



CAHYA MATA SARAWAK

## Annual Report 2009

## CMS at a Glance

Cahaya Mata Sarawak (CMS) is a leading conglomerate listed on the Main Market of the Malaysian stock exchange, Bursa Malaysia. With most of its operations based in Sarawak, CMS is the biggest private sector player in the largest state in Malaysia. From humble beginnings dating back to 1974 as a manufacturer of a single product, CMS' portfolio today spans construction materials, trading, construction, road maintenance, property development, financial services, technology and education.



### Our Vision

- To Be the Pride of Sarawak

### Our Mission

- Driven by profit
- Proactive & synergised in business
- On spec & on time
- Integrity & respect
- Safe & healthy workplace

### Our Stakeholders

- Shareholders
- Employees
- Customers
- The Community

# Welcome

2009 was a good year for your company, Cahya Mata Sarawak. Through the combined efforts of the team, CMS Group's continuing operations reported a profit before tax of RM124.29 million for the twelve months ended 31 December 2009, nearly 10% higher than the previous year and especially significant in these economically challenging times.

During the year, the Group also continued on its mission to strengthen internal processes, enhance corporate governance, build a strong corporate culture and to maintain its philosophy of 'Doing Good' for the community around us.

Shareholders, here is how your company did in 2009.

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## Performance in 2009

- **Revenue**  
**RM874.60 million**
- **Profit before taxation  
from continuing operations**  
**RM124.29 million**
- **Net profit attributable  
to equity holders**  
**RM40.99 million**
- **Basic earnings per share**  
**12.44 sen**
- **Equity attributable to ordinary  
equity holders of the Company**  
**RM1,277.97 million**

# CMS Group

## Financial Highlights

|  | 2005       | 2006        | 2007      | 2008      | 2009             |
|--|------------|-------------|-----------|-----------|------------------|
| Revenue (RM'000)   | 5,196,614  | 6,210,644   | 2,552,466 | 892,058   | <b>874,600</b>   |
| Profit before taxation (RM'000)                                      | 469,853    | 517,807     | 887,441   | 150,570   | <b>98,526</b>    |
| Profit/(loss) attributable to equity holders of the Company (RM'000) | (117,987)  | 6,865       | 388,166   | 95,770    | <b>40,989</b>    |
| Weighted average no. of shares                                       | 329,446    | 329,446     | 329,446   | 329,446   | <b>329,446</b>   |
| Basic earnings/(loss) per share (sen)                                | (35.81)    | 2.08        | 117.82    | 29.07     | <b>12.44</b>     |
| Gross dividends per share (sen)                                      | 5          | 5           | 15        | 5         | <b>5</b>         |
| Total shareholders' funds (RM'000)                                   | 853,451    | 851,478     | 1,238,248 | 1,248,825 | <b>1,277,970</b> |
| Total assets (RM'000)  | 90,197,381 | 103,410,293 | 2,790,777 | 2,327,136 | <b>2,289,302</b> |
| Net tangible assets/(liabilities) per share (RM)                     | 0.63       | (0.59)      | 3.54      | 3.56      | <b>3.65</b>      |
| Net assets per share (RM)  | 2.59       | 2.58        | 3.76      | 3.79      | <b>3.88</b>      |
| Return on average shareholders' equity (%)                           | (13.85)    | 0.81        | 37.15     | 7.70      | <b>3.24</b>      |
| Return on total assets (%)   | (0.13)     | 0.01        | 13.91     | 4.12      | <b>1.79</b>      |
| Gearings (times)   | 4.99       | 5.37        | 0.55      | 0.52      | <b>0.42</b>      |
| Current ratio (times)  | 0.84       | 0.83        | 3.04      | 1.75      | <b>2.87</b>      |
| CMS share price information (RM)                                     |            |             |           |           |                  |
| Low  | 0.88       | 0.88        | 1.44      | 1.02      | <b>1.45</b>      |
| High   | 1.63       | 1.58        | 3.20      | 2.48      | <b>1.48</b>      |
| Closing  | 0.93       | 1.46        | 2.29      | 1.14      | <b>1.48</b>      |
| Profit before taxation from continuing operations (RM'000)           |            |             |           | 112,804   | <b>124,292</b>   |



# Key Products & Services

- **Cement**

CMS Cement, Sarawak's sole cement manufacturer, produces high quality Ordinary Portland Cement (OPC) at grinding plants in Kuching and Bintulu. With an annual production capacity of 1.75 million metric tonnes (MT), the company meets customer demand from throughout Sarawak with an established distribution network. CMS Cement also produces masonry cement.

- **Clinker**

Clinker, the main raw material of cement, is manufactured by CMS Clinker. The production capacity of CMS Clinker, East Malaysia's sole clinker producer, stands at 800,000 MT per annum.

- **Concrete Products**

Pre-formed concrete products (square piles, bridge beams, culverts, cement sand bricks, kerbs) and pre-fabricated Industrialised Building System (IBS) concrete products are manufactured by CMS Concrete Products in Kuching.

- **Stone Aggregates  
(granite, microtonalite, limestone)**

CMS Quarries and CMS Penkuari together are the largest aggregate producers in Sarawak, supplying 30% of the market.

- **Premix**

CMS Premix and CMS Premix (Miri) are Sarawak's leading premix producers supplying high quality asphaltic concrete (premix) and bitumen emulsion for the construction of highways, flyovers and airport runways. The Group owns and operates its own bitumen emulsion plants.

- **Steel Wires**

Drawn steel wires and wire mesh are produced by CMS Wires in Kuching.

- **Steel Engineering & Fabrication**

CMS holds a 20% equity stake in Main Market-listed KKB Engineering Berhad which is principally involved in steel fabrication, hot-dip galvanising, civil construction, the manufacture of LP gas cylinders, steel pipes and pipe specials.

- **Trading**

CMS Infra Trading is a leading supplier of water management products, petroleum products, construction materials and systems. The company also sells a variety of other products (safety products, vehicle and equipment spare parts, road furniture, green waste management and the manufacture of organic soil conditioners).



- **Construction**

PPES Works (Sarawak) undertakes civil engineering, building and utilities work, road construction and maintenance, bridges and water-related projects. PPES Works is 51% owned by CMS and 49% owned by Government agency, Sarawak Economic Development Corporation (SEDC).

- **Property Development**

Projek Bandar Samariang, a joint-venture between CMS and the Employees Provident Fund Board (EPF), is owner and developer of Bandar Samariang, a 5,200 acre riverine township in Kuching. The Isthmus, located to the east of Kuching city centre, is another 240 acre land bank being developed by CMS.

- **Road Maintenance**

PPES Works is responsible for the maintenance of over 600 km of Federal Government roads in southern Sarawak.

- **Private Equity**

CMS Opus Private Equity provides an alternative financing platform to bridge investors with under-capitalised profitable companies.

- **Stockbroking & Investment Banking**

CMS Capital is the single largest shareholder in financial services holding company, K&N Kenanga Holdings Berhad, whose principal subsidiaries include Kenanga Investment Bank Berhad (KIBB).

- **Technology Solutions**

CMS I-Systems, a CMMI Level 3 certified software development company, develops technology solutions for the insurance and healthcare sectors. Its current list of clientele includes companies in Malaysia, the ASEAN region and India.

- **Education**

CMS Education owns and operates Tunku Putra School in Kuching which provides kindergarten, primary and secondary-level classes for both the national and international streams.



# Corporate Information

**Company Name**

Cahaya Mata Sarawak Berhad

**Company Number**

21076-T

**Country of Incorporation**

Malaysia

**Directors**

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail  
Y Bhg Dato Sri Mahmud Abu Bekir Taib  
Y Bhg Datuk Syed Ahmad Alwee Alsree  
Y Bhg Dato' Richard Alexander John Curtis  
Y Bhg Dato Sri Liang Kim Bang  
Y Bhg General (Retired) Tan Sri Dato' Seri Mohd  
Zahidi bin Haji Zainuddin  
Y Bhg Datuk Wan Ali Tuanku Yubi  
Y Bhg Datu Michael Ting Kuok Ngie @ Ting Kok Ngie  
Mr Kevin How Kow

**Company Secretary**

Denise Koo Swee Pheng

**Registered Office**

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

**Website**

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

**Registrar**

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Block D13, Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia  
T +60 3 7841 8000  
F +60 3 7841 8008

**Auditors**

Ernst & Young

**Principal Bankers**

RHB Bank Berhad  
CIMB Bank Berhad  
EON Bank Berhad  
Citibank Berhad  
Bank Muamalat Malaysia Berhad  
Public Bank Berhad  
OCBC Bank (Malaysia) Berhad  
Kenanga Investment Bank Berhad  
AmlInvestment Bank Berhad

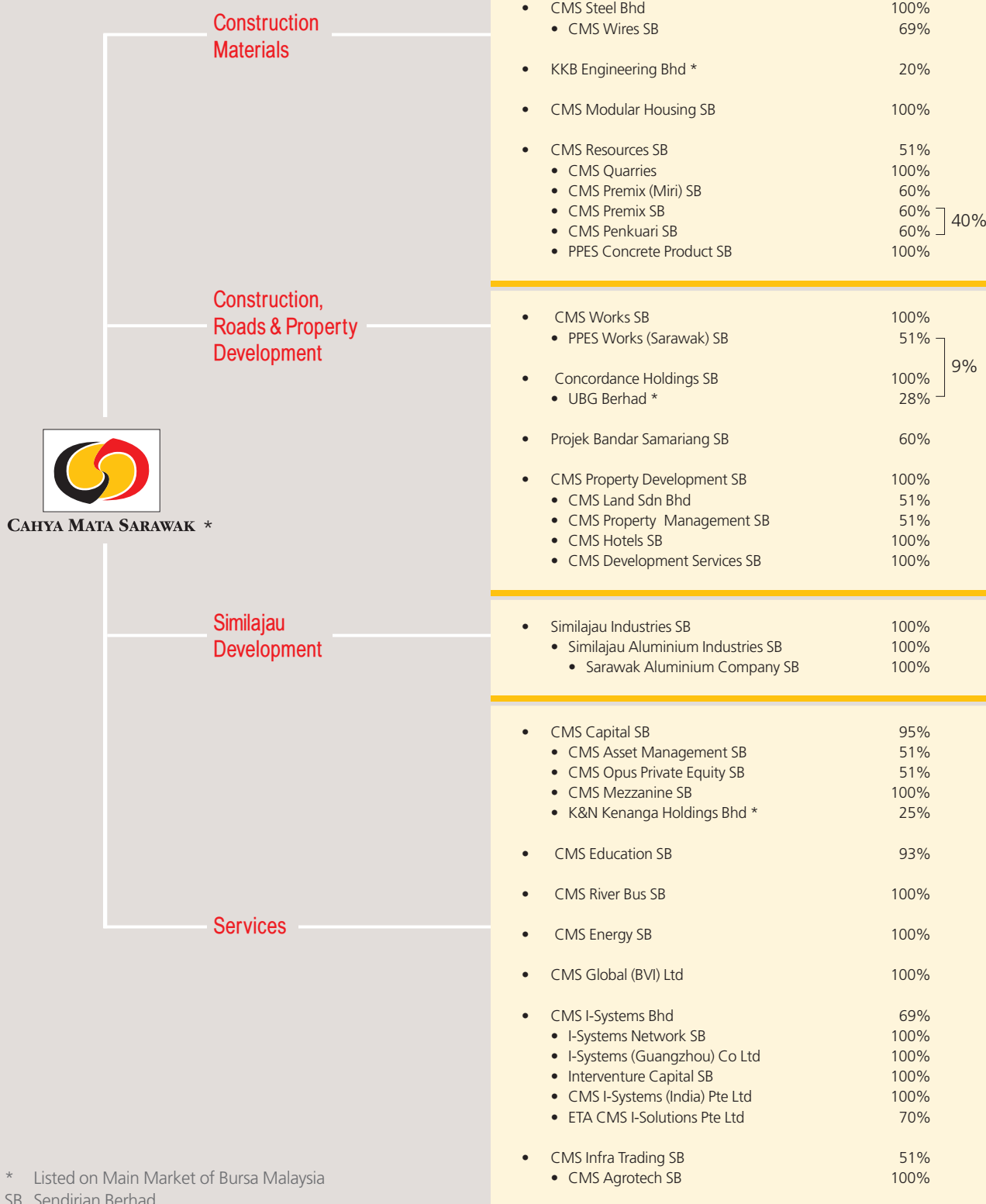
**Stock Exchange Listing**

Main Market, Bursa Malaysia Securities Berhad  
Sector: Industrial Products  
Stock code: CMSB  
Stock number: 2852



# Group Corporate Structure

as at April 2010



\* Listed on Main Market of Bursa Malaysia  
SB Sendirian Berhad

# Letter to Shareholders

by Group Chairman



Dear Shareholders,

As Group Chairman, it gives me great pleasure to present to you a report on how your company performed in 2009.

CMS Group's continuing operations reported a profit before tax of RM124.29 million for the twelve months ended 31 December 2009 compared to a restated profit before tax of RM112.80 million for the twelve months ended 31 December 2008. The Group registered a profit after tax and minority interests of RM40.99 million, equivalent to basic earnings per share of 12.44 sen for the current twelve month period against the previous corresponding period's restated profit of RM95.77 million or basic earnings per share of 29.07 sen in 2008 which included the dilution gain of RM60.73 million (before minority interests) arising from a share issue by UBG, lower net interest expense and increased cash balances. In 2009, the Group's profit before tax was helped by contributions from CMS' associated companies, as well as the recovery of costs for a major completed construction project equivalent to RM19.77 million and a gain of RM16.29 million following the disposal of Sarawak Energy Berhad shares.

In line with our policy of prudent dividend payout, the Board of Directors is proposing to reward shareholders with a first and final dividend of 5 sen per share less 25% tax for 2009.

## Overview

Our continuing operations reported total revenue of RM874.60 million for the twelve months ended 31 December 2009, marginally lower than the previous year. As the leading supplier of construction materials in Sarawak, CMS continued to strengthen its position as a major player in Sarawak's development by supporting the Sarawak Corridor of Renewable Energy (SCORE).

Overall, the Manufacturing division comprising cement, clinker, concrete products and wires reported lower profits compared to the previous year mainly due to higher raw material costs. Still, this division remained the highest profit contributor for the Group.

Construction Materials division comprising quarrying and the manufacture of premix reported a significantly higher profit than the previous corresponding year. This was attributed to higher sales mainly due to the Federal Government's increased spending on rural roads under the two economic stimulus packages announced at the end of 2008 and early 2009 coupled with lower material costs.

The Construction division reported lower profits in 2009 as it no longer included the results of profit-making subsidiaries, CMS Roads and CMS Pavement Tech, which were disposed of in July 2008. However, the recovery of some costs for a major completed construction project contributed significantly to this division's results.

In the Group's Property division, the continued soft market affected overall performance.

The improved stock market which saw a higher trading turnover towards the second half of 2009 helped K&N Kenanga Holdings Berhad, the Group's associated company in the stockbroking and investment banking industry, to better its performance and contribute profits back to CMS compared to registering a loss in the previous year.

Similarly, our associated company in steel fabrication and the manufacture of steel pipes, KKB Engineering Berhad, reported much better results in 2009 compared to the previous year due to the significantly improved steel water pipes business in the State.

Our other associated company, UBG Berhad, also enjoyed a profitable year in 2009 in which it doubled its revenue due to recognition of a full year's contribution from its subsidiaries.

## Outlook & Prospects

The year 2010 is generally expected to be a better year than the previous one for business performance. Economies around the world are improving, and a recovery of the global economy is expected in 2010 – 2011. Nationally, the Malaysian economy registered a positive growth of 4.5% in the fourth quarter of 2009, following three quarters of negative growth earlier. For the year as a whole, the Malaysian economy contracted by 1.7%, a smaller contraction than earlier expected. In response to the improved economic conditions, Bank Negara Malaysia has indicated that the current low interest rates may need to be 'normalised' to support continued growth. The Overnight Policy Rate was raised by 25 basis points in March, and there are expectations of further increases over the course of 2010.

In the meantime, we expect more good news flow from the Government as it unveils the 10th Malaysia Plan (10MP) in June covering the period 2011 – 2015. In addition, the improvement of infrastructure for the rural areas of Sabah and Sarawak is included as one of the Government's six National Key Result Areas (NKRA). This is positive news indeed for Sarawak-based companies such as CMS which supplies a wide range of construction materials and services to the local market.

In February 2010, the Prime Minister of Malaysia announced that Sarawak is to be allocated RM3.4 billion for infrastructure under the 10MP and NKRA programme for the development and improvement of roads, water and electricity supply. Of this, RM1.2 billion is expected to be channeled in 2010 under the NKRA programme.

In addition, we are encouraged by recent statistics which show that Sarawak attracted the highest foreign direct investment (FDI) amongst all states for two successive years, 2008 and 2009. Last year, it attracted nearly RM5.9 billion in FDI of which the largest investment was from Japan towards a polysilicon plant at Samalaju, Sarawak.

The momentum continues to build with more FDIs directed at SCORE. In January 2010, it was announced that a mega Chinese investment valued at USD11 billion would be channeled to Sarawak for the construction of three dams and one aluminium smelter. In early February, news of another aluminium smelter to be developed at Samalaju Industrial Park made headlines.

Whilst all these are positive strategic enablers for CMS Group to further improve performance in 2010, we must continue to be ready to face any eventuality, risk and challenge in our operating environment. Coupled with other measures that Management is taking, the Group remains focused on positioning itself for long-term sustainable revenue and profitability growth.

## Appreciation

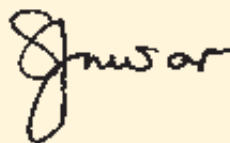
Ladies and Gentlemen, the Group performed well in 2009 despite the economic challenges with a world in recession, a nation reacting to avoid a major recession and Sarawak driving ahead with the implementation of an ambitious economic corridor, SCORE, in order to sustain its growth momentum. The Group's delivery of profit in 2009 has proven the resilience of the CMS team, demonstrating its resourcefulness to manage the situation and find opportunities in the challenges that were presented whilst always maintaining a focus on long-term sustainable growth and profit.

For this, I would like to thank the 1,400 direct CMS employees, members of Management and Boards at all our Group companies for their continuous commitment and hard work. Thank you also to the many external parties that work with or alongside CMS for their support in our dealings with them. These include all the various Government departments and agencies, vendors and suppliers, business partners, clients and our valued customers. Thank you all for your support throughout 2009.

I would also like to extend the Board's appreciation to YB Datuk Haji Talib Zulpilip who resigned from CMS' Board in December 2009 after more than 14 years. In this time, YB Datuk Haji Talib had contributed to the Group's growth in so many ways, and we wish him much success in his new role as Sarawak's Assistant Minister of Tourism and Heritage.

Last but not least, my special thanks go to you, our Shareholders, who believed in us throughout 2009 when the going was tough. We seek your continued support and confidence as we enter a new year and possibly a new business era in CMS' corporate journey. As Group Chairman, you have my word on the high levels of commitment that your Board, Management team and staff at CMS will put in to continue to build CMS into a respected and preferred Malaysian company and most of all, the Pride of Sarawak.

Sincerely yours,



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

April 2010



# Looking Back at 2009

## 5 January 2009

CMS Trust Management declared generous income distributions for 4 of its 9 funds for the financial year ended 31 December 2008 despite volatility in the stock market during the year.

## 14 January 2009

CMS increased its equity stake in UBG to 39.1% through the acquisition of an additional 6,261,600 ordinary shares of RM0.25 each for approximately RM15.5 million.

## 4 March 2009

CMS I-Systems incorporated a new subsidiary company called CMS I-Systems (India) Private Limited.

## 16 March 2009

CMS generously gave RM250,000 to the Humanitarian Aid Fund to ease the sufferings of Palestinians in the Gaza Strip as a result of Israeli bombing raids earlier this year.



## 26 March 2009

CMS Cement, CMS Concrete Products, along with CMS Infra Trading took part in the Building Trade Show (BTS) 2009 exhibition in Kuching.

## 15 April 2009

CMS Land received a Letter of Award for the development and construction of the new Sarawak Energy Berhad (SEB) headquarters building located at The Isthmus, Kuching. The contract from SEB is valued at RM232.0 million.



## 26 April 2009

CMS was the main sponsor of the Azlan Iskandar Challenge Trophy, a youth squash tournament organized by Persatuan Squash Malaysia Cawangan Sarawak, held in Kuching from 24 – 26 April 2009. Some 50 players under the age of 15 years from across Malaysia competed in the inaugural tournament.

## 15 May 2009

The search for new talent took the Group Human Resources team beyond Sarawak shores to participate in Malaysia's largest career fair held in Kuala Lumpur. CMS' booth was flooded with interest from fresh graduates and undergraduates seeking suitable placements in job vacancies in CMS' manufacturing operations.

## 20 May 2009

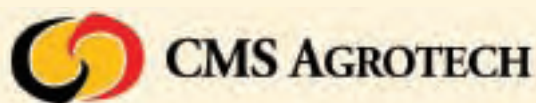
CMS held its 34th Annual General Meeting (AGM) for shareholders today. All nine resolutions put to shareholders were duly approved.





**3 June 2009**

CMS Infra Trading incorporated a wholly-owned subsidiary company named CMS Agrotech Sdn Bhd whose principal activity is to carry out businesses related to organic waste management and recycling, production and distribution of organic fertilizers and related consultancy services.



**14 June 2009**

CMS Cement announced a price reduction of RM10 per metric tonne (MT) for its CEMPLAST masonry cement. A better choice for wall plastering, CEMPLAST is fast gaining popularity amongst users in the local construction sector.

**Brand New!**

# CEMPLAST

**A Better Choice  
for Wall Plastering**

- Excellent Workability
- Strong Bonding
- Smoother Finishing
- Also suitable for brick and block-laying, tile-laying and floor-topping

Another quality product from:

**CMS CEMENT**

w: [www.cmsb.com.my/cement](http://www.cmsb.com.my/cement)  
e: [ceplast@cement.cmsb.com.my](mailto:ceplast@cement.cmsb.com.my)

**19 June 2009**

CMS' construction material subsidiaries and CMS Property Development participated in Sarawak Builders Expo (SARBEX) 2009 in Kuching.



**6 July 2009**

CMS I-Systems signed a joint-venture agreement with West Asia Exports and Imports Private Limited of India paving the way for the newly formed ETA CMS I Solutions Private Limited to develop an integrated motor claims management service for the Indian market.



**17 July 2009**

A First and Final dividend of 5 sen per share less 25% tax for the financial year ended 31 December 2008 amounting to RM12,354,219 was paid to CMS shareholders.

## Looking Back at 2009

### 27 July 2009

Sarawak's latest and most impressive icon, the new Sarawak State Legislative Assembly or Dewan Undangan Negeri (DUN) building, was officially opened by Seri Paduka Baginda Yang di-Pertuan Agong. Bathed in a shower of lights, the new DUN Sarawak building's high atrium ceiling of 9 soaring arches upholding the Chamber above was a magnificent sight to behold. CMS subsidiary, PPES Works (Sarawak), along with Naim Cendera Sdn Bhd, was the project developer of this iconic project located in Kuching along the banks of Sungai Sarawak. CMS also produced a book on the building's construction to commemorate completion of the project.



### 8 August 2009

PPES Works successfully completed construction of the Borneo Convention Centre Kuching (BCKK) and handed-over the project to JKR well within the stipulated time period in the Contract. Award of the RM195 million project was secured in 2006.

### 26 August 2009

The newly formed Board Committee on Risk Management held its first meeting.

### 2 November 2009

PPES Works secured a RM20 million contract from Jabatan Kerja Raya (JKR) Sarawak to construct a bridge over Batang Strap waterway at Pantu in Sri Aman Division of Sarawak. The contract was won through open bidding.



### 3 November 2009

SALCO was a participant in the International Energy Week (IEW) 2009 conference and exhibition event held in Kuching from 3 – 5 November 2009. Visitors to SALCO's exhibition booth included the Chief Minister of Sarawak, Cabinet ministers, Government officials, and members of the public. SALCO's Acting Chief Executive Officer, Greg Rashford, was also a panelist at the roundtable discussion entitled "Commitment to SCORE".





### 12 November 2009

CMS Group Executive Director, Datuk Syed Ahmad Alwee Alsree, was conferred the prestigious 'Darjah Kebesaran Panglima Jasa Negara (PJN) (Kehormat)' award by Seri Paduka Baginda Yang di-Pertuan Agong, Al-Wathiqu Billah Tuanku Mizan Zainal Abidin Ibni Al-Marhum Sultan Mahmud Al-Muktafi Billah Shah, in conjunction with His Majesty's official birthday celebration in June 2009.



### 30 November 2009

CMS Town Hall in Kuching kicked off the annual staff gathering series road-show. Similar town halls were held in Bintulu (2 December) and Kuala Lumpur (4 December). Apart from the Group Managing Director and Group Executive Director discussing the Group's performance and corporate direction, the event also saw the launch of CMS' campaign to raise the bar on safety awareness towards a safe and healthy workplace.



### 14 December 2009

CMS announced the sale of its unit trust fund management subsidiary, CMS Trust Management, to Kenanga Investment Bank Berhad (KIBB), a subsidiary of K&N Kenanga Holdings Berhad.

### 20 November 2009

CMS' Annual Report 2008 was announced Runner-up of the Overall Excellence Award 2009 in Corporate Reporting by the Sarawak Chamber of Commerce and Industry (SCCI). The recent recognition serves to prove CMS' consistency in continuing to demonstrate the highest corporate governance standards and transparency in corporate reporting for shareholders and the public.

### 24 December 2009

For the second successive year, Tunku Putra School recorded a 100% pass rate in the Penilaian Menengah Rendah (PMR) examination. The excellent results of PMR 2009 follow closely on the recent National Primary 6 UPSR examination results in which 95.5% of Tunku Putra students achieved 100% passes.



### 25 November 2009

CMS Property Development acquired a new subsidiary called CMS Development Services Sdn Bhd which will carry out all activities related to project and construction management and development advisory services.

# Operations Review

## Construction Materials

14

Cement  
Clinker  
Concrete Products  
Quarrying  
Premix  
Wires  
Trading  
Strategic Investment: Steel Engineering

## Construction, Roads & Property Development

17

Construction  
Road Maintenance  
Property Development  
Strategic Investment: UBG

## Similajau Development

21

## Services

22

Fund Management  
Private Equity  
Strategic Investment: Financial Services  
Technology  
Education

## Construction Materials

### Cement

**CMS Cement Sdn Bhd**, Sarawak's sole cement manufacturer, operates two plants in Kuching and Bintulu to produce a sufficient supply of Ordinary Portland Cement (OPC) for the entire Sarawak market.

CMS Cement recorded a marginally higher sales volume and sales revenue in 2009 on the back of a higher selling price. However, the operation registered a lower profit for the year of RM65.77 million as compared to the previous year. This was mainly due to higher production costs particularly an increase in the price of clinker, its main raw material.

In the fourth quarter of 2009, CMS Cement suffered a 5% shortfall in production at its Kuching plant following delays in the replacement of a damaged Polycom roller press by its overseas supplier. This affected the supply of bagged cement for the Kuching area, leading to CMS Cement having to import cement from its Bintulu plant and elsewhere to meet demand and build up its buffer stock-levels again. The new roller press was successfully installed in January 2010.

The year 2009 saw a healthy up-trend in the monthly sales of CMS Cement's new masonry cement product called Cemplast. Introduced to the market at the end of 2008, Cemplast continues to gain the confidence of local masons and contractors as a better choice for wall plastering due to its excellent workability, smoother finishing and strong bonding properties.





### Clinker

CMS Cement owns East Malaysia's sole clinker manufacturer, **CMS Clinker Sdn Bhd**, which has its plant at Mambong on the outskirts of Kuching. With a current production capacity of up to 800,000 tonnes per annum, production is still short of the demand from CMS Cement.

Sales volume in 2009 increased 8% whilst sales revenue was higher by 19%. Profit before tax increased significantly by 100%, mainly attributed to the lower cost of sales and higher selling price in 2009.

### Concrete Products

**CMS Concrete Products Sdn Bhd** specialises in the manufacture of pre-formed concrete products such as reinforced concrete (RC) square piles, bridge beams, culverts, kerbs and cement sand bricks. The company doubled its profit before tax in 2009 compared to the previous year on the back of better sales of all products. Whilst actual sales volume was marginally lower in 2009, increased sales of higher margin products such as piles and beams resulted in an overall higher profit for the year.

CMS Concrete Products has started adding pre-fabricated Industrialised Building System (IBS) components to its product offering. The move into the production of IBS is seen as timely in response to the Government's call for the construction industry to use more innovative methods of construction to reduce Malaysia's reliance on foreign labour and to improve both the quality and speed of construction. CMS Concrete Products is able to produce an expanding variety of pre-fabricated concrete-based IBS components such as beams, columns, wall and floor panels.

### Construction Materials SBU

Positioned to tap the opportunities of SCORE, CMS' Construction Materials SBU comprising quarrying, the manufacture of premix and wires, reported a combined profit before tax of RM21.73 million for the year ended 31 December 2009, 58% higher than the previous year's pre-tax profit.

### Quarrying

**CMS Quarries Sdn Bhd** and **CMS Penkuari Sdn Bhd** produce granite, microtonalite and limestone aggregates. Its four operating quarries – Stabar, Penkuari, Akud and Sebuyau – have a combined annual rated capacity of 2.25 million MT. As the largest quarrying operations in Sarawak, CMS' quarries have a 30% market share.

CMS Quarries posted a 71% increase in its year-on-year profit before tax in 2009. The outstanding performance was due to higher sales revenue as a result of a higher selling price, greater freight income, and overall better gross margins aided by improved operational efficiencies.

In September 2009, CMS Quarries was given approval to operate at a new quarry site, Gunung Sebanis, located at Mile 15 along the Kuching – Serian Road in Sarawak. With known reserves of approximately 69 million MT, the new quarry increases CMS' total reserves 5-fold. A new 900,000 MT per year production capacity quarrying plant is under construction.



## Operations Review

### Premix

Together, **CMS Premix Sdn Bhd** and **CMS Premix (Miri) Sdn Bhd** supply 60% of Sarawak's market for high quality asphaltic concrete (premix) and bitumen emulsion which is used in the construction of roads, flyovers and airport runways.

CMS Premix enjoyed a 72% higher profit before tax in 2009 compared to the previous year. The strong performance was attributed to higher sales derived from increased orders from JKR and Federal Road Maintenance concessionaires for projects awarded under the two economic stimulus packages.

The company was also able to secure additional supplies to other road projects and registered a higher gross profit margin as a result of lower production costs which came from falling bitumen and diesel prices, savings in binder usage and improved diesel burning efficiency. The provision of added services to JKR such as transportation and pavement works including the rehabilitation and improvement of existing roads, premix re-surfacing and maintenance works also contributed to the higher profits.

CMS Premix (Miri) posted a 58% improvement in profit before tax for the year ended 31 December 2009 compared to the previous year. The improved performance was the result of higher gross profit margins and a higher production yield. Like its Kuching-based counterpart, CMS Premix (Miri) was also able to secure additional sales through the provision of transportation and pavement work.

