)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Other related parties</b>				
Sale of goods to:				
- Laku Management Sdn. Bhd. <sup>(i)</sup>	(3,030)	(6,795)	-	-
- Titanium Construction Sdn. Bhd. <sup>(ii)</sup>	(1)	(94)	-	-
Rendering of services to:				
- Tintingmas Sdn. Bhd. <sup>(iii)</sup>	(42)	-	-	-
Payment of services to:				
- Kristal Harta Sdn. Bhd. <sup>(iv)</sup>	150	4	-	-
- R. T. Cargo Sdn. Bhd. <sup>(v)</sup>	1,116	-	-	-
- Satria Realty Sdn. Bhd. <sup>(vi)</sup>	2,296	2,134	542	575
- Tintingmas Sdn. Bhd. <sup>(iii)</sup>	26	-	-	-

<sup>(i)</sup> The Group supplied goods to Laku Management Sdn. Bhd., a company in which Datu Hubert Thian Chong Hui was a director.

<sup>(ii)</sup> 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.

<sup>(iii)</sup> Umang Nangku Jabu, a director of the Company, is also a shareholder of Tintingmas Sdn. Bhd. of which the Group rendered services to and engaged for road maintenance services.

<sup>(iv)</sup> The Group transacted with Krista Harta Sdn. Bhd., a company related to Datuk Syed Ahmad Alwee Alsree, a director of the Company, for the provision of advertising services.

<sup>(v)</sup> Umang Nangku Jabu is a director of the Company and is a common director of R.T. Cargo Sdn. Bhd. which rendered services to the Group.

<sup>(vi)</sup> The Group transacted with Satria Realty Sdn. Bhd., a company controlled by Majaharta Sdn. Bhd. (a major shareholder of the Company) which in turn is controlled by Datuk Hanifah Hajar Taib and Jamilah Hamidah Taib who are major shareholders of the Company and persons connected to Dato Sri Haji Mahmud Abu Bekir Taib and Datuk Syed Ahmad Alwee Alsree, for the provision of office rental and office upkeep to the Group.

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

	Group	
	2017	2016
	RM'000	RM'000
Receivable from related parties:		
- Laku Management Sdn. Bhd.	-	518
Payable to related parties:		
- R.T. Cargo Sdn. Bhd.	352	-
- Satria Realty Sdn. Bhd.	83	-

Information regarding outstanding balance arising from related party transactions as at 31 December 2017 are disclosed in Note 24 and Note 31.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 38. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

#### (c) Compensation of key management personnel

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

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Key management personnel</b>				
Directors (Note 10)				
- Fees	788	853	658	733
- Remuneration	5,695	4,700	5,203	4,308
- Defined contribution plans	625	504	581	470
Total short-term employee benefits	7,108	6,057	6,442	5,511
Benefits-in-kind	454	400	416	363
	7,562	6,457	6,858	5,874
<b>Other key management personnel</b>				
- Short-term employee benefits	5,398	4,482	2,124	1,194
- Defined contribution plans	637	539	254	143
Total short-term employee benefits	6,035	5,021	2,378	1,337
Benefits-in-kind	184	192	47	47
	6,219	5,213	2,425	1,384
<b>Total key management personnel</b>	<b>13,781</b>	<b>11,670</b>	<b>9,283</b>	<b>7,258</b>

Other key management personnel comprise persons, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

### 39. 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 39. FAIR VALUE MEASUREMENTS (CONT'D.)

#### (a) Determination of fair value and the fair value hierarchy (cont'd.)

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

Level 1 - Quoted market prices: quoted prices (unadjusted) in active market for identical instruments;

Level 2 - Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2017</b>				
<b>Financial assets</b>				
Investment securities (Note 27)				
- Income debt securities	-	91,970	-	91,970
- Real Estate Investment Trust	4,550	-	-	4,550
- Redeemable preference shares	-	-	70	70
	4,550	91,970	70	96,590
<b>31 December 2016</b>				
<b>Financial assets</b>				
Investment securities (Note 27)				
- Income debt securities	-	5,062	-	5,062
- Real Estate Investment Trust	4,600	-	-	4,600
	4,600	5,062	-	9,662

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 39. FAIR VALUE MEASUREMENTS (CONT'D.)

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

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2017</b>				
<b>Financial assets</b>				
Investment securities (Note 27)				
- Income debt securities	-	91,970	-	91,970
- Real Estate Investment Trust	4,550	-	-	4,550
	4,550	91,970	-	96,520
<b>31 December 2016</b>				
<b>Financial assets</b>				
Investment securities (Note 27)				
- Income debt securities	-	5,062	-	5,062
- Real Estate Investment Trust	4,600	-	-	4,600
	4,600	5,062	-	9,662

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 (2016: Nil).

#### (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
<b>31 December 2017</b>				
<b>Financial assets</b>				
Investments in associates (Note 20)	149,979	-	-	149,979
Investment properties (Note 16)	-	-	7,100	7,100
	149,979	-	7,100	157,079
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings				
- Finance lease	-	-	1,944	1,944
- Islamic medium term notes	-	-	604,285	604,285
- Term loan	-	-	116,557	116,557
- Shareholders' loan	-	-	282	282
	-	-	723,068	723,068

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 39. FAIR VALUE MEASUREMENTS (CONT'D.)

#### (c) Fair values of financial instruments not carried at fair value (cont'd.)

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2016</b>				
<b>Financial assets</b>				
Investments in associates (Note 20)	149,440	-	-	149,440
Investment properties (Note 16)	-	-	7,100	7,100
	149,440	-	7,100	156,540
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings				
- Term loan	-	-	143,233	143,233
- Shareholders' loan	-	-	868	868
	-	-	144,101	144,101

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2017</b>				
<b>Financial assets</b>				
Investments in associates (Note 20)	65,635	-	-	65,635
<b>Financial liabilities</b>				
Interest-bearing loans and borrowing				
- Islamic medium term notes	-	-	604,285	604,285
<b>31 December 2016</b>				
<b>Financial assets</b>				
Investments in associates (Note 20)	81,965	-	-	81,965

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

#### (i) Loans, advances and financing

The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity. The fair values of impaired loans/financing are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 39. FAIR VALUE MEASUREMENTS (CONT'D.)

#### (c) Fair values of financial instruments not carried at fair value (cont'd.)

##### (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.

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.

### 40. 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 40. 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 RM28,753,374 (2016: RM41,580,481) in respect of RM31,406,423 (2016: RM52,408,090) 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 37.

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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 40. 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			
		On demand or within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Group	Carrying amount RM'000				
<b>At 31 December 2017</b>					
Financial liabilities:					
Trade and other payables	619,194	536,256	106,373	-	642,629
Loans and borrowings	636,364	80,265	672,448	-	752,713
Financial guarantees*	-	452,331	-	-	452,331
	1,255,558	1,068,852	778,821	-	1,847,673
<b>At 31 December 2016</b>					
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

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (b) Liquidity risk (cont'd.)

##### Analysis of financial instruments by remaining contractual maturities (cont'd.)

		Cash Flows			
		On demand or within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Company	Carrying amount RM'000				
At 31 December 2017					
Financial liabilities:					
Trade and other payables	1,187,170	1,230,533	-	-	1,230,533
Loans and borrowings	500,000	24,000	580,285	-	604,285
Financial guarantees*	-	452,331	-	-	452,331
	1,687,170	1,706,864	580,285	-	2,287,149
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

\* Based on the maximum amount that can be called under the financial guarantee contracts as disclosed in Note 37(b).

#### (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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

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

#### (c) Market risk (cont'd.)

##### (i) Currency risk (cont'd.)

- **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 2017 and 31 December 2016, the Group and the Company have not entered into any forward foreign currency contracts.

- **Currency risk sensitivity analysis**

A reasonable possible 10% (2016: 10%) strengthening of the USD at the end of the reporting period would have increased the Group's profit for the year by RM6,027,749 (2016: RM6,428,178), 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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 40. 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 (2016: 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	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Fixed rate instruments</b>				
Financial assets	875,056	68,287	873,454	64,067
Financial liabilities	636,364	339,317	500,000	35,000
	1,511,420	407,604	1,373,454	99,067
<b>Floating rate instruments</b>				
Financial assets	40,284	70,964	297,816	297,548
Financial liabilities	-	827	1,181,512	993,014
	40,284	71,791	1,479,328	1,290,562

- **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, 95% (2016: 51%) of the Group's and the Company's investment securities consist of income debt securities fund, and 5% (2016: 48%) in investment trust fund portfolio quoted on Bursa Malaysia Securities Berhad.

- **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 RM455,000 (2016: RM460,000) higher as a result of higher fair value gain on fair value through profit or loss investments in equity instruments. A 10% decrease in the underlying equity prices would have had the equal but opposite effect to the amounts shown above.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 41. 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 2017 and 2016.

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 2017 and 2016.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and borrowings (Note 30)	636,364	247,956	500,000	35,000
Equity attributable to the owners of the Company	2,349,846	2,212,836	1,040,526	1,073,657
Gearing ratio (times)	0.27	0.11	0.48	0.03

### 42. 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 Divisions. 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, hotel operation;
- (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.

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 42. SEGMENT INFORMATION (CONT'D.)

	Cement RM'000	Construction materials and trading RM'000	Construction and road maintenance RM'000	Property development and related services RM'000	Strategic investments RM'000	Others RM'000	Adjustments and elimination RM'000	Notes	Per consolidated financial statements RM'000
<b>31 December 2017</b>									
<b>Revenue:</b>									
External customers	496,503	428,291	447,177	198,772	10,410	25,291	-		1,606,444
Inter-segment	24,407	63,703	11,633	1,493	-	38,642	(139,878)	A	-
Total revenue	520,910	491,994	458,810	200,265	10,410	63,933	(139,878)		1,606,444
<b>Results:</b>									
Interest income	9,355	7,523	13,440	2,684	2,025	3,666	(34,324)		4,369
Depreciation and amortisation	33,465	6,866	11,398	3,181	343	2,791	(61)		57,983
Share of results of associates	-	-	-	-	40,640	-	-		40,640
Share of results of joint ventures	-	-	3,147	-	28,762	-	-		31,909
Other non-cash expenses	1,909	816	2	300	55	6,253	-	B	9,335
Segment profit/(loss) before tax	101,338	59,705	90,200	47,220	6,084	(7,411)	33,638	C	330,774
<b>Assets:</b>									
Investments in associates	-	-	-	-	212,260	541,104	144,201		897,565
Investments in joint ventures	-	-	4,456	-	22,741	-	-		27,197
Additions to non-current assets	27,395	13,200	15,772	10,008	434	880	4	D	67,693
<b>Segment assets</b>	1,010,549	520,337	695,468	854,677	74,040	1,451,697	(519,566)	E	4,087,202
<b>Segment liabilities</b>									
	68,806	226,177	181,370	480,293	37,513	1,219,711	(809,055)	F	1,404,815

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 42. SEGMENT INFORMATION (CONT'D.)

	Cement RM'000	Construction materials and trading RM'000	Construction and road maintenance RM'000	Property development and related services RM'000	Strategic investments RM'000	Others RM'000	Adjustments and elimination RM'000	Notes	Per consolidated financial statements RM'000
<b>31 December 2016</b>									
<b>Revenue:</b>									
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
<b>Results:</b>									
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
<b>Assets:</b>									
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
<b>Segment assets</b>	1,007,519	470,300	584,245	856,686	21,909	912,229	(401,551)	E	3,451,337
<b>Segment liabilities</b>									
	76,193	166,946	106,624	506,533	36,441	1,037,383	(1,013,522)	F	916,598

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 42. 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	2017 RM'000	2016 RM'000
Impairment loss on trade and other receivables	8	367	1,746
Impairment loss on investment in an associate	8	972	1,972
Impairment loss on investment securities	8	300	-
Inventories written down	8	-	84
Inventories written off	8	9	117
Net unrealised foreign exchange loss/(gain)	6/8	6,743	(4,507)
Project development cost written back	8	-	(149)
Property, plant and equipment written off	8	944	1,037
Reversal of allowance for obsolete inventory	8	-	(8)
		9,335	292

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:

	2017 RM'000	2016 RM'000
Share of results of associates	40,640	(35,169)
Share of results of joint ventures	31,909	23,275
Unallocated corporate expenses	(38,911)	(23,335)
	33,638	(35,229)

D Additions to non-current assets consist of:

	2017 RM'000	2016 RM'000
Property, plant and equipment	59,966	55,795
Land held for property development	7,618	8,789
Intangible assets	109	1,080
	67,693	65,664

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 42. 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:

	2017 RM'000	2016 RM'000
Investments in associates	897,565	869,179
Investments in joint ventures	27,197	46,611
Deferred tax assets	22,621	34,989
Inter-segment assets	(1,466,949)	(1,352,330)
	(519,566)	(401,551)

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:

	2017 RM'000	2016 RM'000
Deferred tax liabilities	36,835	39,292
Income tax payable	20,549	23,147
Loans and borrowings	636,364	247,956
Inter-segment liabilities	(1,502,803)	(1,323,917)
	(809,055)	(1,013,522)

### 43. DIVIDENDS

(a) Recognised during the financial year:

	Sen per share	Total amount RM'000
<b>2017</b>		
First and final tax exempt 2016 ordinary (single-tier)	6.30	67,686
<b>2016</b>		
Final tax exempt 2015 ordinary (single-tier)	3.00	32,231

## Notes to the Financial Statements

For the financial year ended 31 December 2017

### 43. 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 2018.

	Sen per share	Total amount RM'000
First and final tax exempt 2017 ordinary (single-tier)	8.00	85,950

### 44. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group RM'000
<b>At 1 January 2017</b>	<b>247,956</b>
Drawdown of borrowings	133,500
Repayment of borrowings	(248,296)
Proceeds from issuance of Islamic medium term notes (Note 30)	500,000
Arising from acquisition of a subsidiary (Note 19(a))	3,204
<b>At 31 December 2017</b>	<b>636,364</b>

### 45. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue by the Board in accordance with a resolution of the directors on 12 March 2018.

## Analysis of Shareholdings

As at 28 February 2018

Total number of issued shares : 1,074,375,720 ordinary shares

Voting Rights : One vote per ordinary share

### SHAREHOLDINGS OF DIRECTORS

In Cahya Mata Sarawak Berhad

Name of Directors	Direct Shareholding	% of Issued Capital	Indirect Shareholding	% of Issued Capital
1. Dato Sri Mahmud Abu Bekir Taib	24,138,455	2.25	-	-
2. Datuk Syed Ahmad Alwee Alsree	1,000,000	0.09	136,890,306 <sup>1</sup>	12.74
3. Dato' Richard Alexander John Curtis	1,550,000	0.14	-	-
4. Datuk Seri Yam Kong Choy	60,000	0.01	-	-

In Betong Premix Sdn Bhd

Name of Director	Direct Shareholding	% of Issued Capital	Indirect Shareholding	% of Issued Capital
1. Umang Nangku Jabu	150,000	20.00	-	-

### SHAREHOLDINGS OF CHIEF EXECUTIVE OFFICERS

In Cahya Mata Sarawak Berhad

Name of Chief Executive Officers	Direct Shareholding	% of Issued Capital	Indirect Shareholding	% of Issued Capital
1. Dato Isaac Lugun	5,000	0.00 <sup>#</sup>	-	-
2. Goh Chii Bing	149,000	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	45	1.03	1,748	0.00 <sup>#</sup>
100 to 1,000 shares	647	14.76	494,033	0.04
1,001 to 10,000 shares	2,390	54.54	10,772,085	1.00
10,001 to 100,000 shares	1,003	22.89	30,697,541	2.86
100,001 to less than 5% of issued shares	291	6.64	430,784,300	40.10
5% and above of issued shares	6	0.14	601,626,013	56.00
<b>Total</b>	<b>4,382</b>	<b>100.00</b>	<b>1,074,375,720</b>	<b>100.00</b>

## Analysis of Shareholdings

As at 28 February 2018

### ANALYSIS OF EQUITY STRUCTURE

Category of Shareholders	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
Individual	3,139	71.63	241,145,758	22.45
Body Corporate				
Banks/Finance Companies	37	0.85	162,522,000	15.13
Investment Trusts/Foundation/Charities	-	-	-	-
Other type of companies	65	1.48	141,310,009	13.15
Government Agencies/Institutions	2	0.05	60,966,580	5.67
Nominees	1,139	25.99	468,431,373	43.60
<b>Total</b>	<b>4,382</b>	<b>100.00</b>	<b>1,074,375,720</b>	<b>100.00</b>