The end of 2009 saw the completion of an upgrade to the plant at CMS Premix (Miri). The company's RM2.5 million investment in new equipment, kiln, chimney, air filter, 40-tonne silo and tanks, brings the plant's production capacity up to 150 tonnes per hour (TPH) compared to 30 TPH previously. The new plant at Lambir was commissioned in early 2010, ready to service more customers in northern Sarawak.

### Wires

**CMS Wires Sdn Bhd** manufactures drawn wires and wire mesh for the local market. The company reported lower profits in 2009 compared to an extraordinary 2008 in which it enjoyed better margins from buffer stocks. The last quarter of 2009 saw an increase in demand for steel wire products, whilst volume rebates on bulk purchases of raw materials managed to help profit margins.

### Trading

**CMS Infra Trading Sdn Bhd** recorded an above-budget performance in terms of revenue and profit before tax last year, achieving a 39% and 48% increase in revenue and profit before tax respectively in 2009 compared to the previous year. This was attributed to an increase in sales of water works management products which included mild steel pipes to the Samalaju Water Pipeline project and water treatment chemicals to the State's water authorities.

The company had also secured new sales and supply contracts worth RM8.3 million in 2009. It widened its product range and activities to include IBS, specifically in pre-cast and formwork technology, as well as entered into a new service, namely, facilities management, as part of a strategy to diversify revenue sources. CMS Infra Trading's new subsidiary, CMS Agrotech, commenced operations in August to produce soil conditioners (plant-based compost) with a starting capacity of 100 MT per month and is set to expand further on the back of positive contract manufacturing potential.



### Strategic Investment: Steel Engineering

CMS holds a 20% equity stake in Bursa Malaysia Main Market-listed **KKB Engineering Berhad** (KKB) whose group's principal business activities are steel fabrication, hot-dip galvanising, civil construction, the manufacture of LP gas cylinders, steel pipes and pipe specials.

KKB enjoyed a stellar year in 2009, reporting a profit before tax of RM51.8 million compared to RM16.1 million in the previous year. KKB subsequently contributed RM7.29 million in profit to CMS Group, nearly 3-fold higher than the previous year. Amongst KKB's achievements in 2009 were completion of steel works for the Kota Kinabalu International Airport, Borneo Convention Centre Kuching (BCKK), work-in-progress for Bakun Dam and the Samalaju Water Supply Project in Bintulu.

Having begun operations in 1962, KKB has diversified from a steel engineering base into the engineering and manufacturing sectors, operating both in Sarawak and Sabah. It has established a strong track record by contributing to the development of Sarawak, and is well-positioned to play an integral role in SCORE.

### Construction, Roads & Property Development

#### Construction

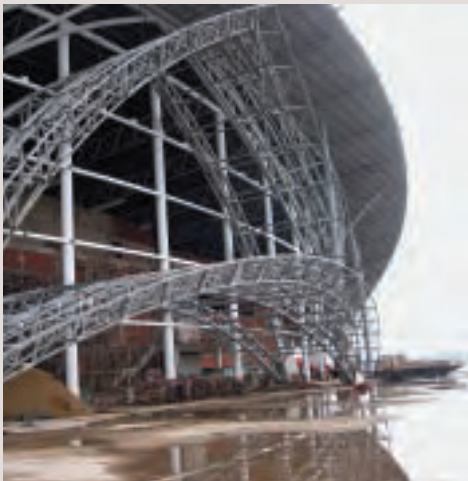
**PPES Works (Sarawak) Sdn Bhd** is the Group's construction outfit. The company registered a 62% increase in profit before tax in 2009 to RM30.32 million (which includes profit from its road maintenance operations) compared to the previous year. Of this, gross profit from its construction activities saw a 130% increase year-on-year.

The main reason for the improved financial performance was due to the reversal of provision for loss on the Mukah coal-fired power plant project amounting to RM19.77 million following an agreed settlement of claims with the client. Other key projects that contributed to its gross profit during the year were the Borneo Convention Centre Kuching (BCKK) project, road maintenance and the Tanjung Kidurong – Suai – Bakam coastal road project.

In 2009, PPES Works saw the completion of several iconic projects in Kuching, namely construction of the new DUN Sarawak building and BCKK. The company also completed infrastructure works at Similajau New Township, 52 km from Bintulu, in August 2009.

PPES Works was successfully awarded a RM20.4 million contract to construct the Pantu bridge across Batang Strap waterway in Sri Aman division of Sarawak. The new bridge will benefit 23 longhouses with a population of 4,000. Construction began in November.

A PPES Works joint-venture was also awarded a contract for infrastructure works at Phase 1 of the Tanjung Agas Oil and Gas Maritime Industrial Park in Pekan, Pahang, valued at RM210 million. The project involves site clearing and sand-filling, road works, drainage, bridge, electrical and telephone, water reticulation and other mechanical and electrical (M&E) works, and is PPES Works' first construction project in Peninsula Malaysia.



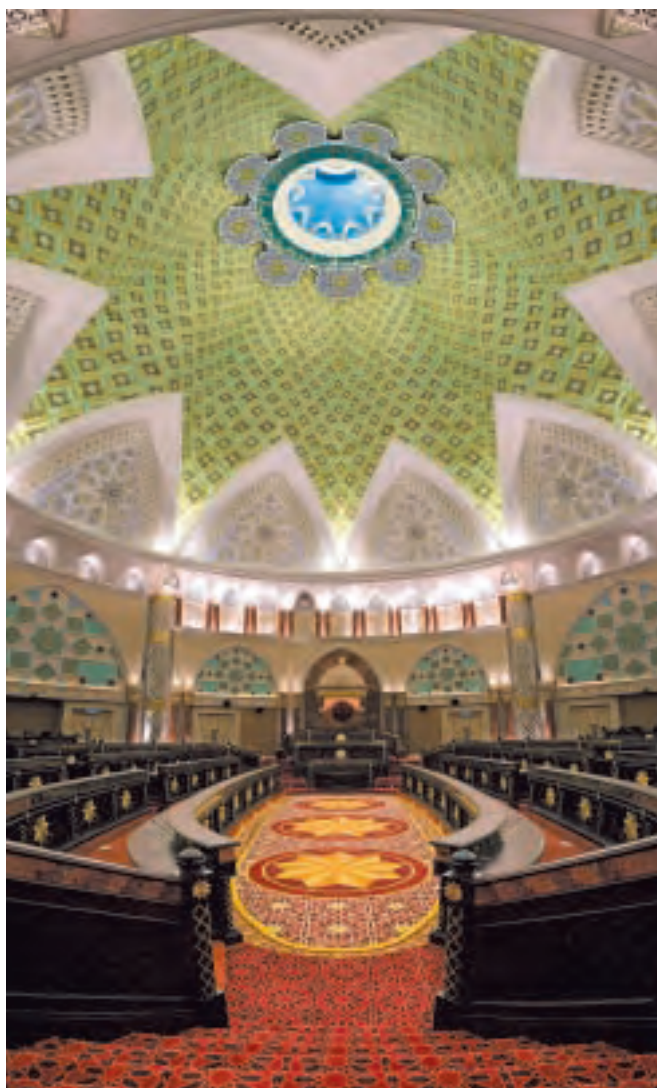




Sitting majestically on a hill in the centre of Kuching city, overlooking the Sarawak River, is the new DUN Sarawak building. An imposing 9-storey building, it is shaped as a 9-pointed star, and capped by a distinctive golden umbrella roof with 9 smaller pyramid-like roofs. The building's top half houses an impressive DUN Chamber which occupies levels 8 and 9, wrapped in a curtain wall of glass. The lower half of the building has been designed for the people. Offices of elected representatives from all across Sarawak, irrespective of political party, take up 3 floors of the building. Meeting rooms, large and small, are located throughout the building. Central to it all is the Atrium with 9 tall soaring, load-bearing pointed arches, meeting 27m above to form a vaulted canopy of support for the Chamber.

The Sarawak State Legislative Assembly is the oldest legislative assembly in the country with beginnings that date back to 1867 to a modest building in Bintulu. Over the years, the Assembly moved several times, with its previous building built in 1976. As home of the Sarawak State Legislative Assembly, the new DUN Sarawak building is the seat of power of Sarawak; a symbol of the people of Sarawak's sovereignty, and an icon of the people's power, for now and future generations to come.

## The New Dewan Undangan Negeri (DUN) Sarawak Building







The unique 'irrig' leaf designed 36,500 sq m, 5,000 seating capacity, BCKK is the brainchild of Sarawak's Chief Minister to tap a share of the growing billion dollar global Meeting, Incentives, Conventions and Exhibitions (MICE) industry. The idea to set up a world class facility in Kuching, Sarawak, began in 2002. What transpired was a rainforest-themed building with its distinctive green leaf shaped roof supported by 9 branch-like structures resembling trees along each long side elevation.

The BCKK is designed to be environmentally-friendly. The curved shape of the leaf roof allows rain water to flow naturally into the central stem and cascade off the two ends to be channeled for irrigation of surrounding gardens. An ecologically sensitive sub-surface drainage system eliminates the need for surface drains and minimizes erosion of the river bank. Internally, a thick air-space between the main roof and ceiling reduces the need for artificial insulation material and promotes the efficient use of energy, whilst the building's orientation on an East-West axis further mitigates the effects of solar gain on glazed surfaces.

## Borneo Convention Centre Kuching (BCKK)



## Operations Review

### Road Maintenance

CMS, through PPES Works, maintains approximately 650 km of Federal Government roads in the southern region of Sarawak from Sematan up to Sarikei. To-date, the company has completed 7 of its 15-year road maintenance concession which comprises routine works and instructed works.

Effective January 2010, the Federal Government increased the maintenance charges per kilometre by 20% as part of the agreed review of charges once every 5 years. The rate increase will greatly assist road maintenance concessionaires such as PPES Works to manage the higher raw material and operating costs over the years.

In the meantime, PPES Works remains committed to building a strong working relationship and vigilant collaboration between the Federal Roads Maintenance direct crew and its numerous sub-contractors to ensure that works carried out are efficient and effective as part of maintaining a good and safe road system for users in the State.

### Property Development

CMS owns a large land bank in and around Kuching. Of this, the major asset is the 5,200 acre land bank in Petra Jaya which is being developed into a riverine township called Bandar Samariang. This integrated township, with a variety of residential homes, commercial centre and schools, is home to some 20,000 residents. Bandar Samariang is located 7 km from Kuching city centre and within easy reach of the beaches of Damai and Santubong. Access to and from the township is set to further improve in 2010 – 2011 with completion of the Federal Administrative Centre highway linking Matang to Kuching city centre and the Samariang riverine loop road.

Land-owner, **Projek Bandar Samariang Sdn Bhd**, is a joint-venture between CMS and the Employees Provident Fund Board. The company reported RM20.93 million in sales in 2009

and saw a 64% increase in property units sold at Bandar Samariang, especially in the second half of the year. More single storey and double storey residential units were completed in 2009. Still, interest payments on land development costs of nearly RM3 million per annum resulted in an overall lower profit before tax for Projek Bandar Samariang. Going forward, some 128 units of residential properties will be constructed in 2010. A new master plan for the area is being re-drawn to reflect the improving potential of Bandar Samariang with the better road access.

**CMS Property Development Sdn Bhd** is involved in property management and marketing for Projek Bandar Samariang. Another source of revenue is rental income of its properties. The company reported a loss for the year 2009, albeit a smaller one compared to the previous year. Notwithstanding the soft property market conditions, CMS Property Development maintained the momentum of its marketing efforts all year-round. New residential launches were showcased at monthly road shows held across the State. A new commercial centre called Samariang Ria comprising 3 and 4 storey shophouses was also launched in 2009.

**CMS Land Sdn Bhd** owns a 240-acre land bank called The Isthmus located to the east of Kuching city centre. The company reported a lower loss in 2009, although it managed to secure the sale of land for development of the new corporate head office for SEB at The Isthmus. Construction of the 9-storey energy efficient building is underway. When completed, it will add to the vibrancy of The Isthmus which is home to BCCK and a new marine jetty. A new masterplan for The Isthmus has been developed which includes signature features such as a waterway styled after the famous San Antonio waterway in Texas, USA, a lifestyle hub, a commercial and retail core, hotels, residential accommodation, places of worship, and a university. CMS Land is also in negotiations for the development and sale of commercial office buildings at what will be Kuching's new central business district.





### Strategic Investment: UBG

The evolution of **UBG Berhad** from a financial services group into one with strategic exposure in construction, oil & gas, property development and water infrastructure continued in 2009. Having earlier acquired niche construction entities Putrajaya Perdana Berhad (PPB) and Loh & Loh Corporation Berhad (LLCB), and CMS Roads and CMS Pavement Tech, in May 2009, UBG's subsidiary PPB acquired 100% equity of CMS Roads and CMS Pavement Tech. The corporate exercise was part of building PPB group's synergy to be a major player in the construction industry including expanding its services in Sarawak.

Overall, UBG registered a profit before tax of RM50.98 million for the year ended 31 December 2009 on the back of RM1.13 billion in revenue. UBG contributed RM7.59 million to CMS Group's profit.

Corporate developments in early 2010 have centred on offers made by PetroSaudi International Limited on 29 December 2009 to acquire UBG shares from Concordance Holdings Sdn Bhd and PPES Works Sdn Bhd (both subsidiaries of CMS) and Majestic Masterpiece Sdn Bhd. On 8 January 2010, CMS announced acceptance of the offers to acquire all of CMS' and PPES Works' shares in UBG equivalent to 28.29% and 8.92% respectively. The acquisition is for a cash consideration of RM2.50 per Sale Share, equivalent to RM465,525,388 and representing 37.21% of the issued and paid-up share capital of UBG ("Proposed Disposal"). The Proposed Disposal is subject to approval by shareholders and other regulatory authorities or parties.



### Similajau Development

The main focus of Similajau Development SBU is development of a world class aluminium smelter at Samalaju, approximately 60 km from Bintulu in Sarawak.

The **Sarawak Aluminium Company (SALCO)** smelter is being developed by CMS and leading aluminium producer, Rio Tinto Alcan (RTA). Similajau Aluminium Industries, a CMS subsidiary, will have 40% participating interest in the project with the balance 60% participating interest held by RTA. The smelter is planned to have an initial production capacity of 720,000 tonnes per year, with potential to be expanded to 1.5 million tonnes per year.

A Heads of Agreement (HoA) between CMS and RTA was signed in August 2007. Pre-feasibility studies on the design, engineering, construction, commissioning and operation of the smelter commenced in late 2007. The final Pre-Feasibility Study report is near completion.

Negotiations between CMS, RTA and SEB to finalise a power purchase agreement are on-going. Progress is being made towards a mutually agreeable set of terms that will underpin a long-term relationship spanning decades. While these negotiations have taken longer than initially expected, it is important for all parties to work through the details of the contracts to ensure that they stand the test of time.

When the power purchase agreement is signed, final feasibility studies on the design, construction, commissioning and operation of the SALCO smelter will commence. Significant progress has already been made on SALCO's public Detailed Environmental Impact Assessment (DEIA) and these studies will continue alongside the feasibility studies to ensure all impacts (social, environmental and economic) are fully examined and evaluated prior to commencement of construction.

The Sarawak State Government has announced that power from Bakun Dam will be used in Sarawak for projects in SCORE. The SALCO smelter is a key component of the next wave of economic development for Sarawak under the SCORE initiative.



## Operations Review

Supporting infrastructure around the proposed site and at the Samalaju Industrial Park (SIP) is being planned by the Government. This includes development of a deep-sea port for the industrial zone and infrastructure covering an area of 6,000 hectares. Some 1,000 hectares has been earmarked for the Samalaju township to house up to 50,000 residents.

The Government also has plans to develop a steel cluster as part of SCORE. In February 2008, CMS subsidiary, Similajau Industries Sdn Bhd, entered into a Memorandum of Understanding with GIG Holdings Sdn Bhd (of Malaysia) and Pan Kingdom Invest Co. (of Saudi Arabia) for the development of a steel cluster and iron ore hub at Samalaju Industrial Park. The parties continued in 2009 to assess the availability and adequacy of power and natural gas required by the proposed project.

## Services

### Fund Management

CMS' operations of fund management and asset management were carried by **CMS Trust Management Berhad**. The deterioration of the local stock market and global financial crisis over much of last year continued to adversely affect CMS Trust's performance in 2009 in which the company reported a loss before tax.

Actual equity fund sales were low, leading to lower service fees. New funds launches were deferred following unfavourable market conditions. Assets under management (AUM) at the end of December 2009 stood at RM1.85 billion, up 20%.

In January 2010, CMS Trust declared income distributions for four of its funds for the financial year ended 31 December 2009. Its equity growth funds, CMS Premier Fund and CMS Islamic Fund, declared a gross distribution of 5.38 sen per unit and 6.70 sen per unit respectively. Unit holders of balanced funds, CMS Balanced Fund and CMS Islamic Balanced Fund, received 5.26 sen per unit and 5.64 sen per unit distribution respectively. Based on the units' Net Asset Value (NAV) prior to the distribution, the gross yield for investors was 12.03% for CMS Premier Fund, 11.87% for CMS Balanced Fund, 11.69% for CMS Islamic Fund and 11.89% for CMS Islamic Balanced Fund.

In December 2009, CMS announced that it would be selling CMS Trust to KIBB, a subsidiary of K&N Kenanga Holdings Berhad, for a total cash consideration of RM23 million. The sale will facilitate further growth of CMS Trust under the larger K&N Kenanga financial services umbrella, whilst CMS focuses on building up its core business of construction materials. The sale was completed on 9 April 2010 and CMS Trust ceased to be a subsidiary of CMS.

### Private Equity

**CMS Opus Private Equity Sdn Bhd (COPE)** achieved a profit before tax in 2009 despite last year's challenging economic environment. Most notably, COPE successfully closed a RM20 million investment into a high growth-oriented oil & gas company based in Malaysia through a privately negotiated Redeemable Convertible Secured Loan Notes ('RCSLN'). Listed on the Main Market of Bursa Malaysia, the oil & gas company is principally involved in the provision of oil & gas products and services, specialty chemicals, advanced polymers, as well as technical services. Proceeds from this investment are being used to fund the company's continuous pursuit for growth via organic expansion and also through synergistic acquisitions. This marks COPE's third investment in the exciting oil & gas related industry and demonstrates its capability to conclude top-tier private equity transactions.

### Strategic Investment: Financial Services

With its 25% equity stake, CMS is the single largest shareholder of **K&N Kenanga Holdings Berhad**, a financial services holding company. Its principal subsidiary is KIBB.

Overall, K&N Kenanga Holdings Berhad recorded a profit before tax of RM30.64 million for the year ended 31 December 2009, an increase of 142.75% over the previous year's loss of RM68.25 million. It contributed RM4.07 million to CMS Group profits in 2009 compared to a loss previously.

The main contribution to K&N's improved performance in 2009 was the better operating profits from KIBB which recorded a profit before tax of RM32.59 million compared to a loss before tax of RM59.84 million in 2008. Proudly, Kenanga Deutsche Futures Sdn Bhd, emerged again as the Top Overall Futures Broker, as well as for Equity Futures (FKLI) for the seventh consecutive year. It ranked second place in Crude Palm Oil Futures (FCPO) for Financial Futures (FKB/FMG) in 2009.



## Technology

**CMS I-Systems Berhad** reported a loss before tax for 2009 compared to a profit in 2008. The less than favourable performance was indicative of the difficult operating environment both at home and in India which accounts for more than half of the company's revenues. The postponement of project implementation milestones by two major customers and annual maintenance fees for two Indian customers that did not materialize, as well as re-scheduled project deliverables by a local client affected overall performance.

In July 2009, CMS I-Systems signed a joint-venture agreement with West Asia Exports and Imports Private Limited of India to form ETA CMS I Solutions Private Limited, a company which will develop an integrated motor claims management service for the Indian market. Designed to provide an end-to-end service to the insured, the ETA CMS I Solutions' motor claims management service will combine survey of the accident, estimation of repair costs, obtaining approvals required, administration of workshop repairs and final payment. The initial roll-out of the custom-made service will be in four major Indian cities – Chennai, Mumbai, Delhi and Kolkatta – starting later this year. Expansion to more cities across India is on the cards. CMS I-Systems, a CMMI Level 3 certified software development company, was one of 64 companies that received recognition of its global standards by the Multimedia Development Corporation (MDeC), driver of MSC Malaysia's National ICT Initiative, in December 2009.

## Education

**CMS Education Sdn Bhd** owns and operates Tunku Putra School in Kuching which offers national and international curricula for students at kindergarten, primary and secondary levels. With classes kept small, excellent teaching resources and facilities at a 22-acre campus, Tunku Putra's students are assured of quality attention. The School's enrolment currently stands at 552 students (as at March 2010) comprising boys and girls from Malaysia, Korea, Australia, USA and Europe.

Tunku Putra promotes a holistic approach to education which values a child's academic, social, emotional and physical development. The School's contemporary education system seeks to produce active and independent learners through integrated lessons which allow students room to participate actively in the learning process. A range of co-curriculum activities including weekly swimming, drama, music and physical education complements the holistic education process.

The School garnered a 95.5% pass rate in the Ujian Penilaian Sekolah Rendah (UPSR) 2009 examinations, putting it amongst the top schools in Sarawak to attain a pass rate of above 90%. More than half of its Primary 6 students scored 5As or 4As and 1B grades.

For the second successive year, Tunku Putra recorded a 100% pass rate in the Penilaian Menengah Rendah (PMR) examinations of 2009. The excellent results also put Tunku Putra above the rest as one of only 5 schools in Sarawak to attain a 100% pass rate. Of particular significance was Tunku Putra's performance in the English language paper where 100% of its students scored A in the subject compared to the national average of only 14.3%.

Tunku Putra students also did well in international examinations held in November 2009 which included the Cambridge A-Levels, IGCSE examinations, Checkpoint exams for Year 9 and Cambridge International Primary Year 6 Achievement Tests.

In August 2009, it was announced that Tunku Putra School is now rated as a 'Cluster School' by the Malaysian Ministry of Education. Introduced by the Government recently, the 'Cluster School' concept recognizes schools that demonstrate excellence in both management and student achievement, making such schools models of best practice for other schools to aspire to.



# Human Capital

The Group Human Resources Division continued to 'Roar Ahead' into a second year of strategic focus and alignment to manage motivations and promote the continuous development of our 1,400-strong employee base. Aimed at building a high performing work-force to meet corporate targets, the major activities of the Division in 2009 included:

## Growth & Development

Employee Development – Given the challenging economic environment, training budgets in 2009 were spent on priority training. A total of 542 employees attended training programmes during the year. In-house programmes included team-building, safety, train-the-trainer skills, IT, legal and procurement skills. External training included programmes on finance, investor relations, human resource management, audit, procurement, safety, manufacturing and quality. A new focus was given to Business Continuity Planning (BCP) and risk management. Briefings and meetings on both topics were held for cross-functional teams from all over the Group. Senior Management also joined the Board of Directors for training on corporate governance.

Under the Succession Planning programme, potential successors identified for key positions participated in Development Planning interviews to map out areas for improvement and growth. Proposed action plans were agreed upon towards charting out career ladders.

## Performance Management

The Key Performance Indicators (KPI) system continued into its third year of implementation in 2009. An increased number of key employees, from 90 to 108 (excludes employees of CMS Roads and CMS Pavement Tech), were included in the KPI system, underscoring the Group's philosophy of a performance-linked reward culture. Individual KPIs were set early in the year and reviewed at mid-year to take account of the dynamic business environment of 2009 as well as to ensure that targets set remained relevant and robust towards meeting the overall corporate objectives. With the growing familiarity of Management with the KPI system, the foundation is now in place for the KPI system to be rolled out in stages to eventually cover all employees in the Group.

## Communication

The annual Senior Management Workshop involving 20 members was held on 16 – 17 June 2009 whilst a Management Workshop involving a larger group of 60 took place on 16 – 17 July 2009.

The annual Town Hall tradition continued in 2009. Hosted by the Group Executive Director and Group Managing Director, Town Hall sessions were again held in Kuching, Bintulu and Kuala Lumpur from 30 November – 4 December 2009. A reflection of the year's challenges and achievements were discussed, whilst the sharing of future plans and expectations for 2010 were highlights of the event. These were followed by Question & Answer sessions.



The year ended on a fun note with CMS employees in Kuching and Bintulu attending 'Rock & Roll' themed annual dinners in early December 2009.

'Cappuccino Talk', similar to the popular and highly effective 'Koffee Talk' sessions, was introduced in 2009 to provide employees of executive-level with an avenue to speak directly with the Group Executive Director and Group Managing Director regarding workplace-related issues and general concerns. Sessions were held for both Sarawak-based and KL-based staff.

### Employee Welfare

In 2009, nine needy employees and their families benefited from financial assistance by the Group rendered through the Compassionate Fund. Monies disbursed were to assist with mishaps to homes following natural disasters or fire, injury due to freak accidents, for medical ailments, and for death. The Compassionate Fund's payments were made over and above the employees' normal benefits.

### Recruitment

CMS participated in Malaysia's largest career fair from 15 – 17 May 2009 in Kuala Lumpur.

A review of the starting salaries of fresh graduates with a degree, diploma or certificate was made in order to match current market rates. Implementation of the new rates will apply when the economy recovers.

Overall, hiring exercises across the Group were limited and made strictly on a needs basis. In keeping with the 'conserve cash and control costs' directive, all subsidiaries put a careful watch on manpower budgets, with employees doubling up during the tough economic times.

A total of 47 students from local universities, institutions of higher learning and technical colleges were accepted into CMS' Industrial Training Programme in 2009. Lasting up to a maximum of 24 weeks, the internships were to fulfill the students' study requirements. For CMS, the internship programme allowed the Group to assess the students' suitability for inclusion in our future manpower pool. It was also part of our 'Doing Good' effort to give back to the community by providing students with on-the-job training and valuable exposure to working life.



# Corporate Responsibility

– CMS Doing Good

## Doing Good for the Community

### Employee Volunteerism

Fulfilling CMS' corporate responsibility is an important facet of our corporate culture. As a Group, CMS gives back to the community through sponsorship, donations and other corporate initiatives. In recent years, a new and distinct feature has been added to CMS' corporate profile – Employee Volunteerism.

Since 2007, CMS employees have been actively encouraged to directly participate in a variety of activities under the 'CMS Doing Good' community outreach programme. The programme serves in part to inculcate in our employees a more caring attitude towards those in need, and in part to profile CMS to the community at large that it is a company whose employees truly care about those in need and who are prepared to help outside of their office hours. Many employees have also opted to include their pledges of 'Doing Good' as part of the annual Key Performance Indicators (KPI).

In 2009, the aim was to continue the 'Doing Good' culture of employee volunteerism and to improve safety at our workplace. The result was 4,218 man-hours of employee volunteerism, out of which 89% of this time went towards sustainable CSR causes.

#### Breakdown of employee volunteerism time spent on 'Doing Good' activities:

|                        |     |
|------------------------|-----|
| Rebuilding Communities | 14% |
| Sustaining Charities   | 44% |
| Education              | 11% |
| Philanthropy           | 4%  |
| Community Clean-up     | 7%  |
| Saving Lives           | 20% |

#### Time spent on Sustainable 'Doing Good' causes:

| Sustainable for   | Man-hours dedicated | %    |
|-------------------|---------------------|------|
| Under 1 year      | 2,406               | 57%  |
| 1 – 3 years       | 100                 | 2%   |
| More than 3 years | 1,712               | 41%  |
| Total             | 4,218               | 100% |

Employee volunteerism was high at these more popular 'Doing Good' causes – setting up stalls and participating in sales-of-work for numerous charity organizations in Kuching, blood donation, building homes with Habitat for Humanity, organizing English tuition and Iban dance classes and participating in joggerthon events to raise funds.

### Corporate Sponsorships & Donations

Apart from employees giving their own time and effort, CMS as a group and many of its subsidiaries continued to fulfill their corporate responsibility in 2009 by sponsoring and donating to the following causes:

- CMS Adopt-a-mosque community programme covering 66 surau and mosques, in urban centres and rural areas – a total of RM118,800 was spent towards these establishments' utility bills in 2009.
- RM250,000 was donated to the plight of suffering Palestinians.
- RM50,000 sponsorship was given in support of the thriving Songket cottage industry.
- RM25,000 sponsorship was presented to organizers of the colourful and exciting annual Sarawak Regatta event.
- RM20,000 sponsorship for development of Sarawak youth squash.
- CMS sponsored the monthly purchase of Malaysia's No.1 English magazine for 7 – 14 year old 'tweens' for the enjoyment and education of 6 children's homes and organizations in Sarawak.
- RM15,000 donation was presented to Lembaga Kebajikan Anak-anak Yatim Sarawak (Sarawak Orphanage Board) for its orphanage in Kuching.

Other than providing much need funds, CMS subsidiaries were also active in 'Doing Good' by supporting various causes in 2009:

- SALCO partnered with Tunku Putra School to run a 'Buckle Up' campaign to promote the importance of wearing rear seat-belts.
- SALCO produced a 2010 calendar featuring artwork by students of two primary schools of Nyalau villages. In return, the children received workbooks, dictionaries and teaching materials.
- SALCO coordinated the donation of 300 English reading books from employees of RTA's Brisbane office. The books were given to the Salvation Army children's homes in Kuching.
- CMS Cement's annual calendar 2010 featured artwork on safety by its employees' children.



In addition, CMS continues to provide financial support each year to the operation of Tunku Putra School. Set up by CMS in 1997 as part of its corporate social responsibility to facilitate attracting more FDI into Sarawak, Tunku Putra School has grown by leaps and bounds, in terms of student enrolment, academic achievement and the success of its holistic education approach.

## Doing Good for the Environment

### Environmental Monitoring

As a responsible manufacturing group, keeping chemical and waste emissions at a minimum is a priority at CMS' various manufacturing operations. Monthly or quarterly measurements take place to ensure that smoke and dust emissions, boundary noise and septic discharge are reduced or controlled within industrial and national standards.

In 2009, CMS Cement which is certified with the ISO 14001 Environmental Management System achieved a 33% reduction in wastage from spilt cement. The company was also able to reduce dust levels at the packing area by 20%; and continued to comply with Environmental Quality regulations for Scheduled Waste.

Monitoring of emissions is an important feature of CMS Clinker's operations at its plant in Mambong. Regular air quality monitoring and stack emissions are carried out to ensure compliance with standards set by the authorities. In 2009, actual results achieved in Ambient Air Quality Monitoring and Stack Emission Monitoring were even better than the minimum required standards.

At CMS' quarrying operations, environmental monitoring and sampling exercises are carried out twice yearly by external environmental consultants to check ambient air quality and noise levels, both during the day and at night. The results of studies captured in 2009 showed that the quarrying operations had complied with standards set by the Natural Resources and Environment Board (NREB).

### Building Environmental Awareness

CMS Clinker's seriousness to drive home the importance of environmental preservation amongst its employees is evidenced by the five specific environmental teams which have been formed to look into ways to minimize dust pollution and spillage, maintain the efficiency of equipment, and effectively manage scheduled waste. Over 2008 and 2009, RM82,000 was spent on environmental projects at the plant. In 2010, a similar allocation has been budgeted, demonstrating the company's continuous commitment towards improving environmental management performance.