### 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 <i>Employees Provident Fund Board</i>	95,670,327	8.90
4. Lembaga Tabung Haji	94,269,700	8.77
5. Dato Sri Sulaiman Abdul Rahman Abdul Taib	80,000,000	7.45
6. Sarawak Economic Development Corporation	60,896,080	5.67
7. HSBC Nominees (Asing) Sdn Bhd <i>Exempt AN for Bank Julius Baer &amp; Co Ltd (Singapore BCH)</i>	48,807,800	4.54
8. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Exempt AN for Deutsche Bank AG Singapore (PWM Asing)</i>	35,457,300	3.30
9. AMSEC Nominees (Tempatan) Sdn Bhd <i>MTrustee Berhad for CIMB Islamic Dali Equity Growth Fund (UT-CIMB-DALI)</i>	14,472,000	1.35
10. AmanahRaya Trustees Berhad <i>Public Ittikal Sequel Fund</i>	11,359,500	1.06
11. Citigroup Nominees (Asing) Sdn Bhd <i>Exempt AN for Citibank New York (Norges Bank 9)</i>	11,271,550	1.05
12. Pertubuhan Keselamatan Sosial	10,422,100	0.97
13. Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (LPF)</i>	10,112,800	0.94
14. Dato Sri Mahmud Abu Bekir Taib	9,396,455	0.87
15. AmanahRaya Trustees Berhad <i>Public Islamic Select Enterprises Fund</i>	9,207,600	0.86
16. Valuecap Sdn Bhd	9,064,500	0.84
17. Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)</i>	8,628,000	0.80
18. Cartaban Nominees (Asing) Sdn Bhd <i>Exempt AN for State Street Bank &amp; Trust Company (West CLT OD67)</i>	8,479,000	0.79
19. Kenanga Nominees (Tempatan) Sdn Bhd <i>Exempt AN for Phillip Securities Pte Ltd (Client Account)</i>	8,395,255	0.78

## Analysis of Shareholdings

As at 28 February 2018

### THIRTY LARGEST SECURITIES ACCOUNT HOLDERS AS PER RECORD OF DEPOSITORS (CONT'D.)

Name of Shareholders	No. of Ordinary Shares Held	% of Issued Capital
20. Citigroup Nominees (Tempatan) Sdn Bhd <i>Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)</i>	7,438,700	0.69
21. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (CIMB PRIN)</i>	7,305,700	0.68
22. Cartaban Nominees (Tempatan) Sdn Bhd <i>PAMB for Prulink Equity Fund</i>	7,290,100	0.68
23. HSBC Nominees (Asing) Sdn Bhd <i>BBH And Co Boston for Vanguard Emerging Markets Stock Index Fund</i>	7,057,200	0.66
24. AmanahRaya Trustees Berhad <i>Public Islamic Select Treasures Fund</i>	6,568,400	0.61
25. HSBC Nominees (Asing) Sdn Bhd <i>JPMCB NA for Vanguard Total International Stock Index Fund</i>	6,556,200	0.61
26. Citigroup Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board (F Templeton)</i>	6,308,200	0.59
27. Malaysia Nominees (Tempatan) Sendirian Berhad <i>Great Eastern Life Assurance (Malaysia) Berhad (LEEF)</i>	5,961,800	0.55
28. MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd <i>Pledged securities account for Dato Sri Mahmud Abu Bekir Taib (MGN-DSU0001M)</i>	5,700,000	0.53
29. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>SSBT Fund LLOA for Legato Capital Management Investments, LLC</i>	5,227,751	0.49
30. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc</i>	5,135,800	0.48
<b>Total</b>	<b>842,235,124</b>	<b>78.39</b>

### 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	135,775,306 <sup>2</sup>	12.83
2. Datuk Syed Ahmad Alwee Alsree	1,000,000	136,890,306 <sup>1</sup>	12.83
3. Majaharta Sdn Bhd	134,775,306	-	12.54
4. Jamilah Hamidah Taib	-	134,775,306 <sup>2</sup>	12.54
5. Employees Provident Fund Board	117,301,727	-	10.92
6. Lejla Taib @ Datuk Patinggi Dr. Hajjah Lejla Taib (deceased)	111,000,000	-	10.33
7. Lembaga Tabung Haji	97,537,800	-	9.08
8. Dato Sri Sulaiman Abdul Rahman Taib	88,395,255	-	8.23
9. Sarawak Economic Development Corporation	60,896,080	-	5.67

# negligible

<sup>1</sup> Deem interest pursuant to Section 59 (11) (c) of the Companies Act 2016

<sup>2</sup> Deem interest pursuant to Section 8 of the Companies Act 2016

## List of Properties

As at 31 December 2017

Location	Date of acquisition/ revaluation	Description	Usage	Tenure	Remaining lease period (expiry date)	Land area/ Built up area (hectare/m <sup>2</sup> )	Age of buildings	Net book value (RM'000)
Lot 4747, Block 18, Salak Land District, Kuching.	2009	Mixed zone land	Vacant land	Leasehold	39 years (2056)	0.23/ N/A	-	349
Lot 449, Block 15, Salak Land District, Kuching.	2007	Mixed zone land	Land & school	Leasehold	50 years (2068)	7.49/ 5,322	11 years	24,958
Lot 678, Section 66, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	21 years (2038)	3.20/ N/A	-	8,512
Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate, Kuching.	1996	Land & cement mill	Office & factory	Leasehold	19 years (2036)	6.25/ 15,223	40 years	27,371
Lot 766, Block 20, Kemena Land District, Bintulu.	1997	Land & cement mill	Office & factory	Leasehold	45 years (2062)	6.88/ 68,797	21 years	12,285
Lot 1240, Block 20, Kemena Land District, Bintulu.	1997	Mixed zone land	Vacant land	Leasehold	45 years (2062)	7.37/ N/A	-	10,060
Lot 11332-11334, Block 59, Muara Tuang Land District, Samarahan.	2017	Land	Vacant land	Leasehold	60 years (2077)	4.44/ N/A	-	3,801
Lot 571, Block 4, Sentah Segu Land District, Kuching.	1992/2002	Land & clinker mill	Office & factory	Leasehold	25 years (2042)	18.27/ 58,595	20 years	123,292
Lot 528, Block 4, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	55 years (2072)	0.11/ N/A	-	0
Lot 872, Block 4, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	54 years (2071)	0.22/ N/A	-	100
Lot 70, Block 9, Sentah Segu Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	7 years (2024)	1.30/ N/A	-	179
Lot 73, Block 9, Sentah Segu Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	9 years (2026)	0.75/ N/A	-	113
Lot 145, Block 8, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	96 years (2113)	3.77/ N/A	-	1,137
Lot 151, Block 8, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	53 years (2070)	1.66/ N/A	-	486
Lot 71, 74 & 79, Block 9, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	96 years (2113)	6.46/ N/A	-	1,952

## List of Properties

As at 31 December 2017

Location	Date of acquisition/ revaluation	Description	Usage	Tenure	Remaining lease period (expiry date)	Land area/ Built up area (hectare/m <sup>2</sup> )	Age of buildings	Net book value (RM'000)
Lot 415, Block 32, Kemena Land District, Bintulu.	1996	Industrial land	Held for rental income	Leasehold	27 years (2044)	2.23/712	18 years	2,230
Lot 34 & 35, Section 15, Kuching Town Land District, Kuching.	1994	4-storey shophouse	Held for rental income	Leasehold	798 years (2815)	0.41/1,400	21 years	3,630
Lot 1241, Block 20, Kemena Land District, Bintulu.	1997	Industrial land	Vacant land	Leasehold	45 years (2062)	2.76/N/A	-	1,643
Lot 9882, Section 64, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	81 years (2098)	3.19/N/A	-	22,374
Lot 4717-4718, Block 18, Salak Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	40 years (2057)	0.80/N/A	-	1,699
Lot 4719-4720, Block 18, Salak Land District, Kuching.	2013	Mixed zone land	Vacant land	Freehold	In perpetuity	0.56/N/A	-	1,189
Lot 294, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	39 years (2056)	2.75/N/A	-	392
Lot 302-304, 354-357, 362 & 363, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	807 years (2824)	4.27/N/A	-	3,418
Lot 342-343, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	7 years (2024)	0.74/N/A	-	83
Lot 358, Block 17, Kuching Central Land District, Kuching.	2012	Mixed zone land	Quarry operation	Leasehold	807 years (2824)	0.44/N/A	-	794
Lot 355, Block 17, Kuching Central Land District, Kuching.	2012	Mixed zone land	Quarry operation	Leasehold	807 years (2824)	0.16/N/A	-	149
Lot 71, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	39 years (2056)	18.94/N/A	-	1,865
Lot 338, 340-345, Block 10, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	21 years (2038)	3.07/N/A	-	240
Lot 134, Section 64, Kuching Town Land District, Kuching.	1998	Mixed zone land	Jetty and land	Leasehold	41 years (2058)	0.43/N/A	-	718
Lot 444, Block 11, 8 <sup>th</sup> Mile Sibul Ulu Oya Road, Seduan Land District, Sibul.	1994	Mixed zone land	Premix operation	Leasehold	38 years (2055)	2.76/1,265	25 years	297