During 2009, CMS Cement organized an "Inventions using Recycled Items" competition for a local school at Pending, Kuching and held a "Greening the Office" competition at its Kuching Plant. The cement operation also continued its annual campaign to encourage employees to recycle. In 2009, CMS Cement collected 1,903 kg of items for recycling, nearly double the amount collected in 2008.



## Corporate Responsibility – CMS Doing Good

### Doing Good for the Marketplace

#### Responsibility to Shareholders

##### Corporate Reporting

CMS' effort to present a comprehensive annual report of activities for the past year of operation for its shareholders once again won recognition from the Sarawak Chamber of Commerce and Industry (SCCI). CMS Berhad's Annual Report 2008 was announced Runner-up of the Overall Excellence Award 2009 in Corporate Reporting by SCCI in November. This recent recognition serves to prove CMS' consistency in continuing to demonstrate the highest corporate governance standards and transparency in corporate reporting for shareholders and the public. CMS has been a winner at the SCCI Awards on numerous occasions since inception of the corporate reporting awards programme 11 years ago for Sarawak registered listed entities. This includes winning the Overall Excellence Award five times previously – in 1999, 2000, 2001, 2006 and 2008.

##### Corporate Governance

As a public-listed entity, CMS prides itself on compliance with the strict regulations set by Bursa Securities and on maintaining the highest Corporate Governance standards. CMS continues to maintain its sterling record of zero reprimand from Bursa Securities.

##### Investor Relations

The Group's investor relations information, as carried on the CMS web-site [www.cmsb.com.my](http://www.cmsb.com.my) was overhauled in 2009. Apart from having a dedicated section on financial statements and announcements, shareholders and interested persons can now easily track daily movements in CMS' share price traded on Bursa Malaysia.

#### Responsibility to Customers

##### Listening & Understanding

Listening to our customers is an important part of our operations, in keeping with CMS' corporate Mission to deliver products and services "On Spec & On Time". Customer satisfaction surveys are conducted regularly to gain insight to ensuring continuous improvements. CMS Cement runs an annual survey on its 3 main customer groups – dealers, hardware shops operators and ready-mix suppliers. In addition, as the major manufacturer of construction materials in Sarawak, regular dialogues with industry groups are avenues for important feedback. CMS Cement was quick to meet face-to-face with its key client groups when the Kuching plant experienced delays in maintenance which affected production slightly for several weeks.

##### Doing Business with CMS – Transparent Procurement

Ensuring transparency and fairness to all vendors and suppliers who do business with CMS is paramount in keeping to our 'Pride of Sarawak' goal. CMS' website carries a dedicated section for 'Doing Business With Us' to make it simple and easy for contractors and suppliers to register before undertaking to supply, execute and complete any work for the Group. Relevant forms and information guides on the Contractor – Supplier Management System Registration are available.



## Doing Good at the Workplace

### Raising the Bar on Safety

New in 2009 was the corporate focus to 'Do Good' for our employees by giving safety at the workplace its rightful attention and voice. Whilst many operations around CMS already place a priority on safety, there are many more that could do better. For this reason, it was decided that in 2009, we would do something to 'Raise the Bar on Safety in CMS'. The priority was to kick-start the standardization of best practices in safety at the workplace across the diverse CMS Group.

Activities conducted during the year included:

- Three forums were organised for safety officers across the Group.
- The Group Safety Taskforce was formed. Chaired by the Group Managing Director, the Taskforce comprises cross-functional committee members.
- The Group Safety & Health Policy was formulated and launched at CMS Town Hall 2009.
- A new 'Safety Alert' newsletter was introduced. Two issues were published in September and November 2009.
- The 'We Love Safety' logo was launched.
- The statement 'Safe and Healthy workplace' was added to the Group's Mission statement.

These activities along with various policies and procedures already implemented at many CMS operations reinforced the key message that everyone has a role to play in making safety our way of life in CMS.

Going forward, the KPI 2010 for all executive-level staff and above have included de-merit points for fatalities and permanent disabilities that may occur within the Group. This will further reinforce the Group's seriousness in getting everyone involved and to be accountable for creating and maintaining a safe workplace.





# Board of Directors



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

Malaysian, Age 58 years  
Group Chairman  
Independent, Non-Executive Director  
Chairman – Nomination  
& Remuneration Committee  
Member – Group Audit Committee

**Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail** is Group Chairman of CMS, having been appointed to the Board on 10 May 2006. He holds a Bachelor of Arts (Accounting) degree from Macquarie University, Australia and is a Chartered Accountant and Certified Practising Accountant of Australia. He began his career as a financial accountant with Malaysia Airlines System Berhad in 1975 and has worked for Price Waterhouse (Australia), D&C Nomura Merchant Bank Berhad, Amanah Merchant Bank Berhad and Amanah Capital Partners Berhad as its Group Managing Director. Tan Sri Syed Anwar has also served as Chairman of Malaysian Resources Corporation Berhad, Media Prima Berhad, DRB-HICOM Berhad and EON Capital Berhad and a director of Maxis Communications Berhad. Tan Sri Syed Anwar was the former Chairman of the Investment Panel of Lembaga Urusan Tabung Haji. Apart from CMS, Tan Sri Syed Anwar is currently Chairman of Nestle (M) Berhad. Tan Sri Syed Anwar has no family relationship with any director and/or major shareholder of the Company.

**Dato Sri Mahmud Abu Bekir Taib** is Deputy Group Chairman of CMS. He was appointed to the Board of CMS as Group Executive Director in January 1995. Having pursued his tertiary education in USA and Canada, Dato Sri Mahmud has extensive experience in the stockbroking and corporate sectors. He was a founding member of Sarawak Securities Sdn Bhd, Sarawak's first stockbroking company which is now merged with K&N Kenanga Holdings Berhad. Dato Sri Mahmud is currently Chairman of UBG Berhad and Sarawak Cable Berhad, Deputy Chairman of Putrajaya Perdana Berhad and director of CMS subsidiaries in construction, construction materials and property development. He is also director of several other private companies. Dato Sri Mahmud is the brother of Datin Hanifah Hajar Taib, YB Dato Sri Sulaiman Abdul Rahman Taib and Jamilah Hamidah Taib, all major shareholders of CMS. He is also a son of the late Lejla Taib (a major shareholder of CMS) and brother-in-law of Datuk Syed Ahmad Alwee Alsree (Group Executive Director of CMS). Dato Sri Mahmud is a director of Majaharta Sdn Bhd (a major shareholder of CMS).



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

Malaysian, Age 46 years  
Deputy Group Chairman  
Non-Independent, Non-Executive Director  
Member – Nomination  
& Remuneration Committee



## **Y BHG DATUK SYED AHMAD ALWEE ALSREE**

Singaporean, Age 44 years  
Group Executive Director  
Chairman – Group Risk Committee  
Member – Nomination  
& Remuneration Committee

**Datuk Syed Ahmad Alwee Alsree** is Group Executive Director of CMS, having been appointed to the Board on 4 September 2006. He joined the Group in February 2004 as Group General Manager - Human Resources, was appointed as Deputy Group Managing Director in September 2006, and subsequently re-designated as Group Executive Director in August 2008. Datuk Syed Ahmad is Chairman of CMS Trust Management Berhad and Similajau Aluminium Industries Sdn Bhd, and Deputy Chairman of UBG Berhad and Loh & Loh Corporation Berhad. He is also a director of KKB Engineering Berhad, K&N Kenanga Holdings Berhad and several CMS subsidiaries in financial services, property development, technology and education. Datuk Syed Ahmad graduated with a Bachelor of Law (LL.B.) from the National University of Singapore, and practised law in Singapore for over 10 years prior to joining CMS Group. Datuk Syed Ahmad is the brother-in-law of Dato Sri Mahmud Abu Bekir Taib (director and major shareholder of CMS), Jamilah Hamidah Taib and YB Dato Sri Sulaiman Abdul Rahman Taib (major shareholders of CMS). He is a son-in-law of the late Lejla Taib (a major shareholder of CMS) and the spouse of Datin Hanifah Hajar Taib (major shareholder of CMS).



**Y BHG DATO' RICHARD  
ALEXANDER JOHN CURTIS**  
Malaysian Permanent Resident,  
Age 58 years  
Group Managing Director  
Member – Group Risk Committee

**Dato' Richard Curtis** is Group Managing Director of CMS having been appointed to the Board on 4 September 2006. He graduated with a Bachelor of Law (LL.B.) (Honours) degree from University of Bristol, United Kingdom and is a Sloan Fellow of the London Business School. He began his career in legal practice as a solicitor in Norton Rose (1974 – 1979) in London and then joined Jardine Matheson & Co. (1979 – 1983) in Hong Kong after which he joined the Jardine Offshore Group (1983 – 1986) in postings to Singapore and Indonesia. Dato' Richard also pursued his own businesses (1988 – 1997) in retail, consultancy and construction. He was Chief Executive Officer of The Melium Group from 1997 – 2000, a leading Malaysian retail company and F&B chain operator. Dato' Richard is a director of K&N Kenanga Holdings Berhad, Kenanga Investment Bank Berhad and a number of CMS subsidiaries. Dato' Richard is a Trustee of Yayasan Raja Muda Selangor. Dato' Richard has no family relationship with any director and/or major shareholder of the Company.

**Dato Sri Liang Kim Bang** was appointed to the Board of CMS on 26 June 1986. He studied at University of Malaysia, Singapore (1957 – 1961) graduating with B.A. and B.A. (Honours) degrees and at University of Cambridge (Trinity College), England (1962 – 1963) in Public Administration. He joined the Sarawak Civil Service in 1961, served in various capacities, including as Chairman and Director of several statutory bodies and Government-linked companies, both listed and non-listed. He was the Sarawak State Financial Secretary from 1984 – 1994. At present, Dato Sri Liang is Non-Executive Chairman of CMS Cement Sdn Bhd and CMS Clinker Sdn Bhd. He is also a Non-Executive Director of PPB Group Berhad, UBG Berhad and CMS Trust Management Berhad. Dato Sri Liang has no family relationship with any director and/or major shareholder of the Company.



**Y BHG DATO SRI LIANG KIM BANG**  
Malaysian, Age 73 years  
Senior Independent, Non-Executive Director



**Y BHG GENERAL (RETIRED)  
TAN SRI DATO' SERI MOHD  
ZAHIDI BIN HJ ZAINUDDIN**  
Malaysian, Age 62 years  
Independent, Non-Executive Director  
Member – Nomination  
& Remuneration Committee

**General (R) Tan Sri Dato' Seri Mohd Zahidi Zainuddin** was appointed to the Board of CMS on 8 July 2005. He has 39 years experience as a professional military officer with his last appointment as Chief of Defence Forces Malaysia from January 1999 until his retirement at the end of April 2005. General (R) Tan Sri Zahidi is currently Chairman of Affin Holdings Berhad and CMS I-Systems Berhad. He is a director of Genting Plantations Berhad (formerly known as Asiatic Development Berhad), Bandar Raya Developments Berhad, Bintulu Port Holdings Berhad, Defence Technologies Berhad, Genting Malaysia Berhad (formerly known as Resorts World Berhad) and Wah Seong Corporation Berhad. In November 2006, General (R) Tan Sri Zahidi was elected by DYMM Paduka Seri Sultan Perak to be a Member of Dewan Negara Perak, and is a director of Yayasan Sultan Azlan Shah. He is also made a member of the Malaysian-Indonesian Eminent Persons Group elected by the Prime Minister (July 2008). General (R) Tan Sri Zahidi holds a Master of Science degree in Defence and Strategic Studies from Quaid-I-Azam University of Islamabad, Pakistan. He has attended the Senior Executive Programme in National and International Security at Harvard University, USA, and courses at the Command and General Staff College in the Philippines, Joint Warfare Centre in Australia, Joint Services Staff College in Australia and the National Defence College in Pakistan. General (R) Tan Sri Zahidi has no family relationship with any director and/or major shareholder of the Company.

## Board of Directors



**Y BHG DATUK  
WAN ALI TUANKU YUBI**

Malaysian, Age 60 years  
Independent, Non-Executive Director  
Member – Nomination  
& Remuneration Committee  
Member – Group Risk Committee

**Datuk Wan Ali Tuanku Yubi** was appointed to the Board of CMS on 23 June 1995. A former Sarawak State Financial Secretary (1995 – 2000) and Director/Chief Executive Officer of Sarawak Energy Berhad (2000 – 2005), Datuk Wan Ali had a long career in public service. He also served as Permanent Secretary in the Ministry of Land Development, Sarawak, and as General Manager of Land Custody and Development Authority, Sarawak. He holds a Bachelor of Economics degree and Graduate Diploma in Education from University of Malaya. He also holds a Master of Education degree from Birmingham University, United Kingdom. Datuk Wan Ali has no family relationship with any director and/or major shareholder of the Company.

**Datu Michael Ting** was appointed to the Board of CMS on 24 March 1999. A civil engineer by profession, Datu Michael served in the Public Works Department (PWD) for 32 years. His last appointment was as Director of PWD prior to retiring in 1998. Datu Michael continued to serve as Technical Advisor to Sarawak's State Planning Unit for a further two years. Datu Michael holds Bachelor of Engineering (Honours) and Master of Engineering degrees in Civil Engineering, both from the Technical University of Nova Scotia, Canada. Datu Michael is currently a director of Loh & Loh Corporation Berhad, CMS Trust Management Berhad and a number of subsidiaries of CMS Group. Datu Michael has no family relationship with any director and/or major shareholder of the Company.



**Y BHG DATU  
MICHAEL TING KUOK NGIE**

Malaysian, Age 69 years  
Independent, Non-Executive Director  
Member – Group Audit Committee  
Member – Nomination  
& Remuneration Committee



**KEVIN HOW KOW**

Malaysian, Age 61 years  
Independent, Non-Executive Director  
Chairman – Group Audit Committee  
Member – Group Risk Committee

**Kevin How Kow** was appointed to the Board of CMS on 12 March 2004. Kevin is a Fellow of the Institute of Chartered Accountants in England & Wales and Institute of Certified Public Accountants of Singapore. He is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He was made Partner of Ernst & Young, Malaysia in 1984 and served as Partner-in-charge of its offices in Sabah and Sarawak. From 1996 onwards, Kevin was Partner-in-charge of the firm's practice in Sabah and Labuan until his retirement at the end of 2003. Kevin's directorships in public companies include CMS I-Systems Berhad, K&N Kenanga Holdings Berhad, Kenanga Investment Bank Berhad, Sarawak Cable Berhad, Sabah Development Bank Berhad and Saham Sabah Berhad. He is also a director of CMS Opus Private Equity Sdn Bhd and other private limited companies. Kevin has no family relationship with any director and/or major shareholder of the Company.

Save as disclosed, none of the Directors have:

- Any conflict of interest with CMS.
- Any conviction for offences within the past 10 years other than traffic offences.



# Senior Management

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

**Woo Yoke Meng**  
Group Internal Auditor

**David Ling Koah Wi**  
Group General Counsel

**Danny Sim Wei Min**  
General Manager, Group Procurement

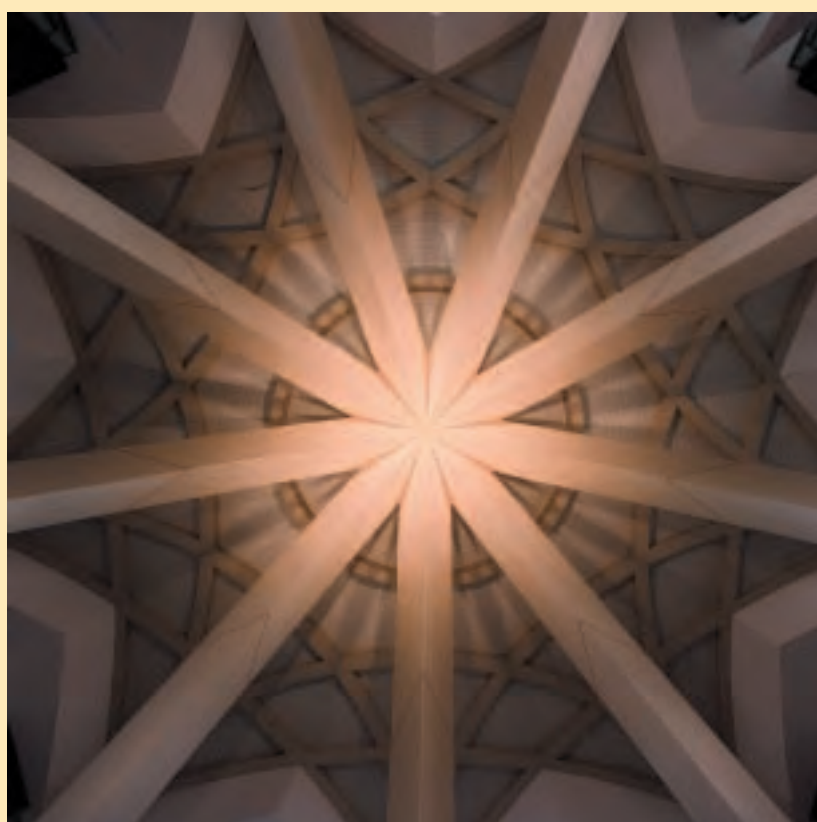
**Eda Ahmad**  
General Manager,  
Group Corporate Communications

**Abdul Rashid Daljit Abdullah**  
Head, Group Technology

**Tuan Haji Othman Abdul Rani**  
Head, Cement SBU

**Isaac Lugun**  
Head, Similajau Development SBU

**Goh Chii Bing**  
Head, Construction Materials SBU



# Financial Calendar 2009

**27**  
**Feb**  
**'09**

The Group reported a profit after tax and minority interests of RM95.67 million (unaudited) for the financial year ended 31 December 2008.

**17**  
**Jul**  
**'09**

The First and Final Dividend of 5 sen per share less 25% income tax for the financial year ended 31 December 2008 amounting to RM12,354,219 was paid.

**27**  
**Apr**  
**'09**

Notice of the 34th Annual General Meeting for Cahya Mata Sarawak Berhad was announced. Also announced was the proposal to declare a First and Final Dividend of 5 sen per share less 25% income tax for the financial year ended 31 December 2008.

**26**  
**Oct**  
**'09**

The Group reported a profit after tax and minority interests of RM11.42 million (unaudited) for the second quarter ended 30 June 2009.

The profit before tax from continuing operations for the second quarter of RM21.6 million was 164% higher than the preceding quarter.

**20**  
**May**  
**'09**

CMS' 34th Annual General Meeting took place. All resolutions as per the Notice of the 34th Annual General Meeting dated 28 April 2009 were duly passed.

**25**  
**Nov**  
**'09**

The Group reported a profit after tax and minority interests of RM18.73 million (unaudited) for the third quarter ended 30 September 2009.

The Group's profit before tax from continuing operations for the third quarter of 2009 of RM35.52 million was 65% higher than the preceding quarter.

**26**  
**May**  
**'09**

The Group reported a loss after tax and minority interests of RM1.78 million (unaudited) for the first quarter ended 31 March 2008.

The Group's continuing operations reported a profit before tax of RM8.19 million for the three months ended 31 March 2009, 72% lower than the preceding quarter due to weather conditions and numerous public holidays which affected business.

**24**  
**Feb**  
**'10**

The Group reported a profit after tax and minority interests of RM13.0 million (unaudited) for the fourth quarter of 2009 ended 31 December 2009.

The Group's profit before tax from continuing operations for the fourth quarter of 2009 of RM60.92 million was 84% higher than the profit before tax of RM33.11 million (restated) in the preceding quarter.

The Group's audited profit after tax and minority interests for the 12 months ended 31 December 2009 was RM40.99 million.

# Statement of Corporate Governance

CMS' approach to corporate governance is designed to ensure that its business and affairs are effectively managed in order to deliver value to the shareholders. It is a system that the Board has put in place to enhance transparency and accountability, to provide checks and balances throughout the organisational structure, whilst emphasizing increased business efficiency of the Group.

## Statement of Corporate Governance

The Board would like to assure shareholders of its commitment towards maintaining the highest standards of corporate governance and the effective application of its principles and best practices throughout the Group, as set out in the Malaysian Code of Corporate Governance ("the Code"). These principles include accurate financial disclosure, an open dialogue between the Board of Directors and Management, accountability to our shareholders, and utmost integrity in all our actions.

The Board will continue to enhance its role in improving governance practices effectively to safeguard the interests of shareholders and other stakeholders.

## Corporate Governance Principles

This Report, which has been considered and adopted by the Board, sets out the manner in which the Company implemented and applied the Code's principles and best practices. The Board believes that the Principles of the Code and Best Practices outlined in the Code have, in all material respects, been complied with and adhered to.

## Board of Directors

### Principal Responsibilities of the Board

The Board of Directors is accountable to shareholders for the performance of CMS. Without intending to limit this general role and its statutory duties, the Board's principal functions and responsibilities include the following:

- Setting the Group's overall strategic direction and monitoring progress of these strategies.
- Authorising and monitoring investments and strategic commitments.
- Approving business plans and budgets.
- Overseeing conduct of the Company's business.
- Identifying principal risks and ensuring systems are in place to manage these risks.
- Reviewing the adequacy of the Company's system of internal controls.
- Succession planning, including appointing, fixing the compensation of, and where appropriate, replacing Senior Management.

- Developing investor relations programmes for the Group.
- Scrutinising and reporting to shareholders on, but not limited to, the financial statements of the Company.

### Board Balance and Independence

The Board currently has nine (9) members, of which seven (7) are non-executive Directors, including the Chairman. Six (6) of the nine (9) Directors are independent Directors, which exceeds the one-third requirement set by Bursa Malaysia Securities Berhad ("Bursa Securities").

This size and composition of the Board is considered optimum, well balanced and caters effectively at present to the scope and complexity of the diverse businesses of CMS Group.

Together, the Directors have a wide range of business, financial, management, technical, private sector and public service experience. This enables the Board to provide effective leadership to the Group's strategy and performance. A brief profile of each Director is presented on pages 30 to 32 of this Annual Report.

The independent Directors, based on their breadth of knowledge and experience, provide unbiased and independent views, advice and judgment to take account the interests of all stakeholders including shareholders, employees, customers, suppliers and the communities in which the Group conducts its business. By way of their majority membership of the Audit Committee, Nomination and Remuneration Committee ("NRC"), and Group Risk Committee, the independent Directors fulfill a self-regulating and key role in corporate accountability.

### Division of Roles and Responsibilities between the Chairman and the Group Managing Director

The role of the Chairman and the Group Managing Director is separated and clearly defined to ensure a balance of power and authority. The Chairman is responsible for ensuring the Board's effectiveness and conduct, whilst the Group Managing Director has overall responsibility for the operating units, organizational effectiveness and implementation of the Board's policies and decisions. In addition, the Group Managing Director also acts as the intermediary between the Board and Management.



## Statement of Corporate Governance

### Appointments to the Board

The NRC recommends the appointment of new Directors to the Board. Upon appointment, new Directors undergo a familiarisation programme to facilitate a quick and comprehensive understanding of the Group. This includes a detailed information package comprising:

- Corporate and company organisation structures.
- Terms of Reference of the various Board committees.
- Profiles of key personnel.
- An overview of the Group's operations.
- Corporate governance guidelines which have been approved by the Board. The guidelines set out specific roles, duties, responsibilities and rights of the Directors.
- Visits to the various operating businesses and meetings with Senior Management are arranged, as appropriate.

### Re-election of Directors

In accordance with the Company's Articles of Association, all Directors appointed by the Board are subject to election by shareholders at the first Annual General Meeting ("AGM") after their appointment. One-third of the remaining Directors are required to submit themselves for re-election by rotation at each AGM. All Directors must submit themselves for re-election at least once in every three years. Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

### Directors' Remuneration

The Company has adopted the objective recommended by the Code to determine remuneration for a Director to ensure that the Company attracts and retains Directors of high caliber and integrity coupled with the appropriate qualifications, skills and experience needed to run the Group successfully.

### Non-Executive Directors

For Non-Executive Directors, the level of remuneration reflects the experience of and special responsibilities undertaken by the Non-Executive Director concerned. In particular, remuneration includes membership of Board Committees and directorships at subsidiary companies. Fees payable to Directors are subject to annual approval by shareholders at the AGM.

### Executive Directors

Remuneration of Executive Directors is decided through a two stage process. First, recommendations based on CMS Group policies and market rates are made for consideration of the NRC. This is followed by the Board's consideration and decision. Executive Directors' remuneration includes:

- **Basic salary** – The basic salary of Executive Directors is commensurate with the job's expectations. This salary is structured along CMS' salary structure guidelines and job evaluation. Annual increments are approved by the CMS Board after taking into consideration cost of living adjustments (COLA), merit increments and prevailing market rates. Subject to the NRC's recommendation and the Board's approval, Executive Directors shall receive a salary increment which is based on individual and company performance.
- **Bonus scheme** – The Group operates a bonus scheme which is linked to performance. Key Performance Indicators (KPI) are implemented to measure performance of the Group Managing Director. Bonuses in respect of all Executive Directors shall be paid based on achievements against their individual corporate and priority targets, and subject to the NRC's recommendation and the Board's approval.
- **Pension arrangements/contribution plans** – Contributions are made to the national mandatory contribution plan, the Employees Provident Fund, for and by the Executive Directors.
- **Benefits-in-kind** – Medical benefits, insurance coverage, leave entitlement, club membership, car and driver entitlement, and for expatriates, leave passages and housing allowance. These benefits are in line with standard market practices and rates.
- **Service contract** – The notice period for termination of the Executive Directors' service contracts is 6 months on either side.

Remuneration paid to Directors of the Company during 2009, analysed into bands of RM50,000, is set out in Note 8 to the Financial Statements. This complies with the disclosure requirements under the Main Market Listing Requirements of Bursa Securities. The Board is of the view that transparency and accountability with regard to Directors' remuneration is met by this disclosure method.

The number of Directors and total remuneration during the financial year ended 31 December 2009 are as follows:

| Remuneration Band<br>(RM) | Number of Directors |               |
|---------------------------|---------------------|---------------|
|                           | Executive           | Non-executive |
| 50,001 – 100,000          | –                   | 2             |
| 100,001 – 150,000         | –                   | 2             |
| 150,001 – 200,000         | –                   | 2             |
| 700,001 – 750,000         | –                   | 1             |
| 800,001 – 850,000         | –                   | 1             |
| 1,050,001 – 1,100,000     | 1                   | –             |
| 1,200,001 – 1,250,000     | 1                   | –             |

Details of remuneration of Directors of the Company during the financial year are as follows:

| Remuneration                              | Executive<br>(RM'000) | Non-executive<br>(RM'000) | Total<br>(RM'000) |
|---|-----------------------|---------------------------|-------------------|
| Salaries & other emoluments               | 1,934                 | 1,432                     | 3,366             |
| Defined contribution plans                | 232                   | 130                       | 362               |
| Fees                                      | –                     | 687                       | 687               |
| Estimated money value of benefits-in-kind | 190                   | 109                       | 299               |
| <b>Total</b>                              | <b>2,356</b>          | <b>2,358</b>              | <b>4,714</b>      |

#### Directors' Training

All Directors have attended the required Mandatory Accreditation Programme ("MAP") within the stipulated time-frame. In addition, the Directors attended training programmes, conferences and seminars to keep abreast with relevant developments in the business environment as well as new regulatory requirements on a continuous basis in compliance with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Securities.

In 2009, the Directors attended an in-house seminar entitled "Enhancing Board Effectiveness" organized by PricewaterhouseCoopers. Other trainings attended by the Directors during the year covered a range of topics which provided the Directors with updates on business trends and management, corporate governance, investor relations, finance, tax and audit. These trainings are regarded as appropriate in providing our Directors with continuous education and enhancement of their knowledge and skills in the discharge of their responsibilities as director of a diversified public-listed group such as CMS.

A summary of training, conferences, dialogues and seminars attended by the Directors in 2009 is as follows:

- Corporate Governance
  - Enhancing Board Effectiveness
  - Corporate Governance Guide: Toward Boardroom Excellence
  - Bursa Talks – Corporate Governance
  - From Good Governance to Great Branding by Mr John Zinkin – Securities Industry Development Corporation
  - Building Business Values with Corporate Responsibility
  - The Non-Executive Director Development Series: Is it Worth the Risk?
  - PLCs Forum on CG Best Practices
  - Directors' Continuing Education Programme

- Management
  - Training on High Performance Leadership by Prof. Dr. George Kohlrieser
  - Senior Managers' Conference on Branding & Leadership in a New Competitive Environment
- Financial
  - ACIIA Conference 2009 – Conference on Internal Auditing "Towering Experience: Towards Sustainable Success"
  - Investor Relations: Managing strategic issues in a challenging environment
  - Dialogue session – Indices, Investors & the Role of PLCs
  - Tax Seminar on "The 2010 Budget"

#### Board Performance Evaluation and Review

As a best practice in corporate governance, the Board carries out annual assessments on the effectiveness of the overall Board and its Board Committees. The objective is to improve the Board's effectiveness by identifying gaps, addressing weaknesses and maximising strengths.

In a combination of self and peer assessment, Directors used a series of questions to provide feedback on the level of effectiveness on various performance aspects. These included composition of the various Board committees, roles and responsibilities, performance against principal Board responsibilities, communication and information, and conduct. Responses from the Directors were analysed and presented to the NRC and the Board. Areas requiring improvement are addressed by the Board and Management.

## Statement of Corporate Governance

### Board Meetings and Supply of Information

During the year, eight (8) Board Meetings including four (4) Special Meetings were held. Attendance of Directors at the Board Meetings in 2009 is as follows:

| Name of Director   | Attendance at Meetings (2009) |
|--|-------------------------------|
| <b>Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail</b><br>(Independent, Non-Executive) | <b>8 / 8 (100%)</b>           |
| <b>Dato Sri Mahmud Abu Bekir Taib</b><br>(Non-Independent, Non-Executive)              | <b>7 / 8 (88%)</b>            |
| <b>Datuk Syed Ahmad Alwee Alsree</b><br>(Executive)                                    | <b>8 / 8 (100%)</b>           |
| <b>Dato' Richard Curtis</b><br>(Executive)   | <b>8 / 8 (100%)</b>           |
| <b>Dato Sri Liang Kim Bang</b><br>(Senior Independent, Non-Executive)                  | <b>7 / 8 (88%)</b>            |
| <b>General (R) Tan Sri Mohd Zahidi Zainuddin</b><br>(Independent, Non-Executive)       | <b>6 / 8 (75%)</b>            |
| <b>Datuk Wan Ali Tuanku Yubi</b><br>(Independent, Non-Executive)                       | <b>8 / 8 (100%)</b>           |
| <b>Datu Michael Ting</b><br>(Independent, Non-Executive)                               | <b>8 / 8 (100%)</b>           |
| <b>Kevin How Kow</b><br>(Independent, Non-Executive)                                   | <b>8 / 8 (100%)</b>           |
| <b>YB Datuk Haji Talib Zulpilip</b><br>(Resigned on 1 December 2009)                   | <b>7 / 7 (100%)</b>           |

Prior to each Board meeting, the Directors are provided with an agenda and a set of Board papers. These are issued in sufficient time to enable the Directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting.

Senior Management staff, as well as, advisers and professionals appointed to provide advice on corporate proposals and other specific issues may be invited to attend Board meetings. Their role is to provide the Board with views and explanation on certain agenda items tabled to the Board, and to furnish clarification on issues that may be raised by the Directors.