## List of Properties

As at 31 December 2017

Location	Date of acquisition/ revaluation	Description	Usage	Tenure	Remaining lease period (expiry date)	Land area/ Built up area (hectare/m <sup>2</sup> )	Age of buildings	Net book value (RM'000)
Lot 353, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Premix operation	Leasehold	39 years (2056)	2.24/1,877	9 years	505
Lot 280, Block 11, KM11, Miri-Bintulu Road, Lambir Land District, Miri.	1994	Mixed zone land	Premix operation	Leasehold	37 years (2054)	2.15/650	24 years	50
Lot 212, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Office & factory	Leasehold	39 years (2056)	5.04/1,700	20 years	3,830
Lot 970, Block 1, Kuala Balam Land District, Miri.	2016	Industrial land	Premix operation	Leasehold	59 years (2076)	4.07/N/A	-	2,194
Lot 2221, Block 17, Menuku Land District, Kuching.	2008	Mixed zone land	Quarry operation	Freehold	In perpetuity	0.82/N/A	-	161
Lot 1325, Block 9, Batu Api Land District, Betong.	2017	Mixed zone land	Office	Leasehold	53 years (2070)	0.04/241	10 years	116
Lot 2128, Sublot 2, Kuching Town Land District, Kuching.	1998	3-storey shophouse	Office	Leasehold	43 years (2060)	0.01/334	19 years	315
Lot 2116, Sublot 2, Kuching Town Land District, Kuching.	2003	3-storey shophouse	Office	Leasehold	43 years (2060)	0.01/328	19 years	399
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	20 years (2037)	0.53/N/A	-	58
Lot 488, Block 5, Muara Tebas Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	9 years (2026)	2.70/N/A	-	163
Lot 220-222, Section 63, Kuching Land District, Kuching.	2007	4-storey shophouse	Office	Leasehold	780 years (2797)	0.04/1,560	9 years	2,968
Lot 1319, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	79 years (2096)	22.56/N/A	-	25,532
Lot 3241-3247, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	79 years (2096)	23.67/N/A	-	24,509
Lot 2839, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	92 years (2109)	1.67/N/A	-	1,726

## List of Properties

As at 31 December 2017

Location	Date of acquisition/ revaluation	Description	Usage	Tenure	Remaining lease period (expiry date)	Land area/ Built up area (hectare/m <sup>2</sup> )	Age of buildings	Net book value (RM'000)
Lot 2850, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	92 years (2109)	3.49/ N/A	-	3,616
Lot 2852, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	92 years (2109)	2.59/ N/A	-	2,686
Lot 2855, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	92 years (2109)	13.03/ N/A	-	13,486
Lot 622, Section 66, Kuching Town Land District, Kuching.	1998	Mixed zone land	Land held for development	Leasehold	41 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	56 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	41 years (2058)	11.66/ N/A	-	14,664
Lot 9244, Block 11, Muara Tebas Land District, Kuching.	2014	Mixed zone land	Land held for development	Leasehold	54 years (2071)	7.75/ N/A	-	2,452
Lot 7450, 8580 & 9613, Block 9, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	81 years (2098)	238.18/ N/A	-	1,858
Lot 6989 & Lot 7450, Block 14, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	8 years (2100)	7.02/ N/A	-	55
Lot 8582, Block 9, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	97 years (2114)	858/ N/A	-	6,694
Lot 3712, 3989 & 6059, Block 9, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	81 years (2098)	31.61/ N/A	-	250
Lot 1, Block 13, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	81 years (2098)	349.70/ N/A	-	2,711
Sublot 14, Survey Lot 7648, Block 9, Salak Land District, Kuching.	2017	3-storey intermediate shophouse	Held for rental income	Leasehold	81 years (2098)	0.11/ 328	2 years	408
Lot 2082, Section 66, Kuching Town Land District, Kuching.	1996	Land & factory	Office & factory	Leasehold	28 years (2045)	0.85/ 3,936	34 years	2,195
Samalaju Industrial Park, Lot 117, Block 1, Kemena Land District, Bintulu.	2013	Industrial land	Vacant land	Leasehold	56 years (2073)	123.02/ N/A	-	27,546

**List of Properties**  
As at 31 December 2017

Location	Date of acquisition/ revaluation	Description	Usage	Tenure	Remaining lease period (expiry date)	Land area/ Built up area (hectare/m <sup>2</sup> )	Age of buildings	Net book value (RM'000)
Samalaju Industrial Park, Lot 108 & 109, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	97 years (2114)	32.95/ N/A	-	4,205
Samalaju Industrial Park, Lot 29 & 33, Block 54, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	97 years (2114)	860.60/ N/A	-	133,014
Samalaju Industrial Park, Lot 143, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	97 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	97 years (2114)	83.40/ N/A	-	15,376
Samalaju Industrial Park, Lot 132, Block 1, Kemena Land District, Bintulu.	2014	Mixed zone land	Hotel	Leasehold	96 years (2113)	9.35/ 14,460	3 years	48,451
Parcel 42, Block 71, Kuching Central Land District, Kuching.	-	**	Quarry operation	-	-	N/A/ 1,262	25 years	3
G.N. No.100 Sebuyau, Kota Samarahan Division, Kuching.	-	**	Jetty	-	-	N/A	-	1,161
Lot 360 & Lot 361, Block 17, Kuching Central Land District, Kuching.	-	**	Temporary sheet pile storage	-	-	N/A	-	39
Lot 246, Block 5, Sentah Segu Land District, Kuching.	-	**	Quarry operation	-	-	N/A/ 994	7 years	5,326
Jalan Bintulu-Miri (Coastal Road), Samalaju Industrial Park, Bintulu.	-	**	Quarters, office, lodge	-	-	N/A/ 49,498	7 years	1,702
Lot 2586, Block 19, Seduan Land District, Sibu.	-	**	Bulk terminal	-	-	N/A/ 6,049	7 years	7,616
Lot 3494 & Lot 3043, Block 5, Miri Concession Land District, Miri.	-	**	Bulk terminal	-	-	N/A/ 5,507	7 years	7,540
Lot 9764, Block 59, Muara Tuang Land District, Kota Samarahan Division, Kuching.	-	**	Jetty	-	-	N/A	-	1,069

\*\* Land owned by third party

Group Directory

CAHYA MATA SARAWAK BERHAD (21076-T)

Head Office

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  
b ourcmsblog.cmsb.com.my  
w www.cmsb.com.my

KL Office

Level 33, Menara Maxis  
Kuala Lumpur City Centre  
50088 Kuala Lumpur  
t +60 3 2078 9133  
f +60 3 2072 5511

CEMENT DIVISION

CMS Cement Sdn Bhd (321916-K)

CMS Cement Industries Sdn Bhd (49256-V)  
(formerly known as CMS Clinker Sdn Bhd)

Mambong Plant

Lot 571, Block 4, Sentah Segu Land District  
Jalan Mambong, Off Jalan Puncak Borneo  
P. O. Box A599  
93810 Kuching  
t +60 82 610 229  
f +60 82 610 227  
e clinker@cmsb.com.my  
w www.cmsb.com.my

Pending Plant

Lot 5895, Jalan Simen Raya  
Pending Industrial Estate  
P.O. Box 2000  
93740 Kuching  
t +60 82 332 111  
f +60 82 334 537  
e cement@cmsb.com.my  
w www.cmsb.com.my

Bintulu Plant

Lot 766, Block 20, Kemena Land District  
Kidurong Industrial Estate  
97007 Bintulu  
t +60 86 254 727  
f +60 86 254 753  
e cement@cmsb.com.my  
w www.cmsb.com.my

Miri Bulk Terminal

Lot 3494, Shin Yang Wharf  
Jalan Liparia Krokop Utama  
98000 Miri  
t +60 85 434 621 / 434622  
f +60 85 434 623  
w www.cmsb.com.my

Sibu Bulk Terminal

Lot 2586, Block 19 Seduan Land District  
Upper Lanang Road  
96000 Sibu  
t +60 84 216 900 / 216 901  
f +60 84 216 902  
w www.cmsb.com.my

CMS Concrete Products Sdn Bhd (366884-X)  
PPES Concrete Product Sdn Bhd (152276-P)

Kuching

Lot 212, Block 17, Kuching Central Land District  
Old Airport Road  
93250 Kuching  
t +6 082 614 436  
f +6 082 614 406  
e concrete@cmsb.com.my  
w www.cmsb.com.my

Bintulu & Samalaju

Lot 1240, Block 20, Kemena Land District  
Kidurong Industrial Estate  
97000 Bintulu  
t +60 19 818 4436 / +60 19 888 9112  
e concrete@cmsb.com.my  
w www.cmsb.com.my

Sarikei

Lot 607, Block 91  
Sarikei Land District, Jalan Repok  
96100 Sarikei  
t +60 84 671 045  
f +60 84 671 045  
e concrete@cmsb.com.my  
w www.cmsb.com.my

CONSTRUCTION MATERIALS & TRADING DIVISION

CMS Resources Sdn Bhd (98773-T)