Board members have unlimited access to the Group Company Secretary for any further information required. Independent professional advice is also available to the Directors, as and when required, at the Company's expense.

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

In 2009, the Board papers included the following reports and/or information:

- Group Business Overview covering:
  - Monthly financial reports of the Group.
  - Key operational issues, execution and/or implementation of plans.
  - The market situation in Malaysia.
  - Competitors' activities.
- Report on investment in listed associated companies (quarterly).
- Corporate Social Responsibility (half-yearly).
- Human Resources (half-yearly).
- Risk Management (quarterly) highlighting the status of key and other risks.
- Investor relations (half-yearly).
- Update on regulatory and financial matters.

Among the numerous initiatives studied and approved by the Board in 2009 were:

- Detailed risk analysis and development of an integrated business continuity plan.
- Financing strategy for CMS Clinker (exercise continues in 2010).
- Review of the Group's ROE (exercise continues in 2010).
- Approved the establishment of a new quarry.
- Overview of property development operations and The Isthmus development plan (continues in 2010).
- Setting up of the Group Safety Taskforce dedicated to look into safety, health and well-being of all employees and those associated with the Group's businesses.
- Establishment of a Group Risk Committee with the primary responsibility of ensuring the effective functioning of the risk management function at CMS Group-level.



### Group Company Secretary

The Group Company Secretary takes charge of ensuring overall compliance with the Companies Act, Main Market Listing Requirements of Bursa Securities and other relevant laws and regulations. In performing this duty, the Group Company Secretary performs the following tasks:

- Ensures that all appointments to the Board and its Committees are properly made.
- Maintenance of records to comply with statutory obligations.
- Ensures that obligations arising from the Main Market Listing Requirements of Bursa Securities or other regulatory requirements are met.
- Facilitates the provision of information as requested by the Directors.

The Board may remove the Group Company Secretary.

### Board Committees

The following Committees have been established to assist the Board in the execution of its responsibilities. The Committees have written terms of reference which have been approved by the Board and set out their authority and duties.

#### Directors' Membership on Board Committees

| Name of Director   | NRC               | Executive Committee | Group Audit Committee | Group Risk Committee                   |
|--|-------------------|---------------------|-----------------------|--|
| <b>Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail</b><br>(Independent, Non-Executive) | Yes<br>(Chairman) | Yes<br>(Chairman)   | Yes                   | –                                      |
| <b>Dato Sri Mahmud Abu Bekir Taib</b><br>(Non-Independent, Non-Executive)              | Yes               | Yes                 | –                     | –                                      |
| <b>Datuk Syed Ahmad Alwee Alsree</b><br>(Executive)                                    | Yes               | Yes                 | –                     | Yes<br>(Chairman)                      |
| <b>Dato' Richard Curtis</b><br>(Executive)   | –                 | Yes                 | –                     | Yes                                    |
| <b>Dato Sri Liang Kim Bang</b><br>(Senior Independent, Non-Executive)                  | –                 | –                   | –                     | –                                      |
| <b>General (R) Tan Sri Mohd Zahidi Zainuddin</b><br>(Independent, Non-Executive)       | Yes               | –                   | –                     | –                                      |
| <b>Datuk Wan Ali Tuanku Yubi</b><br>(Independent, Non-Executive)                       | Yes               | –                   | –                     | Yes                                    |
| <b>Datu Michael Ting</b><br>(Independent, Non-Executive)                               | Yes               | –                   | Yes                   | –                                      |
| <b>Kevin How Kow</b><br>(Independent, Non-Executive)                                   | –                 | –                   | Yes<br>(Chairman)     | Yes<br>(appointed on<br>26 March 2010) |

## Statement of Corporate Governance

The Company has four principal Board Committees:

### a. NRC

The NRC is responsible for:

- Membership to the Board of Directors and Board Committees:
  - Determining criteria for Board membership and annual review of the effectiveness and efficiency of the Board and its Committees.
  - Evaluating and proposing new appointments to the Board.
  - Establishing a succession plan at the Board-level and a framework for appointment, development and succession for senior management of the Group.
  - Recommending appropriate training for Directors.
  - Ensuring investments of minority shareholders are fairly reflected on the Board.
- Remuneration of Directors, Board Committees and Senior Management:
  - Recommending a policy and framework for performance evaluation and remuneration of the Directors, both non-executive and executive, and for senior management of the Group.
  - Evaluating performance procedures and ensuring remuneration packages are competitive and realistic, with an emphasis on performance.
  - Ensuring performance targets are consistent with the interests of the shareholders and to maintain an appropriate balance between long and short term goals.

The NRC meets at least once a year. Four of the six Directors on this Committee are independent directors. The members of the NRC together with their attendance at Committee Meetings in 2009 are set as follows:

| Nomination and Remuneration Committee   | Attendance at Meetings (2009) |
|---|-------------------------------|
| <b>Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail</b><br>(Independent, Non-Executive)<br>– Chairman of NRC | <b>9 / 9 (100%)</b>           |
| <b>Dato Sri Mahmud Abu Bekir Taib</b><br>(Non-Independent, Non-Executive)                                   | <b>7 / 9 (78%)</b>            |
| <b>Datuk Syed Ahmad Alwee Alsree</b><br>(Executive)   | <b>8 / 9 (89%)</b>            |
| <b>General (R) Tan Sri Mohd Zahidi Zainuddin</b><br>(Independent, Non-Executive)                            | <b>6 / 9 (67%)</b>            |
| <b>Datuk Wan Ali Tuanku Yubi</b><br>(Independent, Non-Executive)  | <b>7 / 9 (78%)</b>            |
| <b>Datu Michael Ting</b><br>(Independent, Non-Executive)  | <b>9 / 9 (100%)</b>           |

### b. Executive Committee ("EXCO")

In addition, the Board established an EXCO comprising the Group Chairman, Deputy Chairman, Executive Directors and members of the Senior Management team. With clear objectives and terms of reference to oversee the various business turnaround initiatives of the Group, EXCO met four (4) times during 2009.

| Executive Committee  | Attendance at Meetings (2009) |
|--|-------------------------------|
| <b>Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail</b><br>(Independent, Non-Executive)<br>– Chairman of EXCO | <b>4 / 4 (100%)</b>           |
| <b>Dato Sri Mahmud Abu Bekir Taib</b><br>(Non-Independent, Non-Executive)                                    | <b>3 / 4 (75%)</b>            |
| <b>Dato' Richard Curtis</b><br>(Executive)   | <b>4 / 4 (100%)</b>           |
| <b>Datuk Syed Ahmad Alwee Alsree</b><br>(Executive)  | <b>2 / 4 (50%)</b>            |

The Board had decided on 26 March 2010 to disband the EXCO in view of having met its initial objectives for the set-up.

### c. Group Audit Committee

The terms of reference, composition and a summary of the activities of the Group Audit Committee are set out separately on page 44 to 46 of this Annual Report.

### d. Group Risk Committee

In March 2009, the Board established a dedicated Group Risk Committee to ensure the effective management of risk at CMS Group-level. The Committee, which will meet at least once every quarter, will:

- Provide direction, oversight and advice to the Risk Management process.
- Monitor material risk exposure with potentially significant business impact or those requiring a group-wide response.
- Review the Risk Management structure, framework, process and support systems.
- Review and deliberate on key issues and mitigation strategies.
- Advise the Board on risk-related issues and recommend strategies, policies and risk tolerance for the Board's information and approval.

| <b>Group Risk Committee</b>   | <b>Attendance at Meetings (2009)</b>              |
|---|---|
| <b>Datuk Syed Ahmad Alwee Alsree</b><br>(Executive)<br>– Chairman of Group Risk Committee | <b>2 / 2 (100%)</b>                               |
| <b>Datuk Wan Ali Tuanku Yubi</b><br>(Independent, Non-Executive)                          | <b>2 / 2 (100%)</b>                               |
| <b>Dato' Richard Curtis</b><br>(Executive)  | <b>2 / 2 (100%)</b>                               |
| <b>General (R) Tan Sri Mohd Zahidi Zainuddin</b><br>(Independent, Non-Executive)          | <b>0 / 2 (0%)<br/>(Resigned on 26 March 2010)</b> |
| <b>Kevin How Kow</b><br>(Independent, Non-Executive)                                      | <b>N/A<br/>(Appointed on 26 March 2010)</b>       |

## Communicating with Shareholders and Investors

### Shareholders, Stakeholders and Investors

The Company seeks to develop and maintain regular informative communications with its shareholders totaling over 6,700. In ensuring this, CMS actively communicates with investors, shareholders and stakeholders through:

- The timely release of financial results on a quarterly basis to provide shareholders with an overview of the Group's performance and operations.
- Dialogue with shareholders at the AGM.
- A full copy of the Annual Report and Financial Statements is sent to all shareholders each year.
- Press releases and announcements to Bursa Securities and the media.
- The Company's website, [www.cmsb.com.my](http://www.cmsb.com.my), which includes press releases, announcements to Bursa Securities and the consolidated quarterly financial results of the Group keeps shareholders up-to-date with the activities and progress of the Group.

Queries or concerns regarding CMS may be conveyed to:

### General enquiries

Y Bhg Dato Sri Liang Kim Bang  
Senior Independent, Non-Executive Director  
T +60 82 238 888 F +60 82 341 719  
E [senior.director@cmsb.com.my](mailto:senior.director@cmsb.com.my)

### Shareholders' enquiries

Denise Koo Swee Pheng  
Group Company Secretary  
T +60 82 238 888 F +60 82 341 719  
E [denisek@hq.cmsb.com.my](mailto:denisek@hq.cmsb.com.my)

### Finance-related

Tuan Syed Hizam Alsagoff  
Group Chief Financial Officer  
T +60 82 238 888 F +60 82 481 545  
E [alsagoff@hq.cmsb.com.my](mailto:alsagoff@hq.cmsb.com.my)

### Investor relations

Eda Ahmad  
General Manager - Group Corporate Communications  
T +60 82 238 888 F +60 82 338 611  
E [eda@hq.cmsb.com.my](mailto:eda@hq.cmsb.com.my)

### AGM

The AGM is the principal forum for dialogue with all shareholders who are given sufficient opportunity to enquire about the Group's activities and prospects, as well as to communicate their expectations and concerns. Shareholders are encouraged to participate in the Question and Answer session on the various resolutions being proposed or about the Group's operations in general. Shareholders who are unable to attend are allowed to appoint proxies to attend and vote on their behalf. Members of the Board, as well as external auditors of the Company, are present to answer questions raised at the AGM.

Each Notice of a general meeting, which includes items of special business, will be accompanied by a statement regarding the effect of the proposed resolution in respect of such special business. Separate resolutions are proposed for substantially separate issues at the AGM.

## Accountability and Audit

### Financial Reporting

In presenting the annual financial statements and announcement of results to shareholders, the Directors aim to present a balanced and understandable assessment the Group's position and prospects.

The Directors consider that, in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. All accounting standards which the Board considers applicable have been followed. Additional notes and data which go beyond the minimum requirements are published whenever the Board considers amplification is required to give shareholders a proper understanding of the Group and its activities.

### Internal Control

The Group's Statement on Internal Control is set out on page 42 to 43 of this Annual Report.

### Relationship with the Auditors

Through the Audit Committee, the Board has established transparent and appropriate relationships with the Group's auditors, both external and internal. The non-audit fees charged by external auditors during the year ended 31 December 2009 amounted to RM546,000 (2008: RM624,800).

**This statement is made in accordance with a resolution of the Board of Directors dated 26 March 2010.**



# Statement on Internal Control

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets. This Statement prepared in accordance with paragraph 15.27(b) of the Main Market Listing Requirements ("LR") of Bursa Securities has been approved by the Board and reviewed by the external auditors as required under paragraph 15.24 of the LR. Based on their review, the external auditors have reported to the Board of Directors ("Board") that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of the internal control systems of the Group.

## Responsibility

The Board recognises its responsibilities for and the importance of sound internal controls and risk management practices, and for reviewing the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate risk. In addition, any system can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board does not regularly review the risk management and internal control systems of its associated companies as it does not have direct control over their operations. The Company's interests are served through representation on the Boards of the associated companies and the receipt of quarterly financial reports thereon. These representations also provide the Board with information to assess the performance of the Group's investments.

The Board has established procedures to implement the recommendations of Bursa Securities LR's "Statement on Internal Control: Guidance for Directors of Public Listed Companies". These procedures, which are subject to regular review, are intended to provide an ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

## Risk Management

### Risk Policy

Risk management is regarded by the Board as an integral part of the business operations. Management at all levels have a collective responsibility for creating a risk aware culture and ensuring that business risk assessment becomes an explicit part of both management and the Strategic Business Unit ("SBU")/CMS Board level decision making process. Management also has responsibility for managing risks and ensuring appropriate control measures are in place or being developed to mitigate significant risks identified and ensuring compliance with applicable laws and regulations.

The main underlying principles of the Group risk policy are:

- Informed risk management is an essential element of the CMS/SBU/Subsidiary strategy.
- Effective risk management provides greater assurance that the Group's strategy and business objectives will be achieved without major surprises.
- Each SBU (and business unit therein) and subsidiary company are responsible for managing risks that can impact the achievement of their business objectives.
- All significant risks are to be identified, analysed, prioritised, monitored and reported.

### **Risk Reporting**

The Group's risk management process provides for regular review, reporting and monitoring. In addition to the monthly operations performance reviews focused on monitoring the achievement of financial objectives and other key performance indicators, the main elements of the risk reporting process are:

- Presentation of a summary of the significant risks to the Group Risk Committee/ Board of Directors on a quarterly basis.
- Reporting of significant risks by SBU and subsidiaries in their annual management plans.
- Reporting of significant risks by SBU and subsidiaries on a quarterly basis to the holding company.
- Review and monitoring of key risks during the management meetings of the business units.

Risk coordinators have been appointed in each significant SBU or subsidiary unit to update the quarterly risk reports. The major risks are aggregated and risk ratings reviewed by the Group Risk Coordinators and Group Managing Director before presentation to the Group Risk Committee/Board. Major operating units are also required to present quarterly risk reports to their respective Boards to assist them to discharge their governance and fiduciary duties.

### **Key Elements of the Internal Control System**

The key elements of the Group's internal control system are described below:

- Clearly defined delegation of responsibilities to Committees of the Board and the management, including authorization levels for all aspects of the businesses. Such delegation is subject to periodic review throughout the year as to their implementation and for their continuing suitability.
- Clearly documented internal procedures set out in the Group Financial Policies and Procedures Manual.
- A detailed Group Procurement Policies and Procedures Manual to regulate procurement of goods and services in the Group. This includes the centralisation of competitive sourcing and evaluation of major purchases to leverage Group buying power and the establishment of a Central Tender Committee which has responsibility to review and endorse all high value purchases in the Group.
- A detailed strategic planning and budgeting process where operating units prepare business plans and detailed capital and operating budgets for the coming year. These plans are approved by the Board.

- All major business commitments or investments will be subject to review in accordance with the procedures set out in the Group Limits of Authority Manual so as to ensure that all such investments meet the risk appetite and investment criteria determined by the Board and that SBU's operating budget.
- A performance management system has been implemented wherein individual performance of key executives will be monitored against agreed targets (Key Performance Indicators) to strengthen accountability controls and to instill a stronger performance culture.
- Monitoring of monthly results against budget through the monthly operations review meetings with subsidiaries with major variances being followed up and management action taken, where necessary.
- An independent Audit Committee comprising non-executive members of the Board, the majority being independent directors.
- Regular internal audit activities to assess the adequacy of internal controls, integrity of financial information provided and the extent of compliance with established procedures.
- An emphasis on the quality and ability of employees with continuing education, training and development being actively encouraged through a wide variety of programmes.
- All significant contracts and legally enforceable agreements are vetted by the Group's Legal Department.

There were no significant weaknesses in internal control that resulted in material financial losses during the current financial year.

The above control arrangements being in place provide reasonable assurance to the Board that the structure of controls is appropriate to the Group's operations and that risks are managed to an acceptable level throughout the Group's diverse businesses. Such arrangements, however, do not eliminate the possibility of human error or deliberate circumvention of control procedures by employees or others.

**This statement is made in accordance with a resolution of the Board of Directors dated 26 March 2010.**

# Group Audit Committee Report

This Report provides details of the composition of the Group Audit Committee ("the Committee"), its terms of reference and a summary of activities of the Committee and the Internal Audit function during the year ended 31 December 2009.

## Composition

The Group Audit Committee comprises the following Board members:

**Kevin How Kow** – Chairman  
(Independent, Non-Executive Director)

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

**Datu Michael Ting Kuok Ngie**  
(Independent Non-Executive Director)

**YB Datuk Haji Talib bin Zulpilip**  
(Non-Executive Director)  
(Resigned 1 December 2009)

## Terms of Reference of the Group Audit Committee

### 1. Constitution

- i. The Committee was established by a resolution of the Board on 27 March 1995.
- ii. The functions of the Committee shall extend to CMS Group of Companies collectively referred to as the "Group".
- iii. The Board shall ensure that the composition and functions of the Committee comply as far as possible with both Bursa Securities Listing Requirements as well as other regulatory requirements.

### 2. Membership

- i. The members of the Committee shall be appointed by the Board from among their number. They shall consist of not more than five members and not fewer than three members, of whom a majority shall be independent non-executive directors.

- ii. In the event of any vacancy resulting in the non-compliance of para 2(i) above, the Board shall, within three months of that event, appoint such number of new members required to fulfill the minimum requirement.
- iii. The Chairman of the Committee shall be an independent director appointed by the Board.
- iv. All members of the Committee, including the Chairman, shall hold office only so long as they serve as Directors of the Company

### 3. Objectives

- i. To assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices for the Group.
- ii. To maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as the internal auditors.
- iii. To avail to the external and internal auditors a private and confidential audience at any time they desire and to request such audience through the Chairman of the Committee, with or without the prior knowledge of Management.
- iv. To act upon the Board of Directors' request to investigate and report on any issue or concern with regard to the management of the Group.



#### 4. Duties

- i. To review with the external auditors the audit plan and their evaluation of the system of internal controls.
- ii. To consider and recommend for approval of the Board the appointment or dismissal of the external auditors and the audit fees.
- iii. To review the assistance given by the Company's and the Group's officers to the auditors.
- iv. To approve the appointment or termination of the Group Internal Auditor and ensure that the Group Internal Audit Division is adequately resourced and has an independent status within the Group.
- v. To review any appraisal or assessment of the performance of staff of the internal audit function.
- vi. To review the adequacy of the internal audit plans, scope of examination of the internal auditors and ensure that appropriate action is taken by Management in respect of the audit observations and the Committee's recommendations.
- vii. To review the quarterly financial statements to Bursa Securities and the annual audited financial statements before submission to the Board. The review should focus primarily on compliance with accounting standards as well as other regulatory requirements and the adequacy of information disclosure for a fair and full presentation of the financial affairs of the Group.
- viii. To review any related party transaction and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or conduct that raises questions of management integrity.
- ix. To direct any special investigations on the Group's operations to be carried out by the Group Internal Audit Division or any other appropriate agencies.
- x. To discuss problems and reservations arising out of external or internal audits and any matters which the auditors wish to bring up in the absence of Management or the Executive Directors of the Group where necessary.
- xi. To perform other related duties as may be agreed by the Committee and the Board.

#### 5. Authority

- i. The Committee is authorised to investigate any matter within its terms of reference and shall have unrestricted access to obtain any information it requires from any employee of the Group.
- ii. The Committee is authorised to direct any employee of the Group to appear before it to give information or clarification as required.
- iii. The Committee is also authorised by the Board to obtain outside legal or any other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise.
- iv. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of Bursa Securities Listing Requirements, the Committee is also required to promptly report such matter to Bursa Securities.

#### 6. Meetings and Minutes

- i. The Committee shall meet not less than four times a year although additional meetings may be called at any time at the Chairman's discretion. The quorum of each meeting shall be a majority of independent non-executive directors.
- ii. In addition to the Committee members, the meeting will normally be attended by representatives of external auditors, the Group Managing Director, the Group Chief Financial Officer, the Group Internal Auditor and any appropriate persons as determined by the Chairman.
- iii. The Company Secretary shall be the Secretary to the Committee. Prior to the meeting, he shall send an agenda to all members of the Committee. Minutes of each meeting shall be kept and distributed to each member of the Committee and the Board.

## Group Audit Committee Report

### Meetings In 2009

During the year ended 31 December 2009, the Committee held six meetings which were attended by the members as follows:

| Group Audit Committee   | Total Meetings Attended |
|---|-------------------------|
| Kevin How Kow   | 6 / 6 (100%)            |
| Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail                   | 6 / 6 (100%)            |
| Datu Michael Ting Kuok Ngie                                       | 5 / 5 (100%)            |
| YB Datuk Haji Talib bin Zulpilip<br>(resigned on 1 December 2009) | 6 / 6 (100%)            |

On 1 December 2009, YB Datuk Haji Talib bin Zulpilip resigned from the Board. The Committee held two meetings with the external auditors on 24 February 2009 and 24 November 2009 without the presence of Management to discuss the results of the audit, extent of cooperation provided by the Company and officers and any other observations that they may have during the annual audit.

### Activities of the Committee in the Year 2009

- Reviewed the audit plan with the external auditors and their evaluation of the system of internal control;
- Reviewed the assistance given by the Company's and Group's officers to the external auditors;
- Reviewed accounting/audit issues, findings and other reservations arising from the external audit and ensure that appropriate action is taken;
- Reviewed the adequacy of the internal audit plans, scope of examination and internal audit reports and ensure that appropriate action is taken by Management in respect of the audit findings and the Committee's recommendations;

- Reviewed the quarterly and year end financial results of the Company and the Group prior to making a recommendation to the Board for approval and public release thereof;
- Reviewed the Statement of Related Party Transactions and Procedures;
- Reviewed the Statement of Internal Control and the Audit Committee Report before they were presented to the Board of Directors;
- Considered and recommended to the Board the reappointment of the external auditors of the Group and the audit fees; and
- Reviewed the appraisal of the performance of the internal audit staff.

### Internal Audit Function

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

The Group Internal Audit Department is staffed by a team of 7 and the cost (excluding recoveries of cost from subsidiaries) of maintaining the function in 2009 amounted to RM872,000.

**This statement is made in accordance with a resolution of the Board of Directors dated 26 March 2010.**

# Additional Compliance Information

The following information is presented in compliance with the Main Market Listing Requirements of Bursa Securities:

## Share Buy-backs

CMS did not enter into any share buy-back transactions during the financial year ended 31 December 2009.

## Options, Warrants or Convertible Securities

CMS did not issue any options, warrants or convertible securities during the financial year ended 31 December 2009.

## American Depositary Receipt (ADR)/Global Depositary Receipt (GDR)

During the financial year, CMS did not sponsor any ADR or GDR programme.

## Sanctions and/or Penalties

There were no sanctions or penalties imposed on CMS and its subsidiary companies, directors, or management by the relevant regulatory bodies during the financial year.

## Non-Audit Fees

Non-audit fees of RM546,000 were charged by the external auditors for the financial year ended 31 December 2009.

## Variation in Results

There were no variances of more than 10% for the audited results of the Group from the unaudited results as announced on 24 February 2010.

## Profit Guarantee

There was no profit guarantee by CMS and its subsidiary companies during the financial year under review.

## Material Contracts

There were no material contracts entered during the financial year ended 31 December 2009 by CMS and its subsidiary companies involving Directors and major shareholders.

## Revaluation Policy

The Group does not adopt a policy of regular revaluation on landed properties.

## Recurrent Related Party Transactions of a Revenue Nature

At the Company's AGM held on 20 May 2009, the Company obtained a Shareholders' Mandate to allow the Group 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 31 December 2009 pursuant to the Shareholders' Mandate are disclosed as follows:

|   | RM'000 | Relationship  |
|---|--------|---|
| Office rental paid to:<br>– Satria Realty Sdn Bhd                     | 974    | A company controlled by Majaharta Sdn Bhd (a major shareholder of CMS) which in turn is controlled by Datin Hanifah Hajar Taib and Jamilah Hamidah Taib (major shareholders of CMS and persons connected to Lejla Taib, YB Dato Sri Sulaiman Abdul Rahman Taib, Dato Sri Mahmud Abu Bekir Taib and Datuk Syed Ahmad Alwee Alsree).  |
| Office upkeep paid to:<br>– Centigrade Resources Sdn Bhd              | 717    | Subsidiary company of Satria Realty Sdn Bhd.  |
| Professional fees paid to:<br>– KTA (Sarawak) Sdn Bhd                 | 211    | A person connected to Datu Michael Ting has direct interest of 20%.   |
| Management fees received from:<br>– COPE-KPF Opportunities 1 Sdn Bhd  | 1,500  | A company controlled by CMS Opus Private Equity Sdn Bhd ("COPE"), which in turn is controlled by Azam Azman [a director of COPE and COPE-KPF Opportunities 1 Sdn Bhd ("COPE-KPF")] by virtue of his direct interest of 37.45% in Opus Resolute Sdn Bhd which holds 100% interest in Opus Capital Sdn Bhd which in turn holds 49% interest in COPE which in turn holds 49.9% interest in COPE-KPF. |
| Management advisory fees paid to:<br>– AGI Asset Management Ltd       | 843    | A company controlled by Ian Tham Khean Hin and Syed Abdel Nasser bin Syed Hassan Aljunied.  |
| Accommodation expenses paid to:<br>– AGI Asset Management Ltd         | 120    | A company controlled by Ian Tham Khean Hin and Syed Abdel Nasser bin Syed Hassan Aljunied.  |
| Investment management fee paid to:<br>– Opus Asset Management Sdn Bhd | 105    | A company controlled by Azam Azman (a director of COPE and COPE-KPF) by virtue of his direct interest of 37.45% in Opus Resolute Sdn Bhd which holds 80.65% interest in Opus Asset Management Sdn Bhd.  |



# Statement of Directors' Responsibility

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flows of the Group and the Company for the financial year.

As required by the Act and the Main Market Listing Requirements of Bursa Securities, the financial statements have been prepared in accordance with the applicable Financial Reporting Standards in Malaysia, the provisions of the Act and Bursa Securities Listing Requirements.

The Directors consider that in preparing the financial statements for the year ended 31 December 2009 set out on pages 56 to 131, 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.

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

**This statement is made in accordance with a resolution of the Board of Directors dated 26 March 2010.**

# 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 2009.

## Principal activities

The Company is principally an investment holding company. It also provides centralised treasury and administrative services to the Group.

The Group is principally engaged in clinker and cement manufacturing, construction and quarry operations, financial services, property development, trading and services.

The principal activities of the subsidiaries are more particularly set out in Note 19 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

## Results

|   | Group<br>RM'000 | Company<br>RM'000 |
|---|-----------------|-------------------|
| Profit after tax from continuing operations | 88,831          | 10,208            |
| Loss after tax from discontinued operations | (25,766)        | —                 |
| Profit for the year                         | 63,065          | 10,208            |
| Attributable to:                            |                 |                   |
| Equity holders of the Company               | 40,989          | 10,208            |
| Minority interests                          | 22,076          | —                 |
|   | 63,065          | 10,208            |

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.



## Dividends

The amounts of dividends paid by the Company since 31 December 2008 were as follows:

In respect of the financial year ended 31 December 2008 as reported in the directors' report of that year:

|  | RM'000 |
|--|--------|
| First and final dividend of 5% less 25% taxation, on 329,445,840 ordinary shares, declared on 20 May 2009 and paid on 17 July 2009 | 12,354 |

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2009 of 5% less 25% taxation on 329,445,840 ordinary shares, amounting to a dividend payable of RM12,354,219 (3.75 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2010.

## Directors

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

|   |                               |
|---|-------------------------------|
| <b>Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail</b>          | Group Chairman                |
| <b>Dato Sri Mahmud Abu Bekir Taib</b>                           | Deputy Group Chairman         |
| <b>Dato Sri Liang Kim Bang</b>                                  |                               |
| <b>General (R) Tan Sri Dato' Seri Mohd Zahidi Bin Zainuddin</b> |                               |
| <b>Datuk Wan Ali Tuanku Yubi</b>                                |                               |
| <b>Datu Michael Ting Kuok Ngie @ Ting Kok Ngie</b>              |                               |
| <b>Kevin How Kow</b>  |                               |
| <b>Dato' Richard Alexander John Curtis</b>                      | Group Managing Director       |
| <b>Datuk Syed Ahmad Alwee Alsree</b>                            | Group Executive Director      |
| <b>YB Datuk Haji Talib Bin Zulpilip</b>                         | (Resigned on 1 December 2009) |

Dato Sri Liang Kim Bang retires pursuant to Section 129 of the Companies Act, 1965 and a resolution is being proposed for his re-appointment as director under the provisions of Section 129(6) of the said Act to hold office until the next Annual General Meeting of the Company.

In accordance with Article 110 of the Company's Articles of Association, Kevin How Kow, Dato' Richard Alexander John Curtis and Datuk Syed Ahmad Alwee Alsree retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

## 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 in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 39 to the financial statements.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee carries out the annual review of the Group's remuneration policy in general, and determines the remuneration packages of Executive Directors of the Company. The Nomination and Remuneration Committee proposes, subject to the approval of the respective Boards, the remuneration to be paid to each Director for his services as a Member of the Board as well as committees of the Board in respect of the Group.

The members of the Nomination and Remuneration Committee comprising majority of the independent Non-Executive Directors of the Company who have served since the date of the last report are:

**Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail**  
**Dato Sri Mahmud Abu Bekir Taib**  
**General (R) Tan Sri Dato' Seri Mohd Zahidi Bin Zainuddin**  
**Datuk Wan Ali Tuanku Yubi**  
**Datu Michael Ting Kuok Ngie @ Ting Kok Ngie**  
**Datuk Syed Ahmad Alwee Alsree**

### Directors' interests

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

| Number of Ordinary Shares of RM1 Each<br>At 1 January 2009 and 31 December 2009 |                   |
|---|-------------------|
| Direct interest:  |                   |
| <b>Dato Sri Mahmud Abu Bekir Taib</b>   | <b>29,400,085</b> |
| <b>General (R) Tan Sri Dato' Seri Mohd Zahidi<br/>Bin Zainuddin</b>             | <b>20,000</b>     |
| Indirect interest*:   |                   |
| <b>Datu Michael Ting Kuok Ngie @ Ting Kok Ngie</b>                              | <b>19,000</b>     |
| <b>Datuk Syed Ahmad Alwee Alsree</b>  | <b>45,630,102</b> |

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

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

## Other statutory information

- a. Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
  - i. to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate provision had been made for doubtful debts; and
  - ii. to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- b. At the date of this report, the Directors are not aware of any circumstances which would render:
  - i. the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - ii. the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- c. At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- d. At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- e. As at the date of this report, there does not exist:
  - i. any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - ii. any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- f. In the opinion of the Directors:
  - i. no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - ii. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## Significant events

Details of significant events are disclosed in Note 42 to the financial statements.

## Auditors

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 March 2010.



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



**Dato' Richard Alexander John Curtis**

# Statement by Directors

pursuant to section 169(15) of the Companies Act, 1965

We, **Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail** and **Dato' Richard Alexander John Curtis**, being two of the Directors of **Cahya Mata Sarawak Berhad**, do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 56 to 131 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia and so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 26 March 2010.