7<sup>th</sup> Mile, Old Airport Road  
93350 Kuching  
t +60 82 610 226  
f +60 82 612 434  
w www.cmsb.com.my

CMS Quarries Sdn Bhd (121767-D)

7<sup>th</sup> Mile, Old Airport Road  
93250 Kuching  
t +60 82 615 605 / 610 226  
f +60 82 615 598  
w www.cmsb.com.my

CMS Penkuari Sdn Bhd (27895-T)

Lot 42, Block 71, Kuching Central Land District  
9½ Mile, Kuching-Serian Road  
93250 Kuching  
t +60 82 614 913  
f +60 82 614 923  
w www.cmsb.com.my

CMS Premix Sdn Bhd (117700-W)

Lot 353, Block 17  
7<sup>th</sup> Mile Penrissen Road  
93250 Kuching  
t +60 82 614 208  
f +60 82 614 626  
w www.cmsb.com.my

CMS Premix (Miri) Sdn Bhd (218541-T)

Bintulu Branch  
Lot 415, Block 32  
Kemena Industrial Estate  
Jalan Bintulu - Tatau  
97000 Bintulu  
t +60 86 312 460  
w www.cmsb.com.my

Betong Premix Sdn Bhd (623259-P)

Lot 563, KM5  
Jalan Betong  
95700 Betong  
t +60 83 472 137  
f +60 83 472 163

CMS Wires Sdn Bhd (23092-U)

Lot 87, Lorong Tenaga II  
Off Jalan Tenaga  
Bintawa Industrial Estate  
93450 Kuching  
t +60 82 484 920  
f +60 82 486 085  
w www.cmsb.com.my

CMS Infra Trading Sdn Bhd (196635-M)

No 2128, Sublot 2  
Jalan Utama, Pending  
93450 Kuching  
t +60 82 348 950 / 348 951  
f +60 82 348 952 / 345 941  
e trading@cmsb.com.my  
w www.cmsb.com.my

SAMALAJU DEVELOPMENT DIVISION

Samalaju Industries Sdn Bhd (783430-V)

Level 6, Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching  
t +60 82 238 888  
f +60 82 338 611  
w www.cmsb.com.my

## Group Directory

### CONSTRUCTION & ROAD MAINTENANCE DIVISION

**CMS Works Sdn Bhd** (317052-H)  
Level 3-4, Lot 220-222, Section 63, KTLD  
Lorong Ang Cheng Ho 9  
Jalan Ang Cheng Ho  
93100 Kuching  
t +60 82 234 823  
f +60 82 239 823  
w www.cmsb.com.my

**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  
f +60 82 230 311  
e jeraya@cmsroads.com  
w www.cmsb.com.my

**CMS Pavement Tech Sdn Bhd** (340934-W)  
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

**PPES Works (Sarawak) Sdn Bhd** (209892-K)  
1<sup>st</sup>-4<sup>th</sup> Floor  
Lot 621-623, Section 62  
Jalan Padungan  
93100 Kuching  
t +60 82 340 588  
f +60 82 340 695  
e works@cmsb.com.my  
w www.cmsb.com.my

**PPESW BPSB JV Sdn Bhd** (366880-P)  
Lot 621-623, Section 63  
Jalan Padungan  
93100 Kuching  
e seeyongw@cmsb.com.my  
w www.cmsb.com.my

### INFORMATION & COMMUNICATION TECHNOLOGY DIVISION

**SACOFA Sdn Bhd** (552905-P)  
1<sup>st</sup> Floor, Menara Zecon  
Jalan Satok  
93400 Kuching  
t +60 82 416 000  
f +60 82 239 353  
e general@sacofa.com.my  
w www.sacofa.com.my

### 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)  
Level 5, Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching  
t +60 82 237 777  
f +60 82 252 652  
e info@cmsproperty.com.my  
e sales@cmsp.cmsb.com.my  
w www.cmsproperty.com.my

**Samalaju Properties Sdn Bhd** (752695-D)

**Kuching**  
Level 5, Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching  
t +60 82 337 995  
f +60 82 347 995  
e samalaju@cmsb.com.my  
w samalajuproperties.com

**Bintulu**  
2<sup>nd</sup> 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

### OTHERS

**Cahaya 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

**COPE Private Equity Sdn Bhd** (694013-H)  
(formerly known as CMS Opus Private Equity Sdn Bhd)  
Level 33, Menara Maxis  
Kuala Lumpur City Centre  
50088 Kuala Lumpur  
t +60 3 2031 9008  
f +60 3 2031 4008  
e cope@copepartners.com  
e ir@copepartners.com  
e investment@copepartners.com  
w www.copepartners.com

**CMS Education Sdn Bhd** (392555-A)  
Level 6, Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching  
t +60 82 238 888  
f +60 82 333 828

**Tunku Putra School**  
Jalan Stadium  
Petra Jaya  
93050 Kuching  
t +60 82 313 900  
f +60 82 313 970  
e info@tps.edu.my  
w www.tps.edu.my

### ASSOCIATES

**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, 4<sup>th</sup> 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)  
2<sup>nd</sup> 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, 6<sup>th</sup> Floor, Block F, Phileo Damansara 1  
9, Jalan 16/11  
46350 Petaling Jaya  
Selangor Darul Ehsan  
t +60 3 7958 7329  
f +60 3 7958 6329

# Administrative Guide

## 43<sup>RD</sup> ANNUAL GENERAL MEETING (“AGM”) OF CAHYA MATA SARAWAK BERHAD

Date : Wednesday, 25 April 2018  
Time : 10:00 a.m.  
Venue : Colosseum 1, Level 2, Pullman Hotel, 1A Jalan Mathies, 93100 Kuching, Sarawak

### PARKING

1. Parking bays are available at Basement 1 and 2 of the Pullman Hotel with a flat parking rate of RM3.00. You are advised to endorse your parking ticket at the Front Desk at Level 1 of the Pullman Hotel.

### REGISTRATION

2. Registration will start at 9:00 a.m. at the foyer of Colosseum 1 of the Pullman Hotel.
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 (Colosseum 1) 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 Colosseum 1 of the Pullman Hotel.

### 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 43<sup>rd</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 77A(2) of the Company’s Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 18 April 2018. Only a depositor whose name appears on the Record of Depositors as at 18 April 2018 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 23 April 2018 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 Colosseum 1 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 Pullman Hotel building. Your co-operation is much appreciated.

### SURAU/PRAYER ROOM

20. The Surau is located at Level 2 of the Pullman Hotel.

## Administrative Guide

### 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. Malaysian Issuing House 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) **Cahaya Mata Sarawak Berhad** (21076-T)

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

Telephone Number: +60 82 238 888  
(1) Ms Shirley 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

### LUNCH

24. Lunch will be served after the conclusion of the AGM at Level 2, Petra Hall of the Pullman Hotel.



Pullman Hotel 1.555940, 110.351123

## Notice of 43<sup>rd</sup> Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 43<sup>rd</sup> Annual General Meeting (“AGM”) of Cahya Mata Sarawak Berhad (“CMS” or “the Company”) will be held at Colosseum 1, Level 2, Pullman Hotel, 1A Jalan Mathies, 93100 Kuching, Sarawak on Wednesday, 25 April 2018 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 2017 and the Reports of the Directors and Auditors thereon.
2. To declare a first and final tax exempt (single-tier) dividend of 8.0 sen per ordinary share in respect of the financial year ended 31 December 2017. **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 D H Dato’ Richard Alexander John Curtis **Ordinary Resolution 2**
  - b) Y Bhg Datuk Seri Yam Kong Choy **Ordinary Resolution 3**
4. To re-elect Madam Umang Nangku Jabu who retires pursuant to Article 112 of the Company’s Articles of Association. **Ordinary Resolution 4**
5. 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 2017. **Ordinary Resolution 5**
6. To approve the payment of Directors’ remuneration (excluding Directors’ fees) to the Non-Executive Directors up to an amount of RM2,508,833 from the date of the forthcoming AGM to the next AGM of the Company. **Ordinary Resolution 6**
7. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

### AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Ordinary Resolutions:

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 total number of issued share of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.” **Ordinary Resolution 8**

## Notice of 43<sup>rd</sup> Annual General Meeting

### 9. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate for RRPT")

"THAT subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in Part A of the Circular to Shareholders dated 27 March 2018 ("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 the 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 Part A 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 Part A 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-Second Annual General Meeting of the Company held on 26 April 2017, 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 number of issued shares 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 Company's audited retained profits as at 31 December 2017 amounted to RM4.624 million; and

## Notice of 43<sup>rd</sup> Annual General Meeting

- (c) the authority conferred by this resolution will commence immediately upon passing of this resolution and will continue to be in force until:
  - (i) the conclusion of the next Annual General Meeting 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 occurs first.
- (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, resell in accordance with the relevant rules of Bursa Securities, transfer for the purposes of or under an employees' share scheme, transfer as purchase consideration, cancel the shares and/or sell, transfer or otherwise use the shares for such other purposes as the Minister may be order prescribe; 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**

To consider and if thought fit, pass the following Special Resolution:

### 11. Proposed adoption of new Constitution of the Company

"THAT approval be and is hereby given to the Company to adopt new Constitution of the Company as set out in Appendix III of Part B of the Circular to Shareholders dated 27 March 2018."

**Special Resolution 1**

## Notice of 43<sup>rd</sup> Annual General Meeting

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a Member who shall be entitled to attend, speak and vote at the 43<sup>rd</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 77A(2) of the Company's Articles of Association to issue a General Meeting Record of Depositors ("ROD") as at 18 April 2018. Only a Depositor whose name appears in the Register of Members/ROD as at 18 April 2018 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 43<sup>rd</sup> AGM of the Company to be held on 25 April 2018 for the payment of the first and final dividend under single-tier system in respect of the financial year ended 31 December 2017 ("Dividend") under Ordinary Resolution 1, the Dividend will be paid on 25 May 2018 to Depositors whose names appear in the ROD on 11 May 2018.

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 11 May 2018 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

27 March 2018

### Notes:

#### 1. Audited Financial Statements for financial year ended 31 December 2017

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 23 February 2018, 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 2018 in accordance with the requirements under Section 132(2) and (3) of the Act.

#### 3. 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 ("Main Market Listing Requirements"), all the Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. Y D H Dato' Richard Alexander John Curtis and Y Bhg Datuk Seri Yam Kong Choy are standing for re-election as Directors of the Company and being eligible have offered themselves for re-election. Details of the assessment of the directors standing for re-election are on page 69 of the Corporate Governance Overview Statement in the 2017 Annual Report.

## Notice of 43<sup>rd</sup> Annual General Meeting

### 4. Re-election of Director who retires in accordance with Article 112

Article 112 of the Company's Articles of Association provides that the Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed by the Company's Articles of Association. Any Director so appointed shall hold office until the next AGM of the Company and when he shall retire, he shall be eligible for re-election. Madam Umang Nangku Jabu who was appointed as a Director of the Company on 21 September 2017 is standing for re-election as a Director of the Company in accordance with Article 112 of the Company's Articles of Association and being eligible has offered herself for re-election. Details of the assessment of the director standing for re-election are on page 69 of the Corporate Governance Overview Statement in the 2017 Annual Report.

### 5. 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 5 on payment of Directors' fees for the year ended 31 December 2017
- Ordinary Resolution 6 on payment of Directors' remuneration (excluding Directors' fees) from the date of the forthcoming AGM to the next AGM of the Company

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	NED who is Chairman of subsidiary company
Monthly Fixed Allowance	RM50,000	RM40,000	Nil
Other Benefits	Driver, motor vehicle, petrol	Driver, motor vehicle, petrol	Driver, motor vehicle, petrol

Board Committee Fees	Chairman	NED/Member
Group 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 and/or selected unlisted associate companies of the Group in view of their duties, responsibilities and time commitment on them.

## Notice of 43<sup>rd</sup> Annual General Meeting

### 5. 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. The estimated amount is derived for the period from the forthcoming AGM up to April 2019 where the next AGM is provisionally scheduled. Payment of the said remuneration (excluding Directors' fees) is made by CMS or its subsidiaries on a monthly basis and/or as and when incurred subject to Ordinary Resolution 6 being passed by shareholders at the 43<sup>rd</sup> AGM. The Board's view is that it is equitable for the NEDs to be paid Directors' remuneration (excluding Directors' fees) after they have rendered their services to the Company and/or its subsidiaries and discharged their duties and responsibilities.

### 6. Re-appointment of Auditors

The Board at its meeting held on 12 March 2018 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.

### 7. Abstention from Voting

All the NEDs who are shareholders of the Company will abstain from voting on Ordinary Resolution 5 and Ordinary Resolution 6 concerning Directors' fees and Directors' remuneration (excluding Directors' fees) at the 43<sup>rd</sup> AGM. Any Director referred to in Ordinary Resolutions 2, 3, and 4 who is a shareholder of the Company will abstain from voting on the resolution in respect of his/her re-election or retention as a Director at the 43<sup>rd</sup> AGM.

### 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 42<sup>nd</sup> AGM held on 26 April 2017 and the said mandate will lapse at the conclusion of the forthcoming 43<sup>rd</sup> AGM.

The Company is seeking the approval from the shareholders on the Renewed Mandate for the purpose of a possible fund raising exercise including but not limited to placement of shares for the purpose of funding future investment project(s), working capital and/or acquisitions and to avoid any delay and cost in convening general meetings to specifically approve such an issue of shares.

### 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 27 March 2018 which is dispatched together with the Company's 2017 Annual Report.

## Notice of 43<sup>rd</sup> Annual General Meeting

### 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 total number of issued shares 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. The Proposed Shareholders' Mandate for Share Buy-Back is set out in the Statement Accompanying Notice of AGM which is dispatched together with the Company's 2017 Annual Report.

### 11. Proposed adoption of new Constitution of the Company ("Proposed Adoption")

The proposed Special Resolution 1 is primarily for the purpose of streamlining the Company's existing Memorandum and Articles of Association ("M&A") to be in line with the Act, the Main Market Listing Requirements, the prevailing statutory and regulatory requirements as well as to update the existing M&A of the Company, where relevant, to render consistency throughout in order to facilitate and further enhance administrative efficiency. Further information on the Proposed Adoption is set out in Part B of the Circular to Shareholders dated 27 March 2018 which is dispatched together with the Company's 2017 Annual Report.

### 12. 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 18 April 2018 shall be entitled to attend and vote at the meeting.

### 13. Poll Voting

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements, all the Resolutions set out in this Notice will be put to vote by poll.

### 14. Publication of AGM Notice on the Company's Website

Pursuant to Section 320 of the Companies Act 2016, the Notice of the Company's 43<sup>rd</sup> AGM is also available on the Company's website [www.cmsb.com.my](http://www.cmsb.com.my) throughout the period beginning from the date of notice until the conclusion of the 43<sup>rd</sup> AGM.

## Statement Accompanying Notice of 43<sup>rd</sup> Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- A. The profiles of the Directors who are standing for re-election as per Agenda 3 and Agenda 4 of the Notice of 43<sup>rd</sup> Annual General Meeting (“AGM”) are stated on pages 48, 49 and 52 of this Annual Report.
- B. The profiles of the Directors are stated on pages 45 to 52 of this Annual Report. Their shareholdings in the Company and subsidiary company are set out on page 198.
- C. 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 43<sup>rd</sup> AGM on page 215 of this Annual Report.

## Statement Accompanying Notice of 43<sup>rd</sup> Annual General Meeting (Pursuant to Paragraph 12.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### SHARE BUY-BACK STATEMENT

#### 1. IMPORTANCE

If you are in any doubt as to the course of action to be taken, you should consult your Stockbroker, Bank Manager, Solicitor, Accountant or other Professional Adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused this Share Buy-Back Statement ("Statement") prior to its issuance as it is an exempt Statement. Bursa Securities takes no responsibility for the contents of this Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Statement.

#### 2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK

##### 2.1 Introduction

At the Forty-Second Annual General Meeting ("AGM") held on 26 April 2017, Cahya Mata Sarawak Berhad ("CMS" or "the Company") obtained shareholders' approval for the purchase of up to a maximum of ten percent (10%) of the total number of issued shares of the Company on Bursa Securities.

This authority conferred by the shareholders will expire at the conclusion of the forthcoming 43<sup>rd</sup> AGM of the Company.

On 23 February 2018, the Board of Directors of CMS ("Board") announced to Bursa Securities that CMS proposed to seek shareholders' approval for the renewal of the Shareholders' Mandate at the forthcoming Forty-Third AGM to allow the Directors to exercise the power of the Company to purchase its own Shares (referred to the Ordinary Shares of CMS "Share(s)" or "CMS Shares") of up to a maximum of ten percent (10%) of the total number of issued shares of CMS at any point in time through Bursa Securities ("Proposed Shareholders' Mandate for Share Buy-Back" or "Proposed Share Buy-Back").

The purpose of this statement is to provide you with information on the Proposed Share Buy-Back, and to seek your approval for the ordinary resolution to be tabled under special businesses at the forthcoming 43<sup>rd</sup> AGM of the Company.

The Proposed Shareholders' Mandate for Share Buy-Back will take effect immediately after the passing of the ordinary resolution at the forthcoming 43<sup>rd</sup> AGM and will continue in force until:-

- (a) the conclusion of the next AGM of the Company;
- (b) the expiration of the period within the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 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
- (c) revoked or varied by a resolution passed by the shareholders in general meeting,

whichever is the earlier.