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

**Dato' Richard Alexander John Curtis**

# Statutory Declaration

pursuant to section 169(16) of the Companies Act, 1965

I, **Syed Hizam bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff**, being the officer primarily responsible for the financial management of **Cahya Mata Sarawak Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 56 to 131 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.

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

Subscribed and solemnly declared by the abovenamed **Syed Hizam bin Syed Mahmood Ezzularab Abdul-Moez Alsagoff** at Kuching in the State of Sarawak on 26 March 2010.

Before me,

PETER SIM HOI PENG  
Commissioner For Oaths  
Lot 9691, 1st Floor,  
Jalan Datuk Abang  
Abdul Rahim, 93450  
Kuching, Sarawak





# Independent Auditors' Report

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

## Report on the financial statements

We have audited the financial statements of **Cahya Mata Sarawak Berhad**, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 56 to 131.

## Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2009 and of their financial performance and cash flows for the year then ended.

## Report on other legal and regulatory requirements

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

- a. In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b. We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 19 to the financial statements.
- c. We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- d. The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



ERNST & YOUNG  
AF: 0039  
Chartered Accountants



YONG CHUNG SING  
1052/09/10 (J)  
Chartered Accountant

Kuching, Malaysia  
Date: 26 March 2010

# Income Statements

for the year ended 31 December 2009

|  | Note  | Group          |                              | Company        |                |
|--|-------|----------------|------------------------------|----------------|----------------|
|  |       | 2009<br>RM'000 | 2008<br>RM'000<br>(Restated) | 2009<br>RM'000 | 2008<br>RM'000 |
| <b>Continuing operations</b>   |       |                |                              |                |                |
| Revenue  | 3     | 874,600        | 878,541                      | 49,085         | 92,503         |
| Cost of sales  | 4     | (685,462)      | (687,710)                    | (3,612)        | (4,429)        |
| <b>Gross profit</b>  |       | <b>189,138</b> | 190,831                      | <b>45,473</b>  | 88,074         |
| Other income   |       | 25,640         | 47,066                       | 20,477         | 5,062          |
| Administrative expenses  |       | (50,287)       | (60,040)                     | (21,058)       | (21,923)       |
| Selling and marketing expenses   |       | (6,834)        | (6,613)                      | –              | –              |
| Other expenses   |       | (7,962)        | (7,102)                      | (2,925)        | (5,225)        |
| <b>Operating profit</b>  |       | <b>149,695</b> | 164,142                      | <b>41,967</b>  | 65,988         |
| Finance costs  | 5     | (37,524)       | (41,671)                     | (24,050)       | (27,957)       |
| Share of profit/(loss) of associates   |       | 11,712         | (11,992)                     | –              | –              |
| Share of profit of jointly controlled entities                                 |       | 409            | 2,325                        | –              | –              |
| <b>Profit before tax</b>   | 6     | <b>124,292</b> | 112,804                      | <b>17,917</b>  | 38,031         |
| Income tax expense   | 9     | (35,461)       | (8,457)                      | (7,709)        | (5,346)        |
| <b>Profit after tax from continuing operations</b>                             |       | <b>88,831</b>  | 104,347                      | <b>10,208</b>  | 32,685         |
| <b>Discontinued operations</b>   |       |                |                              |                |                |
| – UBG Berhad   | 10(a) | (25,766)       | 23,241                       | –              | –              |
| – CMS Steel Berhad   | 10(b) | –              | 11,175                       | –              | –              |
| (Loss)/profit after tax from discontinued operations                           |       | (25,766)       | 34,416                       | –              | –              |
| <b>Profit for the year</b>   |       | <b>63,065</b>  | 138,763                      | <b>10,208</b>  | 32,685         |
| Attributable to:   |       |                |                              |                |                |
| Equity holders of the Company  |       | 40,989         | 95,770                       | 10,208         | 32,685         |
| Minority interests   |       | 22,076         | 42,993                       | –              | –              |
|  |       | <b>63,065</b>  | 138,763                      | <b>10,208</b>  | 32,685         |
| <b>Earnings per share attributable to equity holders of the Company (sen):</b> |       |                |                              |                |                |
| For profit from continuing operations  | 11    | 20.26          | 19.20                        |                |                |
| For (loss)/profit from discontinued operations                                 | 11    | (7.82)         | 9.87                         |                |                |
| <b>For profit for the year</b>   |       | <b>12.44</b>   | 29.07                        |                |                |

The accompanying notes form an integral part of the financial statements.

# Balance Sheets

as at 31 December 2009

|  | Note  | Group     |            | Company   |           |
|--|-------|-----------|------------|-----------|-----------|
|  |       | 2009      | 2008       | 2009      | 2008      |
|  |       | RM'000    | RM'000     | RM'000    | RM'000    |
|  |       |           | (Restated) |           |           |
| <b>Assets</b>                              |       |           |            |           |           |
| <b>Non-current assets</b>                  |       |           |            |           |           |
| Property, plant and equipment              | 13    | 304,308   | 325,036    | 3,546     | 3,504     |
| Prepaid land lease payments                | 14    | 37,500    | 38,006     | 421       | –         |
| Land held for property development         | 15(a) | 40,255    | 39,875     | –         | –         |
| Investment properties                      | 16    | 6,095     | 6,212      | 20,472    | 20,571    |
| Intangible assets                          | 17    | 14,062    | 14,290     | 1,759     | 2,059     |
| Goodwill on consolidation                  | 18    | 61,709    | 61,709     | –         | –         |
| Investments in subsidiaries                | 19    | –         | –          | 1,066,797 | 1,058,797 |
| Investments in associates                  | 20    | 283,964   | 757,106    | 32,302    | 32,302    |
| Investments in jointly controlled entities | 21    | 6,063     | 6,494      | –         | –         |
| Other investments                          | 22    | –         | 165,764    | –         | 165,764   |
| Deferred tax assets                        | 23    | 20,000    | 22,049     | –         | –         |
|  |       | 773,956   | 1,436,541  | 1,125,297 | 1,282,997 |
| <b>Current assets</b>                      |       |           |            |           |           |
| Property development costs                 | 15(b) | 169,236   | 126,989    | –         | –         |
| Inventories                                | 24    | 86,740    | 98,797     | –         | –         |
| Amount due from customers on contracts     | 25    | 5,509     | 8,123      | –         | –         |
| Short term investments                     | 26    | 101,917   | 49,750     | 101,894   | 49,588    |
| Amount due from subsidiaries               | 27    | –         | –          | 55,497    | 61,184    |
| Trade and other receivables                | 28    | 244,944   | 249,479    | 1,605     | 3,081     |
| Tax recoverable                            |       | 4,494     | 4,317      | 3,137     | 745       |
| Cash and bank balances                     | 29    | 437,888   | 353,140    | 404,726   | 322,086   |
|  |       | 1,050,728 | 890,595    | 566,859   | 436,684   |
| Assets classified as held for sale         | 10(a) | 464,618   | –          | –         | –         |
|  |       | 1,515,346 | 890,595    | 566,859   | 436,684   |
| <b>Total Assets</b>                        |       | 2,289,302 | 2,327,136  | 1,692,156 | 1,719,681 |

## Balance Sheets as at 31 December 2009

|   | Note | Group     |            | Company   |           |
|---|------|-----------|------------|-----------|-----------|
|   |      | 2009      | 2008       | 2009      | 2008      |
|   |      | RM'000    | RM'000     | RM'000    | RM'000    |
|   |      |           | (Restated) |           |           |
| <b>Equity And Liabilities</b>                               |      |           |            |           |           |
| <b>Equity attributable to equity holders of the Company</b> |      |           |            |           |           |
| Share capital   | 30   | 329,446   | 329,446    | 329,446   | 329,446   |
| Share premium   | 31   | 427,516   | 427,513    | 427,513   | 427,513   |
| Other reserves  | 31   | 44,261    | 24,880     | 180,633   | 180,633   |
| Retained earnings   | 32   | 476,747   | 466,986    | 44,506    | 46,652    |
|   |      | 1,277,970 | 1,248,825  | 982,098   | 984,244   |
| <b>Minority interests</b>                                   |      | 182,478   | 166,283    | –         | –         |
| <b>Total equity</b>   |      | 1,460,448 | 1,415,108  | 982,098   | 984,244   |
| <b>Non-current liabilities</b>                              |      |           |            |           |           |
| Borrowings  | 33   | 278,080   | 385,975    | 170,521   | 251,879   |
| Deferred tax liabilities                                    | 23   | 22,251    | 20,662     | 419       | 328       |
|   |      | 300,331   | 406,637    | 170,940   | 252,207   |
| <b>Current liabilities</b>                                  |      |           |            |           |           |
| Trade and other payables                                    | 36   | 261,637   | 225,269    | 2,206     | 4,510     |
| Amount due to customers on contracts                        | 25   | 4,703     | 6,240      | –         | –         |
| Amount due to subsidiaries                                  | 27   | –         | –          | 455,289   | 389,498   |
| Borrowings  | 33   | 256,156   | 269,231    | 81,623    | 89,222    |
| Current tax payable   |      | 6,027     | 4,651      | –         | –         |
|   |      | 528,523   | 505,391    | 539,118   | 483,230   |
| <b>Total liabilities</b>                                    |      | 828,854   | 912,028    | 710,058   | 735,437   |
| <b>Total Equity And Liabilities</b>                         |      | 2,289,302 | 2,327,136  | 1,692,156 | 1,719,681 |

The accompanying notes form an integral part of the financial statements.



# Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

|  | Attributable to equity holders of the Company |   |   |   |                 | Minority<br>interests | Total<br>equity |
|--|---|---|---|---|-----------------|-----------------------|-----------------|
|  | Share<br>capital<br>(Note 30)<br>RM'000       | Share<br>premium<br>(Note 31)<br>RM'000 | Non-Distributable<br>Other<br>reserves<br>(Note 31)<br>RM'000 | Distributable<br>Retained<br>earnings<br>RM'000 | Total<br>RM'000 |                       |                 |
| <b>At 1 January 2009</b>   | 329,446                                       | 427,513                                 | 24,880  | 466,986   | 1,248,825       | 166,283               | 1,415,108       |
| Currency translation differences   | —   | —                                       | (6)   | —   | (6)             | (6)                   | (12)            |
| Income and expenses recognised directly in equity<br>Profit for the year | —   | —                                       | (6)   | —   | (6)             | (6)                   | (12)            |
|  | —   | —                                       | —   | 40,989  | 40,989          | 22,076                | 63,065          |
| Total recognised income and expense for the year                         | —   | —                                       | (6)   | 40,989  | 40,983          | 22,070                | 63,053          |
| Accretion arising from additional shares issued by a subsidiary          | —   | —                                       | 63  | —   | 63              | (63)                  | —               |
| Shares of reserves in an associate                                       | —   | 3                                       | 19,324  | (18,874)  | 453             | 23                    | 476             |
| Dividends  | —   | —                                       | —   | (12,354)  | (12,354)        | —                     | (12,354)        |
| Minority interest arising from acquisition of a subsidiary               | —   | —                                       | —   | —   | —               | 21                    | 21              |
| Dividend paid to minority interests                                      | —   | —                                       | —   | —   | —               | (5,856)               | (5,856)         |
| <b>At 31 December 2009</b>   | 329,446                                       | 427,516                                 | 44,261  | 476,747   | 1,277,970       | 182,478               | 1,460,448       |

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# Consolidated Statement of Changes in Equity for the year ended 31 December 2009

|   | Attributable to equity holders of the Company |                                |   |  |              | Minority interests | Total equity |
|---|---|--------------------------------|---|--|--------------|--------------------|--------------|
|   | Share capital (Note 30) RM'000                | Share premium (Note 31) RM'000 | Non-Distributable Other reserves (Note 31) RM'000 | Distributable Retained earnings RM'000 | Total RM'000 |                    |              |
| <b>At 1 January 2008</b>                                      | 329,446                                       | 427,513                        | 73,505  | 407,784                                | 1,238,248    | 538,644            | 1,776,892    |
| Currency translation differences                              | -   | -                              | 7   | -                                      | 7            | 7                  | 14           |
| Income and expenses recognised directly in equity             | -   | -                              | 7   | -                                      | 7            | 7                  | 14           |
| Profit for the year   | -   | -                              | -   | 95,770                                 | 95,770       | 42,993             | 138,763      |
| Total recognised income and expense for the year              | -   | -                              | 7   | 95,770                                 | 95,777       | 43,000             | 138,777      |
| Acquisition of additional interest from minority shareholders | -   | -                              | -   | -                                      | -            | (11,427)           | (11,427)     |
| Disposal of subsidiaries                                      | -   | -                              | -   | -                                      | -            | (12,844)           | (12,844)     |
| Dividends   | -   | -                              | -   | (36,568)                               | (36,568)     | (134)              | (36,702)     |
| Changes in group composition                                  | -   | -                              | (47,869)  | -                                      | (47,869)     | (391,719)          | (439,588)    |
| Effect of dilution of interest in a subsidiary                | -   | -                              | (763)   | -                                      | (763)        | 763                | -            |
| <b>At 31 December 2008</b>                                    | 329,446                                       | 427,513                        | 24,880  | 466,986                                | 1,248,825    | 166,283            | 1,415,108    |

The accompanying notes form an integral part of the financial statements.

# Company Statement of Changes in Equity

for the year ended 31 December 2009

|  | Note | Non-Distributable              |                                |                                  |                                 | Distributable                      |  | Total equity |
|--|------|--------------------------------|--------------------------------|----------------------------------|---------------------------------|------------------------------------|--|--------------|
|  |      | Share capital (Note 30) RM'000 | Share premium (Note 31) RM'000 | Capital reserve (Note 31) RM'000 | Merger reserve (Note 31) RM'000 | Retained earnings (Note 32) RM'000 |  |              |
| <b>At 1 January 2009</b>   |      | 329,446                        | 427,513                        | 12,633                           | 168,000                         | 46,652                             |  | 984,244      |
| Profit for the year, representing total recognised income and expense for the year |      | -                              | -                              | -                                | -                               | 10,208                             |  | 10,208       |
| Dividends  | 12   | -                              | -                              | -                                | -                               | (12,354)                           |  | (12,354)     |
| <b>At 31 December 2009</b>   |      | 329,446                        | 427,513                        | 12,633                           | 168,000                         | 44,506                             |  | 982,098      |
| <b>At 1 January 2008</b>   |      | 329,446                        | 427,513                        | 12,633                           | 168,000                         | 50,535                             |  | 988,127      |
| Profit for the year, representing total recognised income and expense for the year |      | -                              | -                              | -                                | -                               | 32,685                             |  | 32,685       |
| Dividends  | 12   | -                              | -                              | -                                | -                               | (36,568)                           |  | (36,568)     |
| <b>At 31 December 2008</b>   |      | 329,446                        | 427,513                        | 12,633                           | 168,000                         | 46,652                             |  | 984,244      |

The accompanying notes form an integral part of the financial statements.

# Consolidated Cash Flow Statement

for the year ended 31 December 2009

|   | Note  | 2009<br>RM'000  | 2008<br>RM'000<br>(Restated) |
|---|-------|-----------------|------------------------------|
| <b>Cash flows from operating activities</b>                                 |       |                 |                              |
| Profit before tax from continuing operations                                |       | <b>124,292</b>  | 112,804                      |
| Adjustments for:  |       |                 |                              |
| Amortisation of intangible assets   | 6     | <b>3,066</b>    | 1,766                        |
| Amortisation of prepaid land lease payments                                 | 6     | <b>932</b>      | 954                          |
| Amortisation of transaction costs   | 5     | <b>265</b>      | 265                          |
| Amortisation of bond premium  | 6     | <b>19</b>       | –                            |
| Bad debts written off, net of recoveries                                    | 6     | <b>694</b>      | 645                          |
| Fair value adjustments of investment properties                             | 6     | <b>117</b>      | 116                          |
| Depreciation of property, plant and equipment                               | 6     | <b>28,383</b>   | 30,091                       |
| Gain on acquisition of additional interest in subsidiaries                  | 6     | –               | (1,358)                      |
| Gain on disposal of investments   | 6     | <b>(16,292)</b> | (506)                        |
| Gain on disposal of property, plant and equipment                           | 6     | <b>(1,826)</b>  | (902)                        |
| Gain on disposal of subsidiaries  | 6     | –               | (31,779)                     |
| Gain on redemption of redeemable preference shares                          | 6     | <b>(55)</b>     | –                            |
| Gross dividend income   | 6     | <b>(4,038)</b>  | (3,549)                      |
| Interest expense  | 6     | <b>37,773</b>   | 41,585                       |
| Interest income   | 6     | <b>(8,842)</b>  | (14,266)                     |
| Property, plant and equipment written off                                   | 6     | <b>26</b>       | 163                          |
| Provision for bad and doubtful debts, net of recoveries                     | 6     | <b>706</b>      | 82                           |
| Reversal of overprovision on berth occupancy                                | 6     | –               | (9,952)                      |
| Share of (profit)/loss of associates  |       | <b>(11,712)</b> | 11,992                       |
| Share of profit of jointly controlled entities                              |       | <b>(409)</b>    | (2,325)                      |
| Unrealised foreign exchange loss  | 6     | <b>13</b>       | 10                           |
| Unrealised loss on investments  | 6     | <b>1,979</b>    | –                            |
| Write down of inventories   | 6     | <b>23</b>       | 362                          |
| Operating profit before working capital changes                             |       | <b>155,114</b>  | 136,198                      |
| Increase in property development costs                                      |       | <b>(42,247)</b> | (3,686)                      |
| (Increase)/decrease in land held for development                            |       | <b>(380)</b>    | 270                          |
| Decrease/(increase) in inventories  |       | <b>12,034</b>   | (25,823)                     |
| Decrease/(increase) in amount due from customers on contracts               |       | <b>1,828</b>    | (29,873)                     |
| Decrease in unit stock (investments)  |       | <b>139</b>      | 5,270                        |
| Decrease/(increase) in receivables  |       | <b>3,128</b>    | (12,814)                     |
| Increase/(decrease) in payables   |       | <b>36,368</b>   | (184)                        |
| Cash generated from operations  |       | <b>165,984</b>  | 69,358                       |
| Interest received   |       | <b>8,842</b>    | 14,266                       |
| Interest paid   |       | <b>(41,451)</b> | (45,555)                     |
| Taxes paid, net of refund   |       | <b>(29,628)</b> | (23,178)                     |
| Net cash used in operating activities – discontinued operations (CMS Steel) | 10(b) | –               | (629)                        |
| Net cash generated from operating activities                                |       | <b>103,747</b>  | 14,262                       |



|  | Note | 2009<br>RM'000 | 2008<br>RM'000<br>(Restated) |
|--|------|----------------|------------------------------|
| <b>Cash flows from investing activities</b>                    |      |                |                              |
| Payment of prepaid land lease                                  | 14   | (426)          | –                            |
| Purchase of property, plant and equipment                      | 13   | (15,008)       | (13,116)                     |
| Proceeds from disposal of property, plant and equipment        |      | 8,402          | 442                          |
| Proceeds from disposal of investments                          |      | 191,026        | 34,458                       |
| Additional costs incurred on intangible assets                 | 17   | (2,838)        | (6,133)                      |
| Investments in associates                                      |      | (5,605)        | (2,352)                      |
| Dividends received from associates                             |      | 606            | 5,675                        |
| Dividends received from investments                            |      | 3,042          | 2,632                        |
| Purchase of investments  |      | (78,817)       | (584,322)                    |
| Distribution of profit from jointly controlled entities        |      | 840            | 4,471                        |
| Acquisition of additional interest in existing subsidiaries    |      | –              | (10,069)                     |
| Net cash outflow from disposal/deemed disposal of subsidiaries |      | –              | (531,202)                    |
| Net cash generated from/(used in) investing activities         |      | 101,222        | (1,099,516)                  |
| <b>Cash flows from financing activities</b>                    |      |                |                              |
| Drawdown of borrowings   |      | 113,800        | 177,300                      |
| Repayment of borrowings  |      | (145,814)      | (167,473)                    |
| Repayment of CMS Income Securities                             | 34   | (70,000)       | (50,000)                     |
| Dividends paid to shareholders of the Company                  | 12   | (12,354)       | (36,568)                     |
| Dividends paid to minority interests in subsidiaries           |      | (5,853)        | (134)                        |
| Net cash used in financing activities                          |      | (120,221)      | (76,875)                     |
| <b>Net increase/(decrease) in cash and cash equivalents</b>    |      | 84,748         | (1,162,129)                  |
| Cash and cash equivalents at the beginning of the year         |      | 353,140        | 1,515,269                    |
| <b>Cash and cash equivalents at the end of the year</b>        | 29   | 437,888        | 353,140                      |

The accompanying notes form an integral part of the financial statements.

# Company Cash Flow Statement

for the year ended 31 December 2009

|  | Note | 2009<br>RM'000  | 2008<br>RM'000 |
|--|------|-----------------|----------------|
| <b>Cash flows from operating activities</b>            |      |                 |                |
| Profit before tax                                      |      | <b>17,917</b>   | 38,031         |
| Adjustments for:                                       |      |                 |                |
| Advances to subsidiaries written off                   | 6    | <b>926</b>      | 4,145          |
| Amortisation of intangible assets                      | 6    | <b>445</b>      | 35             |
| Amortisation of transaction costs                      | 5    | <b>265</b>      | 265            |
| Amortisation of bond premium                           | 6    | <b>19</b>       | –              |
| Amortisation of prepaid land lease payments            | 6    | <b>4</b>        | –              |
| Fair value adjustments of investment properties        | 6    | <b>691</b>      | 650            |
| Depreciation of property, plant and equipment          | 6    | <b>780</b>      | 820            |
| Gain on disposal of property, plant and equipment      | 6    | <b>(64)</b>     | –              |
| Gross dividend income                                  | 6    | <b>(40,095)</b> | (74,034)       |
| Interest expense                                       | 6    | <b>27,200</b>   | 31,950         |
| Interest income  | 6    | <b>(8,390)</b>  | (17,869)       |
| Loss on disposal of a subsidiary                       | 6    | <b>–</b>        | 1,080          |
| Gain on disposal of investments                        | 6    | <b>(16,292)</b> | (506)          |
| Property, plant and equipment written off              | 6    | <b>5</b>        | 1              |
| Unrealised loss on investments                         | 6    | <b>1,979</b>    | –              |
| Operating loss before working capital changes          |      | <b>(14,610)</b> | (15,432)       |
| Decrease/(increase) in receivables                     |      | <b>1,061</b>    | (3,014)        |
| (Decrease)/increase in payables                        |      | <b>(2,304)</b>  | 62             |
| Increase/(decrease) in amount due to subsidiaries      |      | <b>70,552</b>   | (23,050)       |
| Cash generated from/(used in) operations               |      | <b>54,699</b>   | (41,434)       |
| Interest received                                      |      | <b>8,390</b>    | 17,869         |
| Interest paid  |      | <b>(30,879)</b> | (35,920)       |
| Taxes paid, net of refund                              |      | <b>–</b>        | 11,183         |
| Net cash generated from/(used in) operating activities |      | <b>32,210</b>   | (48,302)       |

|   | Note | 2009<br>RM'000 | 2008<br>RM'000 |
|---|------|----------------|----------------|
| <b>Cash flows from investing activities</b>                 |      |                |                |
| Additional costs incurred on intangible assets              | 17   | (145)          | (2,094)        |
| Dividends received  |      | 30,085         | 67,788         |
| Investment in associate                                     |      | –              | (32,302)       |
| Purchase of investments                                     |      | (78,817)       | (233,760)      |
| Payment of prepaid land lease                               |      | (10)           | –              |
| Additional costs incurred on investment properties          | 16   | (245)          | –              |
| Purchase of property, plant and equipment                   | 13   | (1,206)        | (361)          |
| Proceeds from disposal of investments                       |      | 191,026        | 34,458         |
| Proceeds from disposal of property, plant and equipment     |      | 96             | 16             |
| Acquisition of additional interest in existing subsidiaries |      | (8,000)        | (2,979)        |
| Net cash generated from/(used in) investing activities      |      | 132,784        | (169,234)      |
| <b>Cash flows from financing activities</b>                 |      |                |                |
| Repayment of CMS Income Securities                          | 34   | (70,000)       | (50,000)       |
| Dividends paid to shareholders of the Company               | 12   | (12,354)       | (36,568)       |
| Net cash used in financing activities                       |      | (82,354)       | (86,568)       |
| Net increase/(decrease) in cash and cash equivalents        |      | 82,640         | (304,104)      |
| Cash and cash equivalents at the beginning of the year      |      | 322,086        | 626,190        |
| <b>Cash and cash equivalents at the end of the year</b>     | 29   | 404,726        | 322,086        |

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

31 December 2009

## 1. Corporate information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of Bursa Malaysia Securities. The registered office is located at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak.

The Company is principally an investment holding company. It also provides centralised treasury and administrative services to the Group. The principal activities of the subsidiaries are set out in Note 19 of the financial statements. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 March 2010.

## 2. Significant accounting policies

### 2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965 and Financial Reporting Standards ("FRS") in Malaysia.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2.2 Summary of significant accounting policies

#### a. Subsidiaries and basis of consolidation

##### i. Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated 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.

##### ii. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.



## 2. Significant accounting policies (contd.)

### 2.2 Summary of significant accounting policies (contd.)

#### a. Subsidiaries and basis of consolidation (contd.)

##### ii. Basis of consolidation (contd.)

Acquisitions of subsidiaries prior to 1 January 2006 which meet the merger criteria as set out in MASB 21: Business Combinations were accounted for using merger accounting principles. When the merger method is used, the cost of investment in the Company's books is recorded at cost which is the fair value of shares at the date of the exchange and the difference between the carrying value of the investment and the fair value of shares acquired is treated as merger reserve or merger deficit. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

#### b. Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the 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 profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available financial statements of the associates are used by the Group in applying the equity method. Where the dates of the financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated 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. Significant accounting policies (contd.)

### 2.2 Summary of significant accounting policies (contd.)

#### c. Jointly controlled entities

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(b).

In the Company's separate financial statements, investments in jointly controlled entities are stated 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.

#### d. Intangible assets

##### i. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### ii. Research and development costs

All research costs are recognised in profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding ten years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

##### iii Computer software

Computer software acquired separately is measured on initial recognition at cost. Following initial recognition, the computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life of the computer software is amortised on a straight-line basis over the estimated economic useful life of three to ten years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortisation period and the amortisation method for the computer software are reviewed at least at each balance sheet date.

#### e. Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

## 2. Significant accounting policies (contd.)

### 2.2 Summary of significant accounting policies (contd.)

#### e. Property, plant and equipment and depreciation (contd.)

Subsequent to recognition, property, plant and equipment, except for freehold land, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Certain items of property, plant and equipment of the Group have not been revalued since 1996. The Directors have not adopted a policy of regular revaluations of such assets and no later valuation has been recorded. As permitted under the transitional provisions of IAS 16 (Revised): Property, Plant and Equipment, these assets continue to be stated at their 1996 valuation less accumulated depreciation. The above transitional provisions are available only on the first application of the MASB Approved Accounting Standard IAS 16 (Revised): Property, Plant and Equipment which is effective for periods ending on or after 1 September 1998. By virtue of this transitional provision, an entity that had recorded its property, plant and equipment at revalued amounts but had not adopted a policy of revaluation has been allowed to continue carrying those assets on the basis of their previous revaluations subject to continuity in its depreciation policy and the requirement to write down the assets to their recoverable amounts for impairment adjustments. The transitional provisions will remain in force until and unless the entity chooses to adopt a revaluation policy in place of a cost policy. When that happens, FRS 116 (which supersedes IAS 16) would require revaluations to be carried out at regular intervals. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

Freehold land has an unlimited useful life and therefore is not depreciated.

Buildings-in-progress are not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

|                                      |   |
|--------------------------------------|---|
| Buildings, jetty, roads and drainage | 2% or over the period of lease whichever is shorter |
| Plant and machinery                  | 1% to 25%   |
| Office equipment and motor vehicles  | 5% to 33 1/3%                                       |

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

#### f. 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 fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternate valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in the fair values are recognised in profit or loss.

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. Significant accounting policies (contd.)

### 2.2 Summary of significant accounting policies (contd.)

#### g. Land held for property development and property development costs

##### i. 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.

##### ii. Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

When the financial outcome of a development activity can be reliably estimated, property development revenue and expenses are recognised in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to date bear to the estimated total property development costs.

Where the financial outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on properties sold are recognised as an expense in the period in which they are incurred.

Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised as an expense immediately.

Property development costs not recognised as an expense are recognised as an asset, which is measured at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is classified as accrued billings within trade receivables and the excess of billings to purchasers over revenue recognised in the income statement is classified as progress billings within trade payables.

#### h. Construction and service contracts

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

Where the outcome of a construction or service contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that 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.

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

## 2. Significant accounting policies (contd.)

### 2.2 Summary of significant accounting policies (contd.)

#### i. Impairment of non-financial assets

The carrying amounts of assets, other than construction contract assets, property development costs, inventories, deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows 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 considered impaired and 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.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

#### j. Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the weighted average and first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity. The cost of unsold properties comprises 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 the estimated costs of completion and the estimated costs necessary to make the sale.



## 2. Significant accounting policies (contd.)

### 2.2 Summary of significant accounting policies (contd.)

#### k. Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

#### i. Cash and cash equivalents

For the purposes of the cash flow statements, cash include cash on hand and at bank, deposit at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

#### ii. Other non-current investments

Non-current investments other than investments in subsidiaries, associates, jointly controlled entities and investment properties are stated at cost less impairment losses. On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

#### iii Short term investments

Short term investments comprise marketable securities and fixed income securities. Fixed income securities represent Malaysian Government Securities ("MGS") and unquoted corporate bonds.

MGS and unquoted corporate bonds are stated at cost adjusted for amortisation of premiums or accretion of discounts, where applicable, to their respective maturity dates.

Cost of marketable securities is determined on the weighted average basis while market value is determined based on quoted market values.

Short term investments are carried at the lower of cost and market values, determined on an aggregate portfolio basis. Increases or decreases in the carrying amount of short term investments are recognised in profit or loss. On disposal of short term investments, the difference between the net disposal proceeds and carrying amount is recognised in profit or loss.

#### iv. Trade receivables

Trade receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

#### v. Trade payables

Trade payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

#### vi. Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

#### vii. Income securities

The Income Securities, which are recognised as financial liabilities are measured initially at its fair value, which is the amount of proceeds received.

In subsequent periods, the Income Securities are measured at amortised cost using the effective interest rate method.

The amortised cost of the Income Securities is the amount at which the Income Securities are measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount.

## 2. Significant accounting policies (contd.)

### 2.2 Summary of significant accounting policies (contd.)

#### k. Financial instruments (contd.)

##### vii. Income securities (contd.)

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the Income Securities. When calculating the effective interest rate, the Group has estimated cash flows considering all contractual terms of the Income Securities.

The amortised expense of the Income Securities, applying the effective interest rate, is recognised in profit or loss as finance costs in the period in which it is incurred.