The Shareholders' Mandate for Share Buy-Back, if obtained, would give authority to the Directors to exercise the power of the Company to purchase its own Shares in circumstances which the Directors consider would be in the interest of the Company.

**Statement Accompanying Notice of 43<sup>rd</sup> Annual General Meeting  
(Pursuant to Paragraph 12.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)**

**SHARE BUY-BACK STATEMENT (CONT'D.)**

**2. DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE FOR SHARE BUY-BACK (CONT'D.)**

**2.2 The maximum number or percentage of share to be acquired**

The Board proposes to seek a mandate from the shareholders of CMS to purchase and/or hold in aggregate up to ten percent (10%) of the total number of issued shares of the Company at any point in time through Bursa Securities.

**2.3 Funding**

The Board proposes to allocate a maximum amount not exceeding the audited retained profits of CMS for the purchase of its own Shares. As at 31 December 2017, the audited retained profits of the Company amounted to RM4.624 million. As at 28 February 2018, the unaudited retained profits of the Company amounted to RM215,227.

The funding of the Proposed Share Buy-Back will be sourced from internally generated funds and/or bank borrowings, the proportion of which will depend on the quantum of purchase consideration as well as the availability of internally generated funds and borrowings and repayment capabilities of the Company at the time of purchase. In the event that the Proposed Share Buy-Back is to be partly financed by bank borrowings, the Board will ensure that the Company will have sufficient funds to repay such borrowing and that the repayment would not have any material effect on the cash flow of CMS and its subsidiaries companies, collectively ("CMS Group" or "the Group").

**3. SHAREHOLDINGS OF DIRECTORS AND MAJOR/SUBSTANTIAL SHAREHOLDERS AND PERSON CONNECTED WITH THE DIRECTORS AND MAJOR SHAREHOLDERS**

As at 28 February 2018 being the latest practicable date prior to printing of this Statement ("LPD") and assuming that CMS purchases shares of up to ten percent (10%) of its total number of issued shares and that the Purchased Shares are from public shareholders, the effects of the Proposed Share Buy-Back on the shareholdings of the Directors, Major/Substantial Shareholders and persons connected with the Directors and/or Major Shareholders are as follows:-

Directors	No. of CMS Shares held							
	As at LPD				After Proposed Shareholders' Mandate for Share Buy-Back assuming 10% of the ordinary share capital are bought back and cancelled			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Dato Sri Mahmud Abu Bekir Taib	24,138,455	2.25	-	-	24,138,455	2.50	-	-
Datuk Syed Ahmad Alwee Alsree	1,000,000	0.09	136,890,306 <sup>(2)</sup>	12.74	1,000,000	0.10	136,890,306 <sup>(2)</sup>	14.16
Dato' Richard Alexander John Curtis	1,550,000	0.14	-	-	1,550,000	0.16	-	-
Datuk Seri Yam Kong Choy	60,000	0.01	-	-	60,000	0.01	-	-

**Statement Accompanying Notice of 43<sup>rd</sup> Annual General Meeting**  
(Pursuant to Paragraph 12.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

**SHARE BUY-BACK STATEMENT (CONT'D.)**

**3. SHAREHOLDINGS OF DIRECTORS AND MAJOR/SUBSTANTIAL SHAREHOLDERS AND PERSON CONNECTED WITH THE DIRECTORS AND MAJOR SHAREHOLDERS (CONT'D.)**

Major/Substantial Shareholders	No. of CMS Shares held							
	As at LPD				After Proposed Shareholders' Mandate for Share Buy-Back assuming 10% of the ordinary share capital are bought back and cancelled			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Dato Hajjah Hanifah Hajar Taib-Alsree	2,115,000	0.20	135,775,306 <sup>(1)</sup>	12.64	2,115,000	0.22	135,775,306 <sup>(1)</sup>	14.04
Datuk Syed Ahmad Alwee Alsree	1,000,000	0.09	136,890,306 <sup>(2)</sup>	12.74	1,000,000	0.10	136,890,306 <sup>(2)</sup>	14.16
Majaharta Sdn Bhd	134,775,306	12.54	-	-	134,775,306	13.94	-	-
Jamilah Hamidah Taib	-	-	134,775,306 <sup>(1)</sup>	12.54	-	-	134,775,306 <sup>(1)</sup>	13.94
Lejla Taib @ Datuk Patinggi Dr. Hajjah Lejla Taib (deceased)	111,000,000	10.33	-	-	111,000,000	11.48	-	-
Dato Sri Sulaiman Abdul Rahman Taib	88,395,255	8.23	-	-	88,395,255	9.14	-	-
Sarawak Economic Development Corporation	60,896,080	5.67	-	-	60,896,080	6.30	-	-
Citigroup Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board	117,703,727	10.96	-	-	117,703,727	12.17	-	-
Lembaga Tabung Haji	97,659,800	9.09	-	-	97,659,800	10.10	-	-
<b>Person Connected with Directors and/or Major Shareholders</b>								
Mohamed Zaid bin Mohamed Zaini	5,000	0.00 <sup>#</sup>	-	-	5,000	0.00 <sup>#</sup>	-	-

Notes:

- (1) Deemed interested pursuant to Section 8(4) of the Act.  
 (2) Deemed interested pursuant to Section 59(11)(c) of the Act.  
 # negligible

## Statement Accompanying Notice of 43<sup>rd</sup> Annual General Meeting (Pursuant to Paragraph 12.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### SHARE BUY-BACK STATEMENT (CONT'D.)

#### 4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

##### 4.1 Potential Advantages

The Proposed Share Buy-Back will enable the Company to utilise its surplus financial resources not immediately required for use, to purchase its own Shares. The Proposed Share Buy-Back may enhance the Earnings Per Share ("EPS") and reduce the liquidity level of the Shares of the Company in Bursa Securities, which generally shall have a positive impact on the market price of the Shares of the Company. Other potential advantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (a) to allow the Company to take preventive measures against speculation particularly when its Share are undervalued which would in turn stabilize the market price of the Shares and hence, enhance investors' confidence;
- (b) when the Shares bought back by the Company are cancelled, shareholders of the Company are likely to enjoy an increase in the value of their investment in the Company as the net EPS of the Company and the Group will increase proportionately; and
- (c) the Purchased Shares may be held as Treasury Shares and distributed to shareholders as dividends and/or resold in the open market with the intention of realising a potential capital gain in the Purchased Shares are resold at price(s) higher than their purchase price(s).

##### 4.2 Potential Disadvantages

The potential disadvantages of the Proposed Share Buy-Back to the Company and its shareholders are as follows:-

- (a) the Proposed Share Buy-Back will reduce the immediate financial resources of the Group;
- (b) the Proposed Share Buy-Back will reduce the amount of financial resources available for distribution to shareholders of the Company in the form of cash dividends;
- (c) CMS Group foregoing other better investment opportunities which may emerge in the future and/or any income that may be derived from other alternatives uses of such funds as deposit in interest bearing instruments; and
- (d) The cash flow of the Company may be affected if the Company decides to utilise bank borrowing to finance the Proposed Share Buy Back.

Nevertheless, the Board is of the view that the Proposed Share Buy-Back is not expected to have any potential material disadvantages to the shareholders of the Company as well as the Group as it will be implemented only after careful consideration of the financial resources of the Group and the resultant impact on the shareholders of the Company.

#### 5. FINANCIAL EFFECTS

Based on the assumption that the Proposed Shareholders' Mandate for Share Buy-Back is carried out in full, the effect of the Proposed Share Buy-Back on the share capital, dividend, Net Assets ("NA"), EPS and working capital of CMS are as set out below:-

##### (a) Share capital

Based on the total number of issued shares of CMS as at LPD of 1,074,375,720 CMS Shares, a maximum of 107,437,572 CMS Shares may be purchased and cancelled pursuant to the Proposed Share Buy-Back.

The Proposed Shareholders' Mandate for Share Buy-Back will not have any effect on the total number of issued share of the Company if all the Shares purchased are retained as Treasury Shares.

**Statement Accompanying Notice of 43<sup>rd</sup> Annual General Meeting  
(Pursuant to Paragraph 12.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)**

**SHARE BUY-BACK STATEMENT (CONT'D.)**

**5. FINANCIAL EFFECTS (CONT'D.)**

**(a) Share capital (cont'd.)**

The effect of the Proposed Shareholders' Mandate for Share Buy-Back on the total number of issued share of the Company if all the Shares Purchased are cancelled is outlined below:-

	No. of CMS Shares
Existing total number of issued shares as at LPD	1,074,375,720
Purchased and held as treasury shares as at LPD	-
If maximum number of shares are purchased pursuant to the Proposed Share Buy-Back	(107,437,572)
Total number of issued share, if 107,437,572 Treasury Shares are cancelled	966,938,148

**(b) Dividends**

Assuming the Proposed Shareholders' Mandate for Share Buy-Back is implemented in full and the dividend quantum is maintained at historical levels, the Proposed Share Buy-Back will have the effect of increasing the dividend rate of CMS as a result of the reduction in the issued share capital of CMS as described under Section 5 (a) above.