##### viii. Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

#### l. Leases

##### i. Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification.

##### ii. Finance leases – the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(e).

##### iii. Operating leases – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. 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.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

##### iv. Operating leases – the Group as lessor

Assets leased out under operating leases are presented on the balance sheets according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## 2. Significant accounting policies (contd.)

### 2.2 Summary of significant accounting policies (contd.)

#### m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### n. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

#### o. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Provision for restructuring costs is recognised when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

#### p. Employee benefits

##### i. Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company, except where they relate to development expenditure and project under study, these expenses are capitalised accordingly.

##### ii. Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred or capitalised as development expenditure or project under study, as appropriate. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund. Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

## 2. Significant accounting policies (contd.)

### 2.2 Summary of significant accounting policies (contd.)

#### p. Employee benefits (contd.)

##### iii. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal.

#### q. Foreign currencies

##### i. 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.

##### ii. Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

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.

##### iii. Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximate the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

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 at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

#### r. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### 2. Significant accounting policies (contd.)

#### 2.2 Summary of significant accounting policies (contd.)

##### r. Revenue recognition (contd.)

###### i. Sale of properties

Revenue from sale of properties is accounted for by the stage of completion method as described in Note 2.2(g)(ii).

###### ii. Construction and service contracts

Revenue from construction and service contracts is accounted for by the stage of completion method as described in Note 2.2(h).

###### iii. Road maintenance contract

Revenue from routine maintenance work is based on fixed rates and recognised upon performance of work in accordance with the terms as stipulated in the Road Maintenance Agreement. Revenue from work orders is based on the schedule of rates approved by client.

###### iv. Sale of goods

Revenue is recognised upon transfer of significant risks and rewards of ownership to the buyer. 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.

###### v. Revenue from services

Revenue from services is recognised upon performance of services.

###### vi. Dividend income

Dividend income is recognised when the right to receive payment is established.

###### vii. Interest income

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

##### s. Non-current assets (or disposal groups) held for sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-current assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets, financial assets and inventories) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

#### 2.3 Changes in accounting policies and future accounting standards

##### Standards and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group and the Company, which are:

##### Effective for financial periods beginning on or after 1 July 2009

FRS 8: Operating Segments

##### Effective for financial periods beginning on or after 1 January 2010

- FRS 4: Insurance Contracts
- FRS 7: Financial Instruments: Disclosures
- FRS 101: Presentation of Financial Statements (revised)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement



## 2. Significant accounting policies (contd.)

### 2.3 Changes in accounting policies and future accounting standards Standards and Interpretations issued but not yet effective (contd.)

#### Effective for financial periods beginning on or after 1 January 2010 (contd.)

- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.
- Amendments to FRS 2: Share-based Payment – Vesting Conditions and Cancellations.
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
- Amendments to FRSs 'Improvements to FRSs (2009)'
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- TR i - 3: Presentation of Financial Statements of Islamic Financial Institutions

#### Effective for financial periods beginning on or after 1 July 2010

- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (revised)
- FRS 127: Consolidated and Separate Financial Statements (amended)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 15: Agreements for the Construction of Real Estate
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

#### Effective for financial periods beginning on or after 1 January 2011

- Amendments to FRS 1: Limited Exemption from Comparatives FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1)
- Amendments to FRS 7: Improving Disclosures about Financial Instruments (Amendment to FRS 7)

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

#### FRS 3: Business Combinations (revised) and FRS 127: Consolidated and Separate Financial Statements (amended)

FRS 3 (revised) introduces a number of changes to the accounting for business combinations occurring on or after 1 July 2010. These include changes that affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

FRS 127 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) be accounted for as a transaction with owners in their capacity as owners and to be recorded in equity. Therefore, such transaction will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended Standard changes the accounting for losses incurred by the subsidiary as well as loss of control of a subsidiary.

The changes by FRS 3 (revised) and FRS127 (amended) will be applied prospectively and only affect future acquisition or loss of control of subsidiaries and transactions with non-controlling interests.

### 2. Significant accounting policies (contd.)

#### 2.3 Changes in accounting policies and future accounting standards Standards and Interpretations issued but not yet effective (contd.)

##### Effective for financial periods beginning on or after 1 January 2011 (contd.)

###### FRS 8: Operating Segment

FRS 8 Operating Segments (effective for annual periods beginning on or after 1 July 2009), replaces FRS 114<sub>2004</sub> Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard from financial periods beginning on 1 January 2010. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

###### FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

###### FRS 123: Borrowing Costs

This Standard supersedes FRS 123<sub>2004</sub>: Borrowing Costs that removes the option of expensing borrowing costs and requires capitalisation of such costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognised as an expense. The adoption of this Standard will not have any impact on the financial statements of the Group and the Company, as the existing policy on borrowing costs related to qualifying assets are capitalised (Note 2.2(m)).

###### FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

## 2. Significant accounting policies (contd.)

### 2.3 Changes in accounting policies and future accounting standards Standards and Interpretations issued but not yet effective (contd.)

#### *Amendments to FRSs 'Improvements to FRSs (2009)'*

- FRS 117 Leases: Clarifies on the classification of leases of land and buildings. The Group is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.
- FRS 140 Investment Property: Property under construction or development for future use as an investment property is classified as investment property. Where the fair value model is applied, such property is measured at fair value. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. The Group has previously accounted for such assets using the cost model. The amendment also includes changes in terminology in the Standard to be consistent with FRS 108. The change will be applied prospectively.

### 2.4 Significant accounting estimates and judgements

#### a. Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group'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 has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. 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 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.

#### b. Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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.

##### i. Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the CGU to which the goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2009 was RM61,709,000 (2008: RM61,709,000). Further details are disclosed in Note 18.

## 2. Significant accounting policies (contd.)

### 2.4 Significant accounting estimates and judgements (contd.)

#### b. Key sources of estimation uncertainty (contd.)

##### ii. Property development

The Group recognises property development revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that property development costs incurred for work performed to-date bear to the estimated total property development costs.

Significant judgement is required in determining the stage of completion, the extent of the property development costs incurred, the estimated total property development costs, as well as the recoverability of the development projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

##### iii. Construction contracts

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

##### iv. Deferred tax assets

Deferred tax asset are recognised for all unutilised tax losses, unabsorbed capital allowances and provisions to the extent that is probable that taxable profit will be available against which the tax losses, capital allowances and provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The total carrying value of recognised tax losses, capital allowances and provisions of the Group was RM191,316,000 (2008: RM208,588,000) and the unrecognised tax losses, capital allowances and provisions of the Group was RM155,533,000 (2008: RM155,583,000).

## 3. Revenue

Revenue of the Group comprises sales of goods and services net of discounts, income from property development, construction contracts and interest income after eliminating transactions within the Group.

Revenue of the Company comprises dividend income from subsidiaries and investments, interest income from central cash management accounts and rental income.

The significant categories of revenue recognised during the year are as follows:

|                      | Group          |                              | Company        |                |
|----------------------|----------------|------------------------------|----------------|----------------|
|                      | 2009<br>RM'000 | 2008<br>RM'000<br>(Restated) | 2009<br>RM'000 | 2008<br>RM'000 |
| Sales of goods       | 493,480        | 466,586                      | —              | —              |
| Contract revenue     | 204,836        | 276,035                      | —              | —              |
| Financial services   | 10,661         | 13,453                       | —              | —              |
| Property development | 19,407         | 10,174                       | —              | —              |
| Sales of land        | —              | 3,236                        | —              | —              |
| Trading and services | 132,725        | 90,321                       | —              | —              |
| Dividend income      | 4,038          | 3,540                        | 40,095         | 74,034         |
| Interest income      | 8,131          | 13,886                       | 8,390          | 17,869         |
| Rental income        | 1,322          | 1,310                        | 600            | 600            |
|                      | 874,600        | 878,541                      | 49,085         | 92,503         |

#### 4. Cost of sales

|  | Group          |         | Company      |        |
|--|----------------|---------|--------------|--------|
|  | 2009           | 2008    | 2009         | 2008   |
|  | RM'000         | RM'000  | RM'000       | RM'000 |
| Cost of inventories sold                     | <b>484,370</b> | 424,465 | –            | –      |
| Construction contract costs                  | <b>173,279</b> | 241,975 | –            | –      |
| Cost of services rendered                    | <b>10,586</b>  | 11,712  | –            | –      |
| Interest expense and commitment fee (Note 5) | <b>801</b>     | 455     | <b>3,612</b> | 4,429  |
| Property development costs (Note 15(b))      | <b>16,519</b>  | 8,430   | –            | –      |
| Cost of land disposed                        | <b>(93)</b>    | 673     | –            | –      |
|  | <b>685,462</b> | 687,710 | <b>3,612</b> | 4,429  |

#### 5. Finance costs

|   | Group         |        | Company       |        |
|---|---------------|--------|---------------|--------|
|   | 2009          | 2008   | 2009          | 2008   |
|   | RM'000        | RM'000 | RM'000        | RM'000 |
| Interest expense on:                            |               |        |               |        |
| Bank overdrafts                                 | <b>4</b>      | 8      | <b>3</b>      | 1      |
| Bankers' acceptances                            | <b>683</b>    | 1,010  | –             | –      |
| Central cash management accounts                | –             | –      | <b>2,713</b>  | 3,972  |
| Hire-purchase and finance lease liabilities     | <b>75</b>     | 132    | –             | –      |
| CMS Income Securities (Note 34)                 | <b>23,681</b> | 27,617 | <b>23,681</b> | 27,617 |
| Revolving credits                               | <b>6,565</b>  | 7,763  | –             | –      |
| Term loans                                      | <b>5,962</b>  | 4,695  | –             | –      |
| Margin trading financing                        | <b>803</b>    | 360    | <b>803</b>    | 360    |
| Total interest expense (Note 6)                 | <b>37,773</b> | 41,585 | <b>27,200</b> | 31,950 |
| Add: Other charges                              |               |        |               |        |
| Bank charges and commitment fee                 | <b>184</b>    | 201    | <b>94</b>     | 96     |
| Facility fee                                    | <b>103</b>    | 75     | <b>103</b>    | 75     |
| Amortisation of transaction costs               | <b>265</b>    | 265    | <b>265</b>    | 265    |
|   | <b>552</b>    | 541    | <b>462</b>    | 436    |
|   | <b>38,325</b> | 42,126 | <b>27,662</b> | 32,386 |
| Less: Amounts charged to cost of sales (Note 4) |               |        |               |        |
| Interest expense                                | <b>801</b>    | 455    | <b>3,518</b>  | 4,333  |
| Commitment fee                                  | –             | –      | <b>94</b>     | 96     |
|   | <b>801</b>    | 455    | <b>3,612</b>  | 4,429  |
|   | <b>37,524</b> | 41,671 | <b>24,050</b> | 27,957 |



## Notes to the Financial Statements 31 December 2009

### 6. Profit before tax

|  | Group    |                      | Company  |          |
|--|----------|----------------------|----------|----------|
|  | 2009     | 2008                 | 2009     | 2008     |
|  | RM'000   | RM'000<br>(Restated) | RM'000   | RM'000   |
| <b>Continuing operations</b>   |          |                      |          |          |
| The following amounts have been included in arriving at profit before tax: |          |                      |          |          |
| Employee benefits expense (Note 7)   | 58,606   | 66,946               | 11,389   | 13,011   |
| Non-Executive Directors' remuneration (Note 8)                             | 2,515    | 2,659                | 1,855    | 1,859    |
| Advances to subsidiary written off   | –        | –                    | 926      | 4,145    |
| Amortisation of intangible assets (Note 17)                                | 3,066    | 1,766                | 445      | 35       |
| Amortisation of bond premium   | 19       | –                    | 19       | –        |
| Amortisation of prepaid land lease payments (Note 14)                      | 932      | 954                  | 4        | –        |
| Auditors' remuneration:  | 911      | 366                  | 262      | 52       |
| Statutory audit  |          |                      |          |          |
| – current year   | 329      | 308                  | 50       | 45       |
| – under provision in prior year  | 36       | 33                   | 5        | –        |
| Other services   | 546      | 25                   | 207      | 7        |
| Bad debts written off net of recoveries                                    | 694      | 645                  | –        | –        |
| Fair value adjustments of investment properties (Note 16)                  | 117      | 116                  | 691      | 650      |
| Depreciation on property, plant and equipment (Note 13)                    | 28,383   | 30,091               | 780      | 820      |
| Equipment rental income  | (3,263)  | (1,405)              | –        | –        |
| Gain on acquisition of additional interest in a subsidiary                 | –        | (1,358)              | –        | –        |
| Gain on disposal of investments  | (16,292) | (506)                | (16,292) | (506)    |
| Gain on disposal of property, plant and equipment                          | (1,826)  | (902)                | (64)     | –        |
| (Gain)/loss on disposal of subsidiaries                                    | –        | (31,779)             | –        | 1,080    |
| Gain on redemption of redeemable preference shares                         | (55)     | –                    | –        | –        |
| Gross dividend income  | (4,038)  | (3,549)              | (40,095) | (74,034) |
| Hire of plant and machinery  | 1,014    | 3,679                | –        | –        |
| Interest expense (Note 5)  | 37,773   | 41,585               | 27,200   | 31,950   |
| Interest income  | (8,842)  | (14,266)             | (8,390)  | (17,869) |
| Operating leases:  | 5,158    | 4,782                | 1,201    | 1,010    |
| – minimum lease payments for land and buildings                            | 4,238    | 3,750                | 1,201    | 1,010    |
| – minimum lease payments for wharf   | 920      | 1,032                | –        | –        |
| Property, plant and equipment written off                                  | 26       | 163                  | 5        | 1        |
| Provision for bad and doubtful debts, net of recoveries                    | 706      | 82                   | –        | –        |
| Realised foreign exchange loss   | 6        | 73                   | –        | –        |
| Rental income  | (1,322)  | (1,310)              | (600)    | (600)    |
| Reversal of overprovision on berth occupancy                               | –        | (9,952)              | –        | –        |
| Unrealised foreign exchange loss   | 13       | 10                   | –        | –        |
| Unrealised loss on investments   | 1,979    | –                    | 1,979    | –        |
| Write down of inventories  | 23       | 362                  | –        | –        |

## 7. Employee benefits expense

|   | Group          |                              | Company        |                |
|---|----------------|------------------------------|----------------|----------------|
|   | 2009<br>RM'000 | 2008<br>RM'000<br>(Restated) | 2009<br>RM'000 | 2008<br>RM'000 |
| Salaries, allowances and bonus                                | 53,757         | 61,733                       | 10,101         | 11,551         |
| Contributions to defined contribution plan                    | 5,872          | 6,767                        | 1,233          | 1,402          |
| Social security contributions                                 | 483            | 533                          | 55             | 58             |
|   | 60,112         | 69,033                       | 11,389         | 13,011         |
| Less: Amount capitalised in development expenditure (Note 17) | (447)          | (547)                        | –              | –              |
| Less: Amount capitalised in project under study (Note 28)     | (1,059)        | (1,540)                      | –              | –              |
| Total employee benefits expense (Note 6)                      | 58,606         | 66,946                       | 11,389         | 13,011         |

Included in employee benefits expense of the Group and of the Company (including amounts capitalised) are Executive Directors' remuneration amounting to RM5,318,000 (2008: RM5,534,000) and RM2,166,000 (2008: RM2,137,000) respectively, as further disclosed in Note 8.

## 8. Directors' remuneration

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2009<br>RM'000 | 2008<br>RM'000 | 2009<br>RM'000 | 2008<br>RM'000 |
| <b>Executive Directors' remuneration (Note 7):</b>       |                |                |                |                |
| Salaries and other emoluments                            | 5,318          | 5,534          | 2,166          | 2,137          |
| Less: Amount capitalised in development expenditure      | (124)          | (119)          | –              | –              |
| Less: Amount capitalised in project under study          | (686)          | (696)          | –              | –              |
|  | 4,508          | 4,719          | 2,166          | 2,137          |
| <b>Non-Executive Directors' remuneration (Note 6):</b>   |                |                |                |                |
| Fees   | 734            | 878            | 487            | 514            |
| Other emoluments   | 1,781          | 1,781          | 1,368          | 1,345          |
|  | 2,515          | 2,659          | 1,855          | 1,859          |
| Total Directors' remuneration                            | 7,023          | 7,378          | 4,021          | 3,996          |
| Estimated money value of benefits-in-kind                | 395            | 401            | 284            | 290            |
| Total Directors' remuneration including benefits-in-kind | 7,418          | 7,779          | 4,305          | 4,286          |

The details of remuneration of the Directors of the Company during the financial year are as follows:

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2009<br>RM'000 | 2008<br>RM'000 | 2009<br>RM'000 | 2008<br>RM'000 |
| <b>Executive Directors:</b>               |                |                |                |                |
| Salaries and other emoluments             | 1,934          | 1,908          | 1,934          | 1,908          |
| Defined contribution plans                | 232            | 229            | 232            | 229            |
| Estimated money value of benefits-in-kind | 190            | 196            | 190            | 196            |
|   | 2,356          | 2,333          | 2,356          | 2,333          |
| <b>Non-Executive Directors:</b>           |                |                |                |                |
| Fees                                      | 687            | 728            | 487            | 514            |
| Other emoluments                          | 1,432          | 1,292          | 1,238          | 1,215          |
| Defined contribution plans                | 130            | 130            | 130            | 130            |
| Estimated money value of benefits-in-kind | 109            | 111            | 94             | 94             |
|   | 2,358          | 2,261          | 1,949          | 1,953          |
|   | 4,714          | 4,594          | 4,305          | 4,286          |

## Notes to the Financial Statements 31 December 2009

### 8. Directors' remuneration (contd.)

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

|                                 | Number of Directors |      |
|---------------------------------|---------------------|------|
|                                 | 2009                | 2008 |
| <b>Executive Directors:</b>     |                     |      |
| RM1,050,001 to RM1,100,000      | 1                   | 1    |
| RM1,200,001 to RM1,250,000      | 1                   | 1    |
| <b>Non-Executive Directors:</b> |                     |      |
| RM1 to RM50,000                 | –                   | 1    |
| RM50,001 to RM100,000           | 2                   | 2    |
| RM100,001 to RM150,000          | 2                   | 2    |
| RM150,001 to RM200,000          | 2                   | 2    |
| RM700,001 to RM750,000          | 1                   | 1    |
| RM800,001 to RM850,000          | 1                   | 1    |

### 9. Income tax expense

|   | Group      |          | Company |        |
|---|------------|----------|---------|--------|
|   | 2009       | 2008     | 2009    | 2008   |
|   | RM'000     | RM'000   | RM'000  | RM'000 |
|   | (Restated) |          |         |        |
| <b>Continuing operations</b>                                  |            |          |         |        |
| Current income tax:   |            |          |         |        |
| Malaysian income tax  | 31,232     | 28,087   | 7,700   | 5,500  |
| Under/(over) provided in prior years:                         |            |          |         |        |
| Malaysian income tax  | 591        | 2,414    | (82)    | (311)  |
|   | 31,823     | 30,501   | 7,618   | 5,189  |
| Deferred tax (Note 23):                                       |            |          |         |        |
| Relating to origination and reversal of temporary differences | 3,247      | (22,031) | 83      | 175    |
| Relating to changes in tax rates                              | –          | (670)    | –       | (20)   |
| Under provided in prior years                                 | 391        | 657      | 8       | 2      |
|   | 3,638      | (22,044) | 91      | 157    |
| Total income tax expense                                      | 35,461     | 8,457    | 7,709   | 5,346  |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year. In the prior year, certain subsidiaries of the Company being Malaysian resident companies with paid-up capital of RM2.5 million or less qualified for the preferential tax rates under Paragraph 2A, Schedule 1 of the Income Tax Act, 1967 as follows:

On the first RM500,000 of chargeable income: 20%

In excess of RM500,000 of chargeable income: Malaysian corporate statutory tax rate

However, pursuant to Paragraph 2B, Schedule 1 of the Income Tax Act, 1967 that was introduced with effect from the year of assessment 2009, these subsidiaries no longer qualify for the above preferential tax rates.

## 9. Income tax expense (contd.)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

|   | <b>Group</b>   |                   |
|---|----------------|-------------------|
|   | <b>2009</b>    | <b>2008</b>       |
|   | <b>RM'000</b>  | <b>RM'000</b>     |
|   |                | <b>(Restated)</b> |
| Profit before tax   | <b>124,292</b> | 112,804           |
| Taxation at Malaysian statutory tax rate of 25% (2008: 26%)                                   | <b>31,073</b>  | 29,329            |
| Effect of income subject to tax rate of 20%   | –              | (213)             |
| Changes in tax rates  | –              | (670)             |
| Share of results of associates  | <b>(2,928)</b> | 2,998             |
| Share of results of jointly controlled entities   | <b>(102)</b>   | (605)             |
| Group tax relief transferred from a subsidiary  | <b>(279)</b>   | (314)             |
| Effect of expenses not deductible for tax purposes  | <b>15,640</b>  | 21,988            |
| Effect of income not subject to tax   | <b>(4,632)</b> | (23,711)          |
| Effect of utilisation of previously unrecognised tax losses and unabsorbed capital allowances | <b>(6,395)</b> | (7,841)           |
| Deferred tax assets not recognised during the year  | <b>2,102</b>   | 3,453             |
| Deferred tax assets recognised on previously unabsorbed capital allowances                    | –              | (19,028)          |
| Under provision of tax expense in prior years   | <b>591</b>     | 2,414             |
| Under provision of deferred tax in prior years  | <b>391</b>     | 657               |
| Income tax expense for the year   | <b>35,461</b>  | 8,457             |

|   | <b>Company</b> |               |
|---|----------------|---------------|
|   | <b>2009</b>    | <b>2008</b>   |
|   | <b>RM'000</b>  | <b>RM'000</b> |
| Profit before tax   | <b>17,917</b>  | 38,031        |
| Taxation at Malaysian statutory tax rate of 25% (2008: 26%) | <b>4,479</b>   | 9,888         |
| Changes in tax rates  | –              | (20)          |
| Group tax relief transferred from a subsidiary              | <b>(279)</b>   | (314)         |
| Effect of expenses not deductible for tax purposes          | <b>7,669</b>   | 9,584         |
| Effect of income not subject to tax                         | <b>(4,086)</b> | (13,483)      |
| Over provision of tax expense in prior years                | <b>(82)</b>    | (311)         |
| Under provision of deferred tax in prior years              | <b>8</b>       | 2             |
| Income tax expense for the year                             | <b>7,709</b>   | 5,346         |

|   | <b>Group</b>  |               | <b>Company</b> |               |
|---|---------------|---------------|----------------|---------------|
|   | <b>2009</b>   | <b>2008</b>   | <b>2009</b>    | <b>2008</b>   |
|   | <b>RM'000</b> | <b>RM'000</b> | <b>RM'000</b>  | <b>RM'000</b> |
| Tax savings during the year arising from:         |               |               |                |               |
| Utilisation of current year tax losses            | <b>5,771</b>  | –             | –              | –             |
| Utilisation of previously unrecognised tax losses | <b>603</b>    | 358           | –              | –             |

## 10. Discontinued operations and non-current asset held for sale

### a. Disposal of investments in UBG Berhad ("UBG")

On 8 January 2010 the Company announced that on 29 December 2009, the Board of Directors of its wholly-owned subsidiary, Concordance Holdings Sdn. Bhd. ("CHSB") and the Board of Directors of its 51%-owned subsidiary, PPES Works (Sarawak) Sdn. Bhd. ("PPES") had, respectively, received letters of offer from PetroSaudi International Limited ("PetroSaudi") to acquire all the UBG shares held by CHSB and PPES as at 29 December 2009 for a fixed cash consideration of RM2.50 per share.

The Boards of CMS and PPES had on 8 January 2010, approved the proposed disposal and accordingly, CHSB and PPES had on the same date, accepted the offers from PetroSaudi to dispose of their respective entire equity interests in UBG in accordance with the terms and conditions of the respective offer letters. The proposed disposal is subject to the approval of the shareholders of the Company at an extraordinary general meeting to be convened.

The carrying amount of investments in UBG, classified as held for sale as at 31 December 2009, is represented by:

|  | Group<br>RM'000 |
|--|-----------------|
| Cost of investment - quoted shares in Malaysia | 130,893         |
| Share of post acquisition reserve              | 366,725         |
| Impairment loss                                | (33,000)        |
|  | <b>464,618</b>  |

CHSB held 28.29% while PPES held 8.92% equity interests in UBG, respectively as at 31 December 2009 and 2008. Accordingly, the Group held a total effective stake of approximately 32.84% in UBG through CHSB and PPES.

The analysis of UBG's contribution to the Group is as follows:

|                               | Group<br>2009<br>RM'000 | 2008<br>RM'000 |
|-------------------------------|-------------------------|----------------|
| Revenue                       | –                       | 13,517         |
| Expenses                      | –                       | (5,563)        |
| Profit before tax             | –                       | 7,954          |
| Income tax expense            | –                       | (3,446)        |
| Profit for the year           | –                       | 4,508          |
| Share of results of UBG       | 7,234                   | (2,248)        |
| Gain on deemed disposal       | –                       | 20,981         |
| Impairment loss on investment | (33,000)                | –              |
|                               | <b>(25,766)</b>         | 23,241         |

### b. CMS Steel Berhad ("CMS Steel")

On 5 January 2006, the Board of Directors approved and announced the proposed closure of the operations of CMS Steel due to the continuous losses incurred and given that there was no indication that the steel industry would turn around in the near future.

CMS Steel ceased operations on 31 March 2006. The disposal of the steel mill and all ancillary facilities was completed in 2007 whilst the sale of the land and buildings was completed in the 2008 financial year. Accordingly, the results of CMS Steel were presented separately in the consolidated income statement for the year ended 31 December 2008 as discontinued operations.



## 10. Discontinued operations and disposal group classified as held for sale (contd.)

### b. CMS Steel Berhad ("CMS Steel") (contd.)

An analysis of the results of CMS Steel's discontinued operation is as follows:

|                     | <b>Group<br/>2008<br/>RM'000</b> |
|---------------------|----------------------------------|
| Other income        | 11,456                           |
| Expenses            | (377)                            |
| Profit before tax   | 11,079                           |
| Income tax expense  | 96                               |
| Profit for the year | 11,175                           |

The following amounts have been included in arriving at profit before tax of CMS Steel's discontinued operation:

|   | <b>Group<br/>2008<br/>RM'000</b> |
|---|----------------------------------|
| Auditors' remuneration  |                                  |
| Statutory audit   |                                  |
| – current year  | 3                                |
| – overprovision in prior year   | (7)                              |
| Bad debts written off   | 130                              |
| Employee benefits expense   | 32                               |
| Gain on disposal of property, plant and equipment and prepaid land lease payments | (11,262)                         |
| Provision for doubtful debts no longer required                                   | (130)                            |
| Provision for termination benefits no longer required                             | (63)                             |
| Rental expense  | 7                                |

The cash flows attributable to CMS Steel's discontinued operation are as follows:

|                     | <b>Group<br/>2008<br/>RM'000</b> |
|---------------------|----------------------------------|
| Operating cash flow | (629)                            |

## Notes to the Financial Statements 31 December 2009

### 11. Earnings per share

Basic earnings per share amounts are calculated by dividing profit/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

|   | 2009<br>RM'000 | 2008<br>RM'000<br>(Restated) |
|---|----------------|------------------------------|
| Profit from continuing operations attributable to ordinary equity holders of the Company          | 66,755         | 63,241                       |
| (Loss)/profit from discontinued operations attributable to ordinary equity holders of the Company | (25,766)       | 32,529                       |
| Profit attributable to ordinary equity holders of the Company                                     | 40,989         | 95,770                       |
|   | 2009<br>'000   | 2008<br>'000                 |
| Weighted average number of ordinary shares in issue   | 329,446        | 329,446                      |
|   | 2009<br>sen    | 2008<br>sen<br>(Restated)    |
| Basic earnings per share for:   |                |                              |
| Profit from continuing operations   | 20.26          | 19.20                        |
| (Loss)/profit from discontinued operations  | (7.82)         | 9.87                         |
| Profit for the year   | 12.44          | 29.07                        |

### 12. Dividends

|   | Dividends in respect of year |                |                | Net Dividends recognised in year |                |
|---|------------------------------|----------------|----------------|----------------------------------|----------------|
|   | 2009<br>RM'000               | 2008<br>RM'000 | 2007<br>RM'000 | 2009<br>RM'000                   | 2008<br>RM'000 |
| <b>Recognised during the year:</b>  |                              |                |                |                                  |                |
| First and final dividend for 2007:  |                              |                |                |                                  |                |
| 5% less 26% taxation, on 329,445,840 ordinary shares (3.70 sen per ordinary share)  | —                            | —              | 12,189         | —                                | 12,189         |
| Special dividend for 2007:  |                              |                |                |                                  |                |
| 10% less 26% taxation, on 329,445,840 ordinary shares (7.40 sen per ordinary share) | —                            | —              | 24,379         | —                                | 24,379         |
| First and final dividend for 2008:  |                              |                |                |                                  |                |
| 5% less 25% taxation, on 329,445,840 ordinary shares (3.75 sen per ordinary share)  | —                            | 12,354         | —              | 12,354                           | —              |
| <b>Proposed for approval at AGM (not recognised as at 31 December):</b>             |                              |                |                |                                  |                |
| First and final dividend for 2009:  |                              |                |                |                                  |                |
| 5% less 25% taxation, on 329,445,840 ordinary shares (3.75 sen per ordinary share)  | 12,354                       | —              | —              | —                                | —              |
|   | 12,354                       | 12,354         | 36,568         | 12,354                           | 36,568         |

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2009 of 5% less 25% taxation on 329,445,840 ordinary shares, amounting to a dividend payable of RM12,354,219 (3.75 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2010.

### 13. Property, plant and equipment

|   | Land and<br>buildings*<br>RM'000 | Plant and<br>machinery<br>RM'000 | Office<br>equipment<br>and motor<br>vehicles<br>RM'000 | Capital<br>work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|---|----------------------------------|----------------------------------|--|---|-----------------|
| <b>Group</b>                                |                                  |                                  |  |   |                 |
| <b>2009</b>                                 |                                  |                                  |  |   |                 |
| <b>Cost</b>                                 |                                  |                                  |  |   |                 |
| At 1 January 2009                           | 133,200                          | 553,725                          | 78,669   | 1,043                                     | 766,637         |
| Additions                                   | 793                              | 6,694                            | 4,823  | 2,698                                     | 15,008          |
| Disposals                                   | (62)                             | (11,108)                         | (9,730)  | –   | (20,900)        |
| Written off                                 | –                                | (2,351)                          | (5,099)  | –   | (7,450)         |
| Reclassification                            | 712                              | 262                              | –  | (974)                                     | –               |
| Exchange differences                        | –                                | –                                | (3)  | –   | (3)             |
| At 31 December 2009                         | 134,643                          | 547,222                          | 68,660   | 2,767                                     | 753,292         |
| <b>Accumulated depreciation</b>             |                                  |                                  |  |   |                 |
| At 1 January 2009                           | 42,710                           | 340,047                          | 58,844   | –   | 441,601         |
| Depreciation charge for the year:           | 3,411                            | 19,516                           | 6,207  | –   | 29,134          |
| Recognised in profit or loss (Note 6)       | 3,411                            | 19,503                           | 5,469  | –   | 28,383          |
| Capitalised in construction costs (Note 25) | –                                | 13                               | 738  | –   | 751             |
| Disposals                                   | (14)                             | (8,801)                          | (5,509)  | –   | (14,324)        |
| Written off                                 | –                                | (2,351)                          | (5,073)  | –   | (7,424)         |
| Reclassification                            | (23)                             | 23                               | –  | –   | –               |
| Exchange differences                        | –                                | –                                | (3)  | –   | (3)             |
| At 31 December 2009                         | 46,084                           | 348,434                          | 54,466   | –   | 448,984         |
| <b>Net carrying amount</b>                  |                                  |                                  |  |   |                 |
| At 31 December 2009                         | 88,559                           | 198,788                          | 14,194   | 2,767                                     | 304,308         |

## Notes to the Financial Statements 31 December 2009

### 13. Property, plant and equipment (contd.)

|  | Land and<br>buildings*<br>RM'000 | Plant and<br>machinery<br>RM'000 | Office<br>equipment<br>& motor<br>vehicles<br>RM'000 | Capital<br>work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|--|----------------------------------|----------------------------------|--|---|-----------------|
| <b>Group</b>   |                                  |                                  |  |   |                 |
| <b>2008</b>  |                                  |                                  |  |   |                 |
| <b>Cost</b>  |                                  |                                  |  |   |                 |
| At 1 January 2008                                      | 129,685                          | 562,361                          | 84,835   | 4,867                                     | 781,748         |
| Additions  | 3,261                            | 355                              | 8,119  | 2,556                                     | 14,291          |
| Disposals  | –                                | (3,052)                          | (3,034)  | –   | (6,086)         |
| Written off  | –                                | (243)                            | (270)  | –   | (513)           |
| Reclassification                                       | –                                | 3,896                            | (1,063)  | (2,833)                                   | –               |
| Transferred from prepaid land lease payments (Note 14) | 254                              | –                                | –  | –   | 254             |
| Arising from disposal/deemed disposal of subsidiaries  | –                                | (9,592)                          | (9,941)  | (3,547)                                   | (23,080)        |
| Exchange differences                                   | –                                | –                                | 23   | –   | 23              |
| At 31 December 2008                                    | 133,200                          | 553,725                          | 78,669   | 1,043                                     | 766,637         |
| <b>Accumulated depreciation</b>                        |                                  |                                  |  |   |                 |
| At 1 January 2008                                      | 39,453                           | 327,464                          | 63,315   | –   | 430,232         |
| Depreciation charge for the year:                      | 3,257                            | 21,361                           | 7,167  | –   | 31,785          |
| Recognised in profit or loss (Note 6)                  | 3,257                            | 20,892                           | 5,942  | –   | 30,091          |
| Capitalised in construction costs (Note 25)            | –                                | 469                              | 1,225  | –   | 1,694           |
| Disposals  | –                                | (3,051)                          | (2,855)  | –   | (5,906)         |
| Written off  | –                                | (102)                            | (248)  | –   | (350)           |
| Reclassification                                       | –                                | 674                              | (674)  | –   | –               |
| Arising from disposal/deemed disposal of subsidiaries  | –                                | (6,299)                          | (7,882)  | –   | (14,181)        |
| Exchange differences                                   | –                                | –                                | 21   | –   | 21              |
| At 31 December 2008                                    | 42,710                           | 340,047                          | 58,844   | –   | 441,601         |
| <b>Net carrying amount</b>                             |                                  |                                  |  |   |                 |
| At 31 December 2008                                    | 90,490                           | 213,678                          | 19,825   | 1,043                                     | 325,036         |

### 13. Property, plant and equipment (contd.)

**\* Land and buildings of the Group:**

|  | Freehold<br>land<br>RM'000 | Buildings,<br>jetty, roads<br>& drainage<br>RM'000 | Total<br>RM'000 |
|--|----------------------------|--|-----------------|
| <b>2009</b>  |                            |  |                 |
| <b>Cost</b>  |                            |  |                 |
| At 1 January 2009                                      | 416                        | 132,784  | 133,200         |
| Additions  | –                          | 793  | 793             |
| Disposals  | –                          | (62)   | (62)            |
| Reclassification                                       | –                          | 712  | 712             |
| At 31 December 2009                                    | 416                        | 134,227  | 134,643         |
| <b>Accumulated depreciation</b>                        |                            |  |                 |
| At 1 January 2009                                      | –                          | 42,710   | 42,710          |
| Depreciation charge for the year                       | –                          | 3,411  | 3,411           |
| Disposals  | –                          | (14)   | (14)            |
| Reclassification                                       | –                          | (23)   | (23)            |
| At 31 December 2009                                    | –                          | 46,084   | 46,084          |
| <b>Net carrying amount</b>                             |                            |  |                 |
| At 31 December 2009                                    | 416                        | 88,143   | 88,559          |
| <b>2008</b>  |                            |  |                 |
| <b>Cost</b>  |                            |  |                 |
| At 1 January 2008                                      | 255                        | 129,430  | 129,685         |
| Additions  | 161                        | 3,100  | 3,261           |
| Transferred from prepaid land lease payments (Note 14) | –                          | 254  | 254             |
| At 31 December 2008                                    | 416                        | 132,784  | 133,200         |
| <b>Accumulated depreciation</b>                        |                            |  |                 |
| At 1 January 2008                                      | –                          | 39,453   | 39,453          |
| Depreciation charge for the year                       | –                          | 3,257  | 3,257           |
| At 31 December 2008                                    | –                          | 42,710   | 42,710          |
| <b>Net carrying amount</b>                             |                            |  |                 |
| At 31 December 2008                                    | 416                        | 90,074   | 90,490          |



## Notes to the Financial Statements 31 December 2009

### 13. Property, plant and equipment (contd.)

|  | Motor<br>vehicles<br>RM'000 | Office<br>equipment<br>RM'000 | Capital<br>work-in-<br>progress<br>RM'000 | Total<br>RM'000 |
|--|-----------------------------|-------------------------------|---|-----------------|
| <b>Company</b>                                 |                             |                               |   |                 |
| <b>2009</b>                                    |                             |                               |   |                 |
| <b>Cost</b>                                    |                             |                               |   |                 |
| At 1 January 2009                              | 5,058                       | 6,621                         | 111                                       | 11,790          |
| Additions                                      | 318                         | 652                           | 236                                       | 1,206           |
| Disposals                                      | (64)                        | (2)                           | –   | (66)            |
| Written off                                    | –                           | (997)                         | –   | (997)           |
| Transferred to investment properties (Note 16) | –                           | –                             | (347)                                     | (347)           |
| At 31 December 2009                            | 5,312                       | 6,274                         | –   | 11,586          |
| <b>Accumulated depreciation</b>                |                             |                               |   |                 |
| At 1 January 2009                              | 3,013                       | 5,273                         | –   | 8,286           |
| Depreciation charge for the year (Note 6)      | 315                         | 465                           | –   | 780             |
| Disposals                                      | (33)                        | (1)                           | –   | (34)            |
| Written off                                    | –                           | (992)                         | –   | (992)           |
| At 31 December 2009                            | 3,295                       | 4,745                         | –   | 8,040           |
| <b>Net carrying amount</b>                     |                             |                               |   |                 |
| At 31 December 2009                            | 2,017                       | 1,529                         | –   | 3,546           |
| <b>2008</b>                                    |                             |                               |   |                 |
| <b>Cost</b>                                    |                             |                               |   |                 |
| At 1 January 2008                              | 5,262                       | 6,472                         | –   | 11,734          |
| Additions                                      | 92                          | 158                           | 111                                       | 361             |
| Disposals/written off                          | (296)                       | (9)                           | –   | (305)           |
| At 31 December 2008                            | 5,058                       | 6,621                         | 111                                       | 11,790          |
| <b>Accumulated depreciation</b>                |                             |                               |   |                 |
| At 1 January 2008                              | 2,991                       | 4,764                         | –   | 7,755           |
| Depreciation charge for the year (Note 6)      | 305                         | 515                           | –   | 820             |
| Disposals/written off                          | (283)                       | (6)                           | –   | (289)           |
| At 31 December 2008                            | 3,013                       | 5,273                         | –   | 8,286           |
| <b>Net carrying amount</b>                     |                             |                               |   |                 |
| At 31 December 2008                            | 2,045                       | 1,348                         | 111                                       | 3,504           |

### 13. Property, plant and equipment (contd.)

Net carrying amounts of property, plant and equipment held under hire-purchase and finance lease arrangements are as follows:

|                                     | Group<br>2009<br>RM'000 | 2008<br>RM'000 |
|-------------------------------------|-------------------------|----------------|
| Plant and machinery                 | 795                     | 2,789          |
| Office equipment and motor vehicles | 532                     | 3,487          |
|                                     | <b>1,327</b>            | <b>6,276</b>   |

Details of the hire-purchase and finance lease arrangements are disclosed in Note 33(i).

### 14. Prepaid land lease payments

|   | Long term<br>leasehold<br>land<br>RM'000 | Short term<br>leasehold<br>land<br>RM'000 | Total<br>RM'000 |
|---|--|---|-----------------|
| <b>Group</b>                              |  |   |                 |
| <b>2009</b>                               |  |   |                 |
| <b>Cost</b>                               |  |   |                 |
| At 1 January 2009                         | 22,181                                   | 24,973                                    | 47,154          |
| Additions                                 | –  | 426                                       | 426             |
| Reclassification                          | (1,011)                                  | 1,011                                     | –               |
| At 31 December 2009                       | <b>21,170</b>                            | <b>26,410</b>                             | <b>47,580</b>   |
| <b>Accumulated amortisation</b>           |  |   |                 |
| At 1 January 2009                         | 2,465                                    | 6,683                                     | 9,148           |
| Amortisation charge for the year (Note 6) | 339                                      | 593                                       | 932             |
| Reclassification                          | (172)                                    | 172                                       | –               |
| At 31 December 2009                       | <b>2,632</b>                             | <b>7,448</b>                              | <b>10,080</b>   |
| <b>Net carrying amount</b>                |  |   |                 |
| At 31 December 2009                       | <b>18,538</b>                            | <b>18,962</b>                             | <b>37,500</b>   |

## Notes to the Financial Statements 31 December 2009

### 14. Prepaid land lease payments (contd.)

|  | Long term<br>leasehold<br>land<br>RM'000 | Short term<br>leasehold<br>land<br>RM'000 | Total<br>RM'000 |
|--|--|---|-----------------|
| <b>Group<br/>2008<br/>Cost</b>                         |  |   |                 |
| At 1 January 2008                                      | 24,065                                   | 24,520                                    | 48,585          |
| Reversal of overaccrued cost                           | (1,177)                                  | –   | (1,177)         |
| Transferred to property, plant and equipment (Note 13) | (254)                                    | –   | (254)           |
| Reclassification                                       | (453)                                    | 453                                       | –               |
| At 31 December 2008                                    | 22,181                                   | 24,973                                    | 47,154          |
| <b>Accumulated amortisation</b>                        |  |   |                 |
| At 1 January 2008                                      | 2,173                                    | 6,021                                     | 8,194           |
| Amortisation charge for the year (Note 6)              | 369                                      | 585                                       | 954             |
| Reclassification                                       | (77)                                     | 77  | –               |
| At 31 December 2008                                    | 2,465                                    | 6,683                                     | 9,148           |
| <b>Net carrying amount</b>                             |  |   |                 |
| At 31 December 2008                                    | 19,716                                   | 18,290                                    | 38,006          |

|   | Short term<br>leasehold<br>land<br>RM'000 |
|---|---|
| <b>Company<br/>2009<br/>Cost</b>          |   |
| At 1 January 2009                         | –   |
| Additions                                 | 425                                       |
| At 31 December 2009                       | 425                                       |
| <b>Accumulated amortisation</b>           |   |
| At 1 January 2009                         | –   |
| Amortisation charge for the year (Note 6) | 4   |
| At 31 December 2009                       | 4   |
| <b>Net carrying amount</b>                |   |
| At 31 December 2009                       | 421                                       |

## 15. Land held for property development and property development costs

### a. Land held for property development

|  | Leasehold<br>land<br>RM'000 | Development<br>expenditure<br>RM'000 | Total<br>RM'000 |
|--|-----------------------------|--------------------------------------|-----------------|
| <b>Group<br/>2009</b>                      |                             |                                      |                 |
| <b>Cost</b>                                |                             |                                      |                 |
| At 1 January 2009                          | 34,697                      | 5,178                                | 39,875          |
| Additions                                  | –                           | 380                                  | 380             |
| <b>Carrying amount at 31 December 2009</b> | <b>34,697</b>               | <b>5,558</b>                         | <b>40,255</b>   |
| <b>2008</b>                                |                             |                                      |                 |
| <b>Cost</b>                                |                             |                                      |                 |
| At 1 January 2008                          | 35,187                      | 4,958                                | 40,145          |
| Additions                                  | –                           | 401                                  | 401             |
| Disposals                                  | (490)                       | (181)                                | (671)           |
| <b>Carrying amount at 31 December 2008</b> | <b>34,697</b>               | <b>5,178</b>                         | <b>39,875</b>   |

The landed properties of the Group have been pledged to secure revolving credit facilities for certain subsidiaries (Note 33).

### b. Property development costs

|   | Leasehold<br>land<br>RM'000 | Development<br>expenditure<br>RM'000 | Total<br>RM'000  |
|---|-----------------------------|--------------------------------------|------------------|
| <b>Group<br/>2009</b>                                 |                             |                                      |                  |
| <b>Cumulative property development costs</b>          |                             |                                      |                  |
| At 1 January 2009                                     | 83,503                      | 221,148                              | 304,651          |
| Costs incurred during the year                        | 1,861                       | 56,905                               | 58,766           |
| <b>At 31 December 2009</b>                            | <b>85,364</b>               | <b>278,053</b>                       | <b>363,417</b>   |
| <b>Cumulative costs recognised in profit or loss</b>  |                             |                                      |                  |
| At 1 January 2009                                     | (539)                       | (177,123)                            | (177,662)        |
| Recognised during the year                            | (40)                        | (16,479)                             | (16,519)         |
| <b>At 31 December 2009</b>                            | <b>(579)</b>                | <b>(193,602)</b>                     | <b>(194,181)</b> |
| <b>Property development costs at 31 December 2009</b> | <b>84,785</b>               | <b>84,451</b>                        | <b>169,236</b>   |

## Notes to the Financial Statements 31 December 2009

### 15. Land held for property development and property development costs (contd.)

#### b. Property development costs (contd.)

|   | Leasehold<br>land<br>RM'000 | Development<br>expenditure<br>RM'000 | Total<br>RM'000 |
|---|-----------------------------|--------------------------------------|-----------------|
| <b>Group</b>  |                             |                                      |                 |
| <b>2008</b>   |                             |                                      |                 |
| <b>Cumulative property development costs</b>          |                             |                                      |                 |
| At 1 January 2008                                     | 83,419                      | 209,116                              | 292,535         |
| Costs incurred during the year                        | 84                          | 13,919                               | 14,003          |
| Unsold units transferred to inventories               | –                           | (1,887)                              | (1,887)         |
| At 31 December 2008                                   | 83,503                      | 221,148                              | 304,651         |
| <b>Cumulative costs recognised in profit or loss</b>  |                             |                                      |                 |
| At 1 January 2008                                     | (508)                       | (168,724)                            | (169,232)       |
| Recognised during the year                            | (31)                        | (8,399)                              | (8,430)         |
| At 31 December 2008                                   | (539)                       | (177,123)                            | (177,662)       |
| <b>Property development costs at 31 December 2008</b> | 82,964                      | 44,025                               | 126,989         |

### 16. Investment properties

|                                 | Long term<br>leasehold<br>land<br>RM'000 | Buildings<br>RM'000 | Total<br>RM'000 |
|---------------------------------|--|---------------------|-----------------|
| <b>Group</b>                    |  |                     |                 |
| <b>2009</b>                     |  |                     |                 |
| At 1 January 2009               | 3,215                                    | 2,997               | 6,212           |
| Fair value adjustments (Note 6) | (38)                                     | (79)                | (117)           |
| At 31 December 2009             | 3,177                                    | 2,918               | 6,095           |
| <b>2008</b>                     |  |                     |                 |
| At 1 January 2008               | 3,253                                    | 3,075               | 6,328           |
| Fair value adjustments (Note 6) | (38)                                     | (78)                | (116)           |
| At 31 December 2008             | 3,215                                    | 2,997               | 6,212           |

## 16. Investment properties (contd.)

|   | Leasehold land<br>and building |         |
|---|--------------------------------|---------|
|   | 2009                           | 2008    |
|   | RM'000                         | RM'000  |
| <b>Company</b>                                      |                                |         |
| At 1 January  | 20,571                         | 22,398  |
| Additions   | 245                            | –       |
| Reversal of overaccrued cost                        | –                              | (1,177) |
| Transferred from capital work-in-progress (Note 13) | 347                            | –       |
| Fair value adjustments (Note 6)                     | (691)                          | (650)   |
| At 31 December                                      | 20,472                         | 20,571  |

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



## Notes to the Financial Statements 31 December 2009

### 17. Intangible assets

|   | Computer<br>software<br>RM'000 | Development<br>expenditure<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|--------------------------------|--------------------------------------|------------------|-----------------|
| <b>Group<br/>2009<br/>Cost</b>            |                                |                                      |                  |                 |
| At 1 January 2009                         | 6,281                          | 14,976                               | 516              | 21,773          |
| Additions                                 | 2,094                          | 666                                  | 78               | 2,838           |
| At 31 December 2009                       | 8,375                          | 15,642                               | 594              | 24,611          |
| <b>Accumulated amortisation</b>           |                                |                                      |                  |                 |
| At 1 January 2009                         | 1,075                          | 6,325                                | 83               | 7,483           |
| Amortisation charge for the year (Note 6) | 1,469                          | 1,520                                | 77               | 3,066           |
| At 31 December 2009                       | 2,544                          | 7,845                                | 160              | 10,549          |
| <b>Net carrying amount</b>                |                                |                                      |                  |                 |
| At 31 December 2009                       | 5,831                          | 7,797                                | 434              | 14,062          |
| <b>2008<br/>Cost</b>                      |                                |                                      |                  |                 |
| At 1 January 2008                         | 1,075                          | 14,049                               | 516              | 15,640          |
| Additions                                 | 5,206                          | 927                                  | –                | 6,133           |
| At 31 December 2008                       | 6,281                          | 14,976                               | 516              | 21,773          |
| <b>Accumulated amortisation</b>           |                                |                                      |                  |                 |
| At 1 January 2008                         | 836                            | 4,875                                | 6                | 5,717           |
| Amortisation charge for the year (Note 6) | 239                            | 1,450                                | 77               | 1,766           |
| At 31 December 2008                       | 1,075                          | 6,325                                | 83               | 7,483           |
| <b>Net carrying amount</b>                |                                |                                      |                  |                 |
| At 31 December 2008                       | 5,206                          | 8,651                                | 433              | 14,290          |

## 17. Intangible assets (contd.)

|   | Computer software<br>RM'000 |
|---|-----------------------------|
| <b>Company</b>                            |                             |
| <b>2009</b>                               |                             |
| <b>Cost</b>                               |                             |
| At 1 January 2009                         | 2,094                       |
| Additions                                 | 145                         |
| At 31 December 2009                       | 2,239                       |
| <b>Accumulated amortisation</b>           |                             |
| At 1 January 2009                         | 35                          |
| Amortisation charge for the year (Note 6) | 445                         |
| At 31 December 2009                       | 480                         |
| <b>Net carrying amount</b>                |                             |
| At 31 December 2009                       | 1,759                       |
| <b>2008</b>                               |                             |
| <b>Cost</b>                               |                             |
| At 1 January 2008                         | –                           |
| Additions                                 | 2,094                       |
| At 31 December 2008                       | 2,094                       |
| <b>Accumulated amortisation</b>           |                             |
| At 1 January 2008                         | –                           |
| Amortisation charge for the year (Note 6) | 35                          |
| At 31 December 2008                       | 35                          |
| <b>Net carrying amount</b>                |                             |
| At 31 December 2008                       | 2,059                       |

Development expenditure includes the following charges for the year:

|   | Group<br>2009<br>RM'000 | 2008<br>RM'000 |
|---|-------------------------|----------------|
| Operating lease – minimum lease payments for land and buildings | 72                      | 72             |
| Employee benefits expense (Note 7)                              | 447                     | 547            |

## Notes to the Financial Statements 31 December 2009

### 18. Goodwill

|   | Group<br>2009<br>RM'000 | 2008<br>RM'000 |
|---|-------------------------|----------------|
| At 1 January and 31 December  | 61,709                  | 61,709         |
| The carrying amount of goodwill allocated to the Group's CGU is as follows: |                         |                |
| Manufacturing   | 61,709                  | 61,709         |

### 19. Investments in subsidiaries

|                                     | Company<br>2009<br>RM'000 | 2008<br>RM'000 |
|-------------------------------------|---------------------------|----------------|
| Unquoted shares at cost             | 1,194,317                 | 1,186,317      |
| Less: Accumulated impairment losses | (127,520)                 | (127,520)      |
|                                     | 1,066,797                 | 1,058,797      |

Details of the subsidiaries are as follows:

| Name of subsidiaries               | Country of incorporation | Principal activities   | Proportion of ownership interest |        |
|------------------------------------|--------------------------|--|----------------------------------|--------|
|                                    |                          |  | 2009 %                           | 2008 % |
| Direct subsidiaries of the Company |                          |  |                                  |        |
| CMS Capital Sdn. Bhd.              | Malaysia                 | Investment holding   | 95.2                             | 95.2   |
| CMS Cement Sdn. Bhd.               | Malaysia                 | Manufacture and sale of cement   | 100.0                            | 100.0  |
| CMS Education Sdn. Bhd.            | Malaysia                 | Education  | 93.3                             | 93.3   |
| CMS Energy Sdn. Bhd.               | Malaysia                 | Provision of engineering services to the oil and gas industry  | 100.0                            | 100.0  |
| CMS Global (BVI) Ltd.              | British Virgin Islands   | Dormant  | 100.0                            | 100.0  |
| CMS Infra Trading Sdn. Bhd.        | Malaysia                 | General trading  | 51.0                             | 51.0   |
| CMS I-Systems Berhad               | Malaysia                 | Software research and development, provision of software related services and trading of computer software | 68.8                             | 51.0   |
| CMS Modular Housing Sdn. Bhd.      | Malaysia                 | Dormant  | 100.0                            | 100.0  |
| CMS Property Development Sdn. Bhd. | Malaysia                 | Property holding, property development and project management  | 100.0                            | 100.0  |
| CMS Resources Sdn. Bhd.            | Malaysia                 | Investment and property holding  | 51.0                             | 51.0   |
| CMS River Bus Sdn. Bhd.            | Malaysia                 | Dormant  | 100.0                            | 100.0  |
| CMS Steel Berhad                   | Malaysia                 | Dormant  | 100.0                            | 100.0  |
| CMS Works Sdn. Bhd.                | Malaysia                 | Investment holding   | 100.0                            | 100.0  |
| Concordance Holdings Sdn. Bhd      | Malaysia                 | Investment holding   | 100.0                            | 100.0  |
| Projek Bandar Samariang Sdn. Bhd.  | Malaysia                 | Property development and related construction works  | 60.0                             | 60.0   |
| Similajau Industries Sdn. Bhd.     | Malaysia                 | Investment holding   | 100.0                            | 100.0  |

## 19. Investments in subsidiaries (contd.)

| Name of subsidiaries   | Country of incorporation   | Principal activities  | Proportion of ownership interest |        |
|--|----------------------------|---|----------------------------------|--------|
|  |                            |   | 2009 %                           | 2008 % |
| <b>Subsidiaries of CMS Capital Sdn. Bhd.</b>                                 |                            |   |                                  |        |
| CMS Asset Management Sdn. Bhd.   | Malaysia                   | Dormant   | 51.0                             | 51.0   |
| CMS Mezzanine Sdn. Bhd.  | Malaysia                   | Corporate financing   | 100.0                            | 100.0  |
| CMS Opus Private Equity Sdn. Bhd.  | Malaysia                   | Management of private equity investments                          | 51.0                             | 51.0   |
| CMS Trust Management Berhad (i)  | Malaysia                   | Management of unit trust funds and asset management               | 71.0                             | 71.0   |
| <b>Subsidiaries of CMS Cement Sdn. Bhd.</b>                                  |                            |   |                                  |        |
| CMS Clinker Sdn. Bhd.  | Malaysia                   | Manufacture and sale of cement clinker                            | 100.0                            | 100.0  |
| CMS Concrete Products Sdn. Bhd.  | Malaysia                   | Manufacture and sale of concrete products                         | 100.0                            | 100.0  |
| <b>Subsidiary of CMS Infra Trading Sdn. Bhd.</b>                             |                            |   |                                  |        |
| CMS Agrotech Sdn. Bhd.   | Malaysia                   | Organic waste management and related consultancy services         | 100.0                            | —      |
| <b>Subsidiaries of CMS I-Systems Berhad</b>                                  |                            |   |                                  |        |
| CMS I-Systems (India) Private Ltd.*  | India                      | Dormant   | 99.9                             | 99.9   |
| ETA CMS I Solutions Private Ltd.*  | India                      | Provide solutions for motor claim segment for insurance companies | 70.0                             | —      |
| Interventure Capital Sdn. Bhd.   | Malaysia                   | Dormant   | 100.0                            | 100.0  |
| I-Systems (Guangzhou) Co. Ltd. *   | People's Republic of China | Software development and provision of e-business solutions        | 100.0                            | 100.0  |
| I-Systems Network Sdn. Bhd.  | Malaysia                   | Software development and internet related services                | 100.0                            | 100.0  |
| <b>Subsidiaries of CMS Property Development Sdn. Bhd.</b>                    |                            |   |                                  |        |
| CMS Development Services Sdn. Bhd. (formerly known as Sarawak HBI Sdn. Bhd.) | Malaysia                   | Dormant   | 100.0                            | —      |
| CMS Hotels Sdn. Bhd.   | Malaysia                   | Dormant   | 100.0                            | 100.0  |
| CMS Land Sdn. Bhd.   | Malaysia                   | Property holding, property development and construction           | 51.0                             | 51.0   |
| CMS Property Management Sdn. Bhd.  | Malaysia                   | Project management and consultancy                                | 51.0                             | 51.0   |
| <b>Subsidiaries of CMS Resources Sdn. Bhd.</b>                               |                            |   |                                  |        |
| CMS Penkuari Sdn. Bhd. (ii)  | Malaysia                   | Quarry operations   | 60.0                             | 60.0   |
| CMS Premix (Miri) Sdn. Bhd.  | Malaysia                   | Production and sale of premix                                     | 60.0                             | 60.0   |
| CMS Premix Sdn. Bhd.   | Malaysia                   | Production and sale of premix                                     | 60.0                             | 60.0   |
| CMS Quarries Sdn. Bhd.   | Malaysia                   | Quarry operations   | 100.0                            | 100.0  |
| PPES Concrete Product Sdn. Bhd.  | Malaysia                   | Manufacture and sale of concrete products                         | 100.0                            | 100.0  |
| <b>Subsidiary of CMS Steel Berhad</b>  |                            |   |                                  |        |
| CMS Wires Sdn. Bhd.  | Malaysia                   | Manufacture and sale of wire mesh and related products            | 69.0                             | 69.0   |

## Notes to the Financial Statements 31 December 2009

### 19. Investments in subsidiaries (contd.)

| Name of subsidiaries  | Country of incorporation | Principal activities         | Proportion of ownership interest |        |
|---|--------------------------|------------------------------|----------------------------------|--------|
|   |                          |                              | 2009 %                           | 2008 % |
| <b>Subsidiaries of CMS Works Sdn. Bhd.</b>                    |                          |                              |                                  |        |
| CMS Works International (China) Ltd.(iii)                     | Malaysia                 | Dormant                      | 100.0                            | 100.0  |
| PPES Works (Sarawak) Sdn. Bhd.                                | Malaysia                 | Civil engineering contractor | 51.0                             | 51.0   |
| <b>Subsidiary of Similajau Industries Sdn. Bhd.</b>           |                          |                              |                                  |        |
| Similajau Aluminium Industries Sdn. Bhd.                      | Malaysia                 | Investment holding           | 100.0                            | 100.0  |
| <b>Subsidiary of Similajau Aluminium Industries Sdn. Bhd.</b> |                          |                              |                                  |        |
| Sarawak Aluminium Company Sdn. Bhd.                           | Malaysia                 | Dormant                      | 100.0                            | 100.0  |

\* audited by firms other than Ernst & Young.

- i. The subsidiary is in the process of being disposed to an associate (Note 42(ii)).
- ii. The remaining 40% is held by CMS Premix Sdn. Bhd.
- iii. The subsidiary is in the process of being liquidated.

## 20. Investment in associates

|                                       | Group           |                | Company        |                |
|---------------------------------------|-----------------|----------------|----------------|----------------|
|                                       | 2009<br>RM'000  | 2008<br>RM'000 | 2009<br>RM'000 | 2008<br>RM'000 |
| Quoted shares in Malaysia, at cost    | <b>314,472</b>  | 445,365        | <b>32,302</b>  | 32,302         |
| Less: Accumulated impairment losses   | <b>(67,000)</b> | (67,000)       | –              | –              |
|                                       | <b>247,472</b>  | 378,365        | <b>32,302</b>  | 32,302         |
| Unquoted shares, at cost              | <b>62</b>       | 55             | –              | –              |
| Redeemable preference shares, at cost | <b>19,653</b>   | 14,000         | –              | –              |
|                                       | <b>267,187</b>  | 392,420        | <b>32,302</b>  | 32,302         |
| Share of post-acquisition reserves    | <b>16,777</b>   | 364,686        | –              | –              |
|                                       | <b>283,964</b>  | 757,106        | <b>32,302</b>  | 32,302         |
| Market value of quoted shares         | <b>146,757</b>  | 483,738        | <b>48,612</b>  | 28,747         |

Details of the associates are as follows:

| Name of associates                    | Country of<br>incorporation | Principal activities  | Proportion of<br>ownership interest |           |
|---------------------------------------|-----------------------------|---|-------------------------------------|-----------|
|                                       |                             |   | 2009<br>%                           | 2008<br>% |
| <b>Held by the Company:</b>           |                             |   |                                     |           |
| KKB Engineering Berhad                | Malaysia                    | Steel fabrication, civil construction,<br>hot dip galvanising and the<br>manufacture of LPG cylinders | <b>20.0</b>                         | 20.0      |
| <b>Held through subsidiaries:</b>     |                             |   |                                     |           |
| CMS Faradale Development<br>Sdn. Bhd. | Malaysia                    | Property development  | <b>49.0</b>                         | 49.0      |
| COPE-KPF Opportunities 1<br>Sdn. Bhd. | Malaysia                    | Investment holding  | <b>49.9</b>                         | 49.9      |
| K&N Kenanga Holdings<br>Berhad        | Malaysia                    | Investment holding, stockbroking<br>and financial services business                                   | <b>25.1</b>                         | 25.1      |
| UBG Berhad (i)                        | Malaysia                    | Investment holding  | –                                   | 37.2      |

(i) Reclassified to non-current asset held for sale (Note 10(a)) on 31 December 2009.