**(c) NA Per Share and EPS**

The NA per share of the Company may be increased or decreased, depending on the purchase prices of the Shares to be bought back by the Company. Should the purchase prices exceed the existing NA per share, the NA of the remaining Shares should decrease accordingly. And conversely, should the purchase price be lower than the existing NA per share unit, the resultant NA per share should increase accordingly. The effective reduction in the issued share capital of the Company pursuant to the Proposed Share Buy-Back would generally, all else being equal, increase the consolidated EPS of the Company. However, the Proposed Share Buy-Back, if exercised, is not expected to have any material effect on the NA per share and EPS of the Company for the financial year ending 31 December 2018.

**(d) Working Capital**

The Proposed Share Buy-Back, as and when implemented will reduce the working capital and cash flow of the Group, the quantum being dependent on the number of Purchased Shares, the purchase price of CMS Ordinary Shares and the amount of financial resources to be utilized for the purchase of CMS Ordinary Shares. However, it is not expected to have a material effect on the working capital and cash flow of the Group.

For Purchased Shares which are retained as treasury shares or transfer, upon its resale or transfer, the working capital and cash flow of the Company will increase. Again, the quantum of the increase in the working capital and cash flow will depend on the actual selling price of the Treasury Shares and the number of Treasury Shares resold or transferred.

**6. IMPLICATION OF THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2010, AS AMENDED FROM TIME TO TIME AND ANY RE-ENACTMENT THEREOF ("CODE")**

Based on the Company's issued share capital and the shareholdings of the substantial shareholders of the Company as at LPD, the Proposed Share Buy-Back is not expected to trigger any obligation by the substantial shareholders of the Company and/or parties acting in concert with them to undertake a mandatory offer under the Code. The effect on the shareholdings of the substantial shareholders of the Company after the implementation of the Proposed Share Buy-Back is shown in Section 5 of this Statement.

**Statement Accompanying Notice of 43<sup>rd</sup> Annual General Meeting  
(Pursuant to Paragraph 12.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)**

**SHARE BUY-BACK STATEMENT (CONT'D.)**

**7. PURCHASE AND RESALE OF ITS OWN SHARES IN THE PRECEDING 12 MONTHS**

CMS does not have any transaction on purchase and resale of its own Shares in the preceding 12 months prior to the LPD.

**8. PRICING**

- (a) CMS shall purchase its own Shares or resell its Treasury shares (if applicable) only on the market of Bursa Securities. The price for the purchase shall not be more than fifteen percent (15%) above the weighted average market price of CMS Shares for the five (5) market days immediately preceding the date of purchase.
- (b) If the Purchased Shares are subsequently resold on Bursa Securities, the price for the resale or transfer of Treasury Shares shall:-
  - (i) not be less than the weighted average market price for CMS Shares for five (5) market days immediately prior to the resale or transfer; or
  - (ii) not be more than 5% to the weighted average market price for CMS Shares for five (5) market days immediately prior to the resale or transfer provided that:-
    - (aa) the resale or transfer takes place no earlier than 30 days from the date of the purchase; and
    - (bb) the resale or transfer price is not less than the cost of purchase of the Purchased Shares being resold or transferred.

**9. SHARE PRICES**

The following table sets out the monthly highest and lowest transacted prices of the Company's Shares on Bursa Securities for the last twelve (12) months from March 2017 to February 2018:-

Year		Highest (RM)	Lowest (RM)
2017 -	March	4.35	4.13
	April	4.57	4.16
	May	4.70	4.00
	June	4.14	4.00
	July	4.15	3.56
	August	4.06	3.82
	September	4.16	3.80
	October	4.01	3.69
	November	4.04	3.30
	December	3.97	3.61
2018 -	January	4.37	3.77
	February	4.42	3.89

(Source: Yahoo Finance)

The last transacted price per share unit of the Company on 28 February 2018 being the LPD prior to the printing of this Statement, was RM4.30.

**Statement Accompanying Notice of 43<sup>rd</sup> Annual General Meeting  
(Pursuant to Paragraph 12.06(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)**

**SHARE BUY-BACK STATEMENT (CONT'D.)**

**10. TREATMENT OF SHARES PURCHASED**

In accordance with Section 127 of the Act, the Company would be able to deal with any CMS Ordinary Shares so purchased by the Company 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, resell in accordance with the relevant rules of the Bursa Securities, transfer for the purposes of or under an employees' share scheme, transfer as purchase consideration, cancel the shares and/or sell, transfer or otherwise use the shares for such other purposes as the Minister may be order prescribe; 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 the Bursa Securities and such other relevant authorities may allow from time to time.

The decision whether to retain the Purchased Shares as treasury shares, or to cancel the Purchased Shares or a combination of both, will be made by the Board at the appropriate time.

**11. PUBLIC SHAREHOLDING SPREAD**

The Proposed Share Buy-Back will be carried out in accordance with the prevailing laws at the time of the purchase including compliance with the 25% public shareholding spread as required under paragraph 8.02 (1) of the Listing Requirements.

As at LPD the public shareholding spread of the Company was 60.48%. The Board will ensure that the Company complies with the minimum public spread of 25% in implementing the Proposed Share Buy-Back.

**12. DIRECTORS' RECOMMENDATION**

The Board of Directors having considered all aspects of the Proposed Shareholders' Mandate for Share Buy-Back is of the opinion that the said Proposed Shareholders' Mandate for Share Buy-Back is in the best interest of the Company and therefore recommends that you vote in favour of the Ordinary Resolution No. 10 on the Proposed Shareholders' Mandate for Share Buy-Back to be tabled at the 43<sup>rd</sup> AGM.

**13. DIRECTORS' RESPONSIBILITY STATEMENT**

This Statement has been seen and approved by the Directors of the Company and they collectively and individually accept full responsibility for the accuracy and correctness of the information contained in this Statement and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make this Statement misleading.

**14. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents will be available for inspection at the Registered Office of the Company at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak, during the normal office hours from Mondays to Fridays (except public holidays) from the date of this Statement to the time set for the convening of the 43<sup>rd</sup> AGM:-

- (i) Memorandum and Articles of Association of the Company; and
- (ii) Statutory financial statements of the Company for the past two (2) financial years ended 31 December 2016 and 31 December 2017.

**This Statement is dated 27 March 2018.**

# FORM OF PROXY



**CAHYA MATA SARAWAK**

CAHYA MATA SARAWAK BERHAD

(Company No. 21076-T)  
(Incorporated in Malaysia)

<b>Number of shares held:</b>
CDS Account No.:

I/We (full name) \_\_\_\_\_ NRIC/Co. No. \_\_\_\_\_

of (full address) \_\_\_\_\_

being a member/members of Cahya Mata Sarawak Berhad ("the Company") hereby appoint (full name & NRIC No.) \_\_\_\_\_

of (full address) \_\_\_\_\_

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 43<sup>rd</sup> Annual General Meeting of the Company to be held at Colosseum 1, Level 2, Pullman Hotel, 1A Jalan Mathies, 93100 Kuching, Sarawak on Wednesday, 25 April 2018 at 10:00 a.m. and at any adjournment thereof and to vote as indicated below:

No.	Ordinary Resolutions	For	Against
1.	Declaration of first and final tax exempt (single-tier) dividend		
2.	Re-election of Y D H Dato' Richard Alexander John Curtis as Director		
3.	Re-election of Y Bhg Datuk Seri Yam Kong Choy as Director		
4.	Re-election of Madam Umang Nangku Jabu as Director		
5.	Approval of Payment of Directors' fees 2017		
6.	Approval of Payment of Directors' remuneration (excluding Directors' fees)		
7.	Re-appointment of Messrs Ernst & Young as Auditors		
8.	Authority to Directors to allot and issue shares		
9.	Proposed Shareholders' Mandate for RRPT		
10.	Proposed Shareholders' Mandate for Share Buy-Back		
No.	Special Resolution	For	Against
1.	Proposed adoption of new Constitution of the Company		

Date: ..... 2018

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 the 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 43<sup>rd</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 77A(2) of the Company's Articles of Association to issue a General Meeting Record of Depositors ("ROD") as at 18 April 2018. Only a depositor whose name appears in the Register of Members/ROD as at 18 April 2018 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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**[www.cmsb.com.my](http://www.cmsb.com.my)**

**CAHYA MATA SARAWAK BERHAD** (21076-T)

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