## Notes to the Financial Statements 31 December 2009

### 20. Investment in associates (contd.)

The summarised financial information of the associates is as follows:

|                               | 2009<br>RM'000 | 2008<br>RM'000 |
|-------------------------------|----------------|----------------|
| <b>Assets and liabilities</b> |                |                |
| Current assets                | 2,914,041      | 4,194,236      |
| Non-current assets            | 334,581        | 1,175,019      |
| Total assets                  | 3,248,622      | 5,369,255      |
| Current liabilities           | 2,172,751      | 2,872,214      |
| Non-current liabilities       | 7,438          | 98,694         |
| Total liabilities             | 2,180,189      | 2,970,908      |
| <b>Results</b>                |                |                |
| Revenue                       | 406,320        | 842,655        |
| Profit / (Loss) for the year  | 55,159         | (35,887)       |

At 31 December 2009, the net carrying amount of goodwill of an associate included within the Group's carrying amount of investment in associates is RM27,587,000 (2008: RM27,587,000).

### 21. Investments in jointly controlled entities

|                                    | Group<br>2009<br>RM'000 | 2008<br>RM'000 |
|------------------------------------|-------------------------|----------------|
| Unquoted shares, at cost           | 2,455                   | 2,455          |
| Share of post-acquisition reserves | 3,608                   | 4,039          |
|                                    | 6,063                   | 6,494          |

## 21. Investments in jointly controlled entities (contd.)

Details of the jointly controlled entities are as follows:

| Name of jointly controlled entities   | Country of incorporation | Principal activities   | Proportion of ownership interest |           |
|---|--------------------------|--|----------------------------------|-----------|
|   |                          |  | 2009<br>%                        | 2008<br>% |
| PPES Works (Sarawak) Sdn. Bhd./<br>Naim Cendera Sdn. Bhd. JV  | Malaysia                 | Construction of buildings  | 55                               | 55        |
| PPES Works (Sarawak) Sdn. Bhd./<br>Advance Praise Sdn. Bhd. JV                                      | Malaysia                 | Green waste management and composting  | 51                               | 51        |
| Arus Widuri Sdn. Bhd./<br>PPES Works (Sarawak)<br>Sdn. Bhd. JV                                      | Malaysia                 | Provision of site clearing<br>and earthworks, road works<br>and pavement, drainage,<br>bridge works, electrical and<br>telephone works and<br>environmental protection | 84                               | –         |
| Chiyoda Malaysia Sdn. Bhd./<br>PPES Works (Sarawak) Sdn. Bhd. JV                                    | Malaysia                 | Provision of design, construction and<br>engineering services for various<br>packages of the Independent Oil<br>Terminal Project                                       | –                                | 40        |
| CMS Energy Sdn. Bhd./<br>Special Triumph Sdn. Bhd./<br>Poscon Corporation JV                        | Malaysia                 | Sub-contract packages of the<br>Independent Oil Terminal Project   | –                                | 51        |
| CMS Energy Sdn. Bhd./<br>Special Triumph Sdn. Bhd./<br>Posco Machinery &<br>Engineering Co. Ltd. JV | Malaysia                 | Package 8 (Design and Execution of<br>the Hydraulic Steel Structure<br>Package) of the Bakun Hydroelectric<br>Project Package CW2 Main Civil Works                     | –                                | 51        |

The Group's aggregate share of the current assets, non-current assets, current liabilities, income and expenses of the jointly controlled entities is as follows:

|  | Group          |                |
|--|----------------|----------------|
|  | 2009<br>RM'000 | 2008<br>RM'000 |
| <b>Assets and liabilities</b>                            |                |                |
| Current assets   | 9,888          | 15,715         |
| Non-current assets                                       | 124            | 174            |
| Total assets   | 10,012         | 15,889         |
| Current liabilities                                      | 3,949          | 9,395          |
| <b>Results</b>   |                |                |
| Revenue  | 28,741         | 53,662         |
| Expenses, including finance costs and income tax expense | (28,667)       | (52,237)       |

## Notes to the Financial Statements 31 December 2009

### 22. Other investments

|   | Group / Company |         |
|---|-----------------|---------|
|   | 2009            | 2008    |
|   | RM'000          | RM'000  |
| Quoted securities in Malaysia, at cost: |                 |         |
| Ordinary shares                         | –               | 165,764 |
| Market value                            | –               | 159,281 |

In prior year, certain of the shares were pledged to a bank for the margin trading financing facility granted to the Company (Note 33).

### 23. Deferred tax (liabilities) / assets

|  | Group           |          | Company      |        |
|--|-----------------|----------|--------------|--------|
|  | 2009            | 2008     | 2009         | 2008   |
|  | RM'000          | RM'000   | RM'000       | RM'000 |
| At 1 January                                       | <b>1,387</b>    | (21,495) | <b>(328)</b> | (171)  |
| Recognised in profit or loss (Note 9)              | <b>(3,638)</b>  | 22,044   | <b>(91)</b>  | (157)  |
| Disposal of subsidiaries                           | –               | 838      | –            | –      |
| At 31 December                                     | <b>(2,251)</b>  | 1,387    | <b>(419)</b> | (328)  |
| Presented after appropriate offsetting as follows: |                 |          |              |        |
| Deferred tax assets                                | <b>20,000</b>   | 22,049   | –            | –      |
| Deferred tax liabilities                           | <b>(22,251)</b> | (20,662) | <b>(419)</b> | (328)  |
| At 31 December                                     | <b>(2,251)</b>  | 1,387    | <b>(419)</b> | (328)  |

## Notes to the Financial Statements 31 December 2009

### 23. Deferred tax (liabilities) / assets (contd.)

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

#### Deferred tax assets of the Group:

|                              | Provision<br>for<br>liabilities<br>RM'000 | Provision<br>for doubtful<br>debts<br>RM'000 | Unutilised<br>tax losses &<br>unabsorbed<br>capital<br>allowances<br>RM'000 | Other<br>temporary<br>differences<br>RM'000 | Total<br>RM'000 |
|------------------------------|---|--|---|---|-----------------|
| At 1 January 2009            | 318                                       | 40   | 51,789  | 49  | 52,196          |
| Recognised in profit or loss | (132)                                     | 52   | (4,238)   | 8   | (4,310)         |
| At 31 December 2009          | 186                                       | 92   | 47,551  | 57  | 47,886          |
| At 1 January 2008            | 318                                       | 91   | 205   | 49  | 663             |
| Recognised in profit or loss | –   | (51)   | 51,584  | –   | 51,533          |
| At 31 December 2008          | 318                                       | 40   | 51,789  | 49  | 52,196          |

## 23. Deferred tax (liabilities) / assets (contd.)

## Deferred tax liabilities of the Group:

|                              | Revaluation<br>of leasehold<br>land and<br>building<br>RM'000 | Accelerated<br>capital<br>allowances<br>RM'000 | Intangible<br>assets<br>RM'000 | Total<br>RM'000 |
|------------------------------|---|--|--------------------------------|-----------------|
| At 1 January 2009            | (267)   | (50,506)                                       | (36)                           | (50,809)        |
| Recognised in profit or loss | 39  | 633  | –                              | 672             |
| At 31 December 2009          | (228)   | (49,873)                                       | (36)                           | (50,137)        |
| At 1 January 2008            | (267)   | (21,855)                                       | (36)                           | (22,158)        |
| Recognised in profit or loss | –   | (29,490)                                       | –                              | (29,490)        |
| Disposal of subsidiary       | –   | 839  | –                              | 839             |
| At 31 December 2008          | (267)   | (50,506)                                       | (36)                           | (50,809)        |

## Deferred tax liability of the Company:

|                              | Accelerated capital<br>allowances |                |
|------------------------------|-----------------------------------|----------------|
|                              | 2009<br>RM'000                    | 2008<br>RM'000 |
| At 1 January                 | (328)                             | (171)          |
| Recognised in profit or loss | (91)                              | (157)          |
| At 31 December               | (419)                             | (328)          |

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

|                               | Group          |                |
|-------------------------------|----------------|----------------|
|                               | 2009<br>RM'000 | 2008<br>RM'000 |
| Unutilised tax losses         | 111,462        | 110,871        |
| Unabsorbed capital allowances | 43,751         | 43,946         |
| Provisions                    | 320            | 766            |
|                               | 155,533        | 155,583        |

As at 31 December 2009, the deferred tax assets are not recognised as it is not probable that future taxable profit will be available against which the unutilised tax losses, unabsorbed capital allowances and provisions can be utilised. The availability of the unutilised tax losses, unabsorbed capital allowances and provisions for offsetting against future taxable profits of the Group is subject to the provisions of the Income Tax Act, 1967.

## 24. Inventories

|                             | Group          |                |
|-----------------------------|----------------|----------------|
|                             | 2009<br>RM'000 | 2008<br>RM'000 |
| <b>Cost</b>                 |                |                |
| Raw materials               | 24,456         | 31,458         |
| General stores              | 47,407         | 39,827         |
| Work-in-progress            | 57             | 33             |
| Goods-in-transit            | –              | 1              |
| Finished goods              | 10,461         | 17,967         |
| Completed development units | 4,041          | 7,680          |
|                             | <b>86,422</b>  | 96,966         |
| <b>Net realisable value</b> |                |                |
| Finished goods              | 318            | 1,831          |
|                             | <b>86,740</b>  | 98,797         |

## 25. Amount due from / (to) customers on contracts

|  | Group          |                |
|--|----------------|----------------|
|  | 2009<br>RM'000 | 2008<br>RM'000 |
| Construction contract costs incurred to-date   | 832,637        | 1,267,424      |
| Attributable profits less recognised losses  | (8,764)        | 54,818         |
|  | <b>823,873</b> | 1,322,242      |
| Less: Progress billings  | (823,067)      | (1,320,359)    |
|  | <b>806</b>     | 1,883          |
| Amount due from customers on contracts   | 5,509          | 8,123          |
| Amount due to customers on contracts   | (4,703)        | (6,240)        |
|  | <b>806</b>     | 1,883          |
| The costs incurred to-date on construction contracts include the following charges made during the financial year: |                |                |
| Depreciation of property, plant and equipment (Note 13)  | 751            | 1,694          |
| Operating leases:  |                |                |
| – minimum lease payments for land and buildings  | 83             | 172            |
| – minimum lease payments for equipment   | 383            | 118            |



## Notes to the Financial Statements 31 December 2009

### 26. Short term investments

|   | Group          |        | Company        |        |
|---|----------------|--------|----------------|--------|
|   | 2009           | 2008   | 2009           | 2008   |
|   | RM'000         | RM'000 | RM'000         | RM'000 |
| <b>Investment by Asset Management Companies</b>   |                |        |                |        |
| Fixed income securities, at amortised cost        | 49,533         | –      | 49,533         | –      |
| Quoted shares, at cost                            | 29,340         | 29,588 | 29,340         | 29,588 |
| Less: Unrealised loss on investments              | (1,979)        | –      | (1,979)        | –      |
|   | <b>76,894</b>  | 29,588 | <b>76,894</b>  | 29,588 |
| <b>Investment In Unit Trust In Malaysia</b>       |                |        |                |        |
| At cost   | 25,023         | 20,162 | 25,000         | 20,000 |
|   | <b>101,917</b> | 49,750 | <b>101,894</b> | 49,588 |
| <b>Market Value of Investments Held Under/In:</b> |                |        |                |        |
| Fixed income securities                           | 49,691         | –      | 49,691         | –      |
| Quoted shares                                     | 27,361         | 30,066 | 27,361         | 30,066 |
| Unit trusts                                       | 26,096         | 20,707 | 26,073         | 20,545 |

### 27. Amount due from / (to) subsidiaries

|  | Company          |           |
|--|------------------|-----------|
|  | 2009             | 2008      |
|  | RM'000           | RM'000    |
| Amount due from:                                 |                  |           |
| Central cash management accounts (i)             | 6,469            | –         |
| Current Accounts (ii)                            | 49,028           | 120,637   |
|  | <b>55,497</b>    | 120,637   |
| Less: Provision against advances to subsidiaries | –                | (59,453)  |
|  | <b>55,497</b>    | 61,184    |
| Amount due to:                                   |                  |           |
| Central cash management accounts (i)             | (189,556)        | (123,743) |
| Current Accounts (ii)                            | (265,733)        | (265,755) |
|  | <b>(455,289)</b> | (389,498) |

(i) All balances deposited with the Company are unsecured, repayable on demand and earn interest at rates ranging from 1.82% to 2.92% (2008: 3.06% to 3.25%) per annum. All balances due to the Company are also repayable on demand and are charged interest at the rate of 5% (2008: 5% to 7%) per annum.

(ii) These amounts are unsecured, interest-free and have no fixed terms of repayment.

Other information on financial risks of amounts due from/(to) subsidiaries are disclosed in Note 40.

## 28. Trade and other receivables

|                                    | Group   |         | Company |        |
|------------------------------------|---------|---------|---------|--------|
|                                    | 2009    | 2008    | 2009    | 2008   |
|                                    | RM'000  | RM'000  | RM'000  | RM'000 |
| <b>Trade receivables</b>           |         |         |         |        |
| Third parties                      | 198,244 | 184,905 | –       | –      |
| Less: Provision for doubtful debts | (3,770) | (3,516) | –       | –      |
|                                    | 194,474 | 181,389 | –       | –      |
| Associate                          | 64      | 52      | –       | –      |
| Retention sum                      | 13,602  | 27,911  | –       | –      |
| Trade receivables, net             | 208,140 | 209,352 | –       | –      |
| <b>Other receivables</b>           |         |         |         |        |
| Other receivables                  | 6,458   | 12,290  | 509     | 1,046  |
| Less: Provision for doubtful debts | (694)   | (694)   | –       | –      |
|                                    | 5,764   | 11,596  | 509     | 1,046  |
| Project under study                | 24,125  | 17,466  | –       | –      |
| Amount due from joint venture      | 394     | 4,434   | –       | –      |
| Other deposits                     | 1,663   | 2,085   | 334     | 260    |
| Prepayments                        | 4,097   | 3,197   | 1       | 426    |
| Interest receivable                | 761     | 1,349   | 761     | 1,349  |
| Other receivables, net             | 36,804  | 40,127  | 1,605   | 3,081  |
|                                    | 244,944 | 249,479 | 1,605   | 3,081  |

Project under study relates to expenditure that is directly attributable to conducting studies including professional charges and other expense incurred on a proposed aluminium smelter project. Included therein are employee benefits expense of RM1,059,000 (2008: RM1,540,000).

### Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period ranges from one to four months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control function to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Interest of 12% (2008: 12%) per annum is charged on overdue balances on a case-by-case basis.

## Notes to the Financial Statements 31 December 2009

### 29. Cash and cash equivalents

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2009<br>RM'000 | 2008<br>RM'000 | 2009<br>RM'000 | 2008<br>RM'000 |
| Cash in hand and at bank                        | 193,507        | 22,662         | 174,582        | 5,029          |
| Short term deposits with financial institutions | 244,381        | 330,478        | 230,144        | 317,057        |
| Cash and bank balances                          | 437,888        | 353,140        | 404,726        | 322,086        |

Other information on financial risks of cash and cash equivalents is disclosed in Note 40.

Included in cash at bank of the Group and Company is an amount of RM174,379,529 (2008: RM4,787,229) being monies held in trust by nominee companies under a discretionary fund management and investment agreements with licensed fund managers.

Included in short term deposits with financial institutions of the Group and Company is an amount of RM59,300,000 (2008: RM75,000,000) being deposits placed with a banking subsidiary of an associate.

### 30. Share capital

|                              | Number of Ordinary<br>Shares of RM1 Each |              | ← Amount →     |                |
|------------------------------|--|--------------|----------------|----------------|
|                              | 2009<br>'000                             | 2008<br>'000 | 2009<br>RM'000 | 2008<br>RM'000 |
| <b>Issued and fully paid</b> |  |              |                |                |
| At 1 January and 31 December | 329,446                                  | 329,446      | 329,446        | 329,446        |

|                              | Number of Ordinary<br>Shares of RM1 Each |              | ← Amount →     |                |
|------------------------------|--|--------------|----------------|----------------|
|                              | 2009<br>'000                             | 2008<br>'000 | 2009<br>RM'000 | 2008<br>RM'000 |
| <b>Authorised</b>            |  |              |                |                |
| At 1 January and 31 December | 1,000,000                                | 1,000,000    | 1,000,000      | 1,000,000      |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the Financial Statements 31 December 2009

31. Share premium and other reserves

|   | Share premium<br>RM'000 | Capital reserves<br>RM'000 | Translation reserves<br>RM'000 | Merger (deficit)/<br>reserve RM'000 | Statutory reserve<br>RM'000 | Fair value reserve<br>RM'000 | Total<br>RM'000 |
|---|-------------------------|----------------------------|--------------------------------|-------------------------------------|-----------------------------|------------------------------|-----------------|
| <b>Group</b>  |                         |                            |                                |                                     |                             |                              |                 |
| <b>At 1 January 2009</b>  | 427,513                 | 37,637                     | 6                              | (12,763)                            | —                           | —                            | 452,393         |
| Currency translation differences                                | —                       | —                          | (6)                            | —                                   | —                           | —                            | (6)             |
| Accretion arising from additional shares issued by a subsidiary | —                       | 63                         | —                              | —                                   | —                           | —                            | 63              |
| Share of reserves in an associate                               | 3                       | 8,791                      | (331)                          | —                                   | 10,911                      | (47)                         | 19,327          |
| <b>At 31 December 2009</b>                                      | 427,516                 | 46,491                     | (331)                          | (12,763)                            | 10,911                      | (47)                         | 471,777         |
| <b>At 1 January 2008</b>  | 427,513                 | 85,506                     | (1)                            | (12,000)                            | —                           | —                            | 501,018         |
| Currency translation differences                                | —                       | —                          | 7                              | —                                   | —                           | —                            | 7               |
| Change in group composition                                     | —                       | (47,869)                   | —                              | —                                   | —                           | —                            | (47,869)        |
| Dilution of equity from merger of subsidiaries                  | —                       | —                          | —                              | (763)                               | —                           | —                            | (763)           |
| <b>At 31 December 2008</b>                                      | 427,513                 | 37,637                     | 6                              | (12,763)                            | —                           | —                            | 452,393         |
| <b>Company</b>  |                         |                            |                                |                                     |                             |                              |                 |
| <b>At 1 January 2008/2009 and 31 December 2008/2009</b>         | 427,513                 | 12,633                     | —                              | 168,000                             | —                           | —                            | 608,146         |

### 31. Share premium and other reserves (contd.)

#### i. Capital reserves

Capital reserves of the Group comprise accretion from shares issued by subsidiaries and associates, retained earnings capitalised for bonus issues by subsidiaries as well as surplus arising from revaluation of land and buildings in 1996.

Capital reserve of the Company represents surplus arising from revaluation of land and buildings in 1996.

#### ii. Translation reserves

Translation reserve of the Group represents foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

#### iii. Statutory reserves

Statutory reserves of the Group is maintained by the investment banking subsidiary of an associate in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as dividends.

#### iv. Fair value reserves

Fair value reserves are in respect of unrealised fair value gains and losses on securities available-for-sale, net of tax, of an associate.

### 32. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007.

The Company has tax exempt profits available for distribution of approximately RM104 million (2008: RM104 million) as at 31 December 2009, subject to agreement of the Inland Revenue Board.

As at 31 December 2009, the Company has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

### 33. Borrowings

|   | Group   |            | Company |         |
|---|---------|------------|---------|---------|
|   | 2009    | 2008       | 2009    | 2008    |
|   | RM'000  | RM'000     | RM'000  | RM'000  |
|   |         | (Restated) |         |         |
| <b>Secured:</b>                                 |         |            |         |         |
| Revolving credits                               | 64,686  | 74,710     | –       | –       |
| Margin trading financing                        | –       | 15,903     | –       | 15,903  |
| Hire purchase and finance lease liabilities     | 964     | 5,439      | –       | –       |
|   | 65,650  | 96,052     | –       | 15,903  |
| <b>Unsecured:</b>                               |         |            |         |         |
| Bankers' acceptances                            | 26,100  | 27,300     | –       | –       |
| Revolving credits                               | 60,000  | 50,000     | –       | –       |
| Term loans                                      | 130,342 | 156,656    | –       | –       |
| CMS Income Securities (Note 34)                 | 252,144 | 325,198    | 252,144 | 325,198 |
|   | 468,586 | 559,154    | 252,144 | 325,198 |
| <b>Total borrowings</b>                         |         |            |         |         |
| Bankers' acceptances                            | 26,100  | 27,300     | –       | –       |
| Revolving credits                               | 124,686 | 124,710    | –       | –       |
| Term loans                                      | 130,342 | 156,656    | –       | –       |
| CMS Income Securities (Note 34)                 | 252,144 | 325,198    | 252,144 | 325,198 |
| Margin trading financing                        | –       | 15,903     | –       | 15,903  |
| Hire purchase and finance lease liabilities (i) | 964     | 5,439      | –       | –       |
|   | 534,236 | 655,206    | 252,144 | 341,101 |
| <b>Maturity period of borrowings:</b>           |         |            |         |         |
| Repayable within one year                       | 256,156 | 269,231    | 81,623  | 89,222  |
| One year to five years                          | 256,720 | 343,155    | 170,521 | 251,879 |
| Over five years                                 | 21,360  | 42,820     | –       | –       |
|   | 534,236 | 655,206    | 252,144 | 341,101 |

The margin trading financing was secured by way of a pledge against shares held by the Company in other investments (Note 22).

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

The bankers' acceptances, revolving credits and term loans of the Group bear interest at rates ranging from 2.34% to 7.05% (2008: 3.59% to 7.00%) per annum.

The margin trading financing of the Group and of the Company bore interest at the rate of 6.05% (2008: 6.50%) per annum.



## 33. Borrowings (contd.)

|   | Group          |                |
|---|----------------|----------------|
|   | 2009<br>RM'000 | 2008<br>RM'000 |
| <b>(i) Hire-purchase and finance lease liabilities:</b> |                |                |
| <b>Future minimum lease payments:</b>                   |                |                |
| Not later than 1 year                                   | 564            | 2,005          |
| Later than 1 year and not later than 2 years            | 232            | 1,903          |
| Later than 2 years and not later than 5 years           | 231            | 2,162          |
| Later than 5 years                                      | –              | 20             |
| Total future minimum lease payments                     | 1,027          | 6,090          |
| Less: Future finance charges                            | (63)           | (651)          |
| Present value of finance lease liabilities              | 964            | 5,439          |
| <b>Present value of finance lease liabilities:</b>      |                |                |
| Not later than 1 year                                   | 525            | 1,685          |
| Later than 1 year and not later than 2 years            | 218            | 1,709          |
| Later than 2 years and not later than 5 years           | 221            | 2,025          |
| Later than 5 years                                      | –              | 20             |
|   | 964            | 5,439          |
| Analysed as:  |                |                |
| Current liabilities                                     | 525            | 1,685          |
| Non-current liabilities                                 | 439            | 3,754          |
|   | 964            | 5,439          |

The hire purchase and finance lease liabilities bear interest at the balance sheet date at rates ranging between 3.80% to 10.12% (2008: 2.39% to 5.26%) per annum.

Other information on financial risks of borrowings are disclosed in Note 40.

### 34. CMS Income Securities

On 29 December 2005, pursuant to a Trust Deed dated 16 December 2005, the Company undertook to issue RM400 million CMS Income Securities ("CMSIS") to refinance existing group borrowings and for working capital requirements.

The CMSIS consist of the following:

- i. 400 fixed rate coupon-bearing serial bonds ("Bonds") at a nominal sum of RM999,000 each. The Bonds comprise the bond principal and the bond coupon; and
- ii. 400 Non-Convertible Redeemable Preference Shares ("NCRPS") of RM1 each at an issue price of RM1,000 each (Note 35).

The NCRPS are effectively stapled to the Bonds in that the NCRPS and the Bonds are issued simultaneously to the same party and the coupon payment obligations under the Bonds are dependent on the payments made under the NCRPS.

- a. The salient terms of the Bonds are as follows:
  - i. The Bonds are issued in series and each series is redeemable from the second to the seventh anniversary from the date of issue:

| Serial | Total nominal<br>sum available<br>for subscription<br>RM'000 | Tenor<br>(years) |
|--------|--|------------------|
| A      | 29,970   | 2                |
| B      | 49,950   | 3                |
| C      | 69,930   | 4                |
| D      | 79,920   | 5                |
| E      | 84,915   | 6                |
| F      | 84,915   | 7                |
|        | <b>399,600</b>   |                  |

- ii. The Bonds comprise a principal element ("Bonds Principal") and a coupon element ("Bonds Coupon");
- iii. The Bonds Coupon shall be at the nominal rate of 0.01% per annum unless dividends are not paid on the NCRPS, in which case the Bonds Coupon shall range from 6.67% to 18.80% per annum, to be paid semi-annually;
- iv. Unless previously redeemed or purchased and cancelled, the Bonds Principal shall be redeemed by the Company at par on maturity;
- v. A Debt Repayment Reserve Account ("DPRA") is maintained by the Company and charged (pledged) to the Trustee for the benefit of the Bondholders. 60% of all future cash proceeds, if any, arising from the sale and/or the listing of equity interests in certain subsidiaries of the Company will be deposited in the DPRA. The Company shall be permitted to utilise the funds held in the DPRA to invest in Permitted Investments (as defined in the Trust Deed) pending utilisation of the funds and to utilise any income earned to service the debt payment due under the CMS Income Securities;
- vi. The Bonds are not listed on any boards of Bursa Malaysia Securities Berhad ("Bursa Securities") but the Bonds Principal are tradeable and transferable under the Real Time Electronic Transfer of Funds and Securities System (RENTAS) maintained by BNM; and
- vii. The Bonds bear a rating of A2 by Rating Agency Malaysia Berhad (RAM) at the date of issue.
- b. The salient features of the NCRPS are as follows:
  - i. The NCRPS are effectively stapled to the Bonds in that the NCRPS and the Bonds are issued simultaneously to the same party and the coupon payment obligations under the Bonds are dependent on the payments made under the NCRPS;

## 34. CMS Income Securities (contd.)

- b. The salient features of the NCRPS are as follows (contd.):
- ii. The NCRPS do not have a fixed tenor but are redeemable at any time within the last one year of the tenor of the respective series of Bonds to which the NCRPS are linked, at a premium of RM999 per share.

| Serial     | Total number<br>of NCRPS | Tenor<br>(years) |
|------------|--------------------------|------------------|
| A          | 30                       | 1                |
| B          | 50                       | 2                |
| C          | 70                       | 3                |
| D          | 80                       | 4                |
| E          | 85                       | 5                |
| F          | 85                       | 6                |
| <b>400</b> |                          |                  |

- iii. The NCRPS holders have the right to pre-determined dividend rates in relation to the interest payment obligations which would otherwise be paid on the redeemable bonds linked thereto;
- iv. The NCRPS do not carry any rights to participate in the profits or surplus assets of the Company;
- v. The NCRPS shall not be converted to ordinary shares of the Company;
- vi. The NCRPS holders have the right on a winding-up or other return to capital, to payment, prior to all other shares in the Company;
- vii. The NCRPS holders are not entitled to voting rights at any general meeting of the Company except on resolutions to amend the NCRPS holders' rights, to declare dividends to other classes of shares whilst there remain preference dividends in arrears, or to commence dissolution of the Company; and
- viii. The NCRPS are not listed on any boards of Bursa Securities.

The CMSIS are classified as debt instruments and hence are reported as liabilities.

|   | <b>Group / Company</b> |               |
|---|------------------------|---------------|
|   | <b>2009</b>            | <b>2008</b>   |
|   | <b>RM'000</b>          | <b>RM'000</b> |
| The CMSIS are accounted for in the balance sheets as follows: |                        |               |
| Proceeds from issue of CMSIS                                  | <b>442,403</b>         | 442,403       |
| Less: Unamortised transaction costs                           | <b>(795)</b>           | (1,060)       |
|   | <b>441,608</b>         | 441,343       |
| Interest expense recognised in profit or loss:                |                        |               |
| At 1 January  | <b>68,411</b>          | 40,794        |
| Recognised during the year (Note 5)                           | <b>23,681</b>          | 27,617        |
| At 31 December  | <b>92,092</b>          | 68,411        |
| Preferential dividends on the NCRPS paid:                     |                        |               |
| At 1 January  | <b>(104,556)</b>       | (72,608)      |
| Paid during the year  | <b>(27,000)</b>        | (31,948)      |
| At 31 December  | <b>(131,556)</b>       | (104,556)     |

### 34. CMS Income Securities (contd.)

|  | Group / Company |          |
|--|-----------------|----------|
|  | 2009            | 2008     |
|  | RM'000          | RM'000   |
| Bonds principal repayment and NCRPS redemption:                            |                 |          |
| At 1 January   | (80,000)        | (30,000) |
| Paid during the year   | (70,000)        | (50,000) |
| At 31 December   | (150,000)       | (80,000) |
| Amount included in borrowings (Note 33)                                    | 252,144         | 325,198  |
| The effective interest rate on the CMSIS is 7.27% (2008: 7.27%) per annum. |                 |          |
| The CMSIS are repayable over the following periods:                        |                 |          |
| Not later than 1 year  | 81,623          | 73,319   |
| Later than 1 year and not later than 2 years                               | 85,544          | 81,623   |
| Later than 2 years and not later than 5 years                              | 85,772          | 171,316  |
|  | 252,939         | 326,258  |
| Less: Unamortised transaction costs  | (795)           | (1,060)  |
|  | 252,144         | 325,198  |

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

|  | Group / Company                |      |        |      |
|--|--------------------------------|------|--------|------|
|  | Number of NCRPS<br>of RM1 each |      | Amount |      |
|  | 2009                           | 2008 | 2009   | 2008 |
|  |                                |      | RM     | RM   |
| <b>Nominal value – issued and fully paid</b> |                                |      |        |      |
| At 1 January                                 | 320                            | 370  | 320    | 370  |
| Redeemed during the year                     | (70)                           | (50) | (70)   | (50) |
| At 31 December                               | 250                            | 320  | 250    | 320  |
| <b>Authorised</b>                            |                                |      |        |      |
| At 1 January and 31 December                 | 400                            | 400  | 400    | 400  |

|                                    | Group / Company |        |
|------------------------------------|-----------------|--------|
|                                    | 2009            | 2008   |
|                                    | RM'000          | RM'000 |
| <b>Share premium</b>               |                 |        |
| At 1 January                       | 320             | 370    |
| Redemption during the year         | (70)            | (50)   |
| At 31 December                     | 250             | 320    |
| Amount included in CMSIS (Note 34) | 250             | 320    |

The preferential dividends are charged to the CMSIS in the period in which they are incurred.

## Notes to the Financial Statements 31 December 2009

### 36. Trade and other payables

|  | Group   |            | Company |        |
|--|---------|------------|---------|--------|
|  | 2009    | 2008       | 2009    | 2008   |
|  | RM'000  | RM'000     | RM'000  | RM'000 |
|  |         | (Restated) |         |        |
| <b>Trade payables</b>                                      |         |            |         |        |
| Third parties (i)  | 106,299 | 131,484    | –       | 6      |
| Retention sums on contracts                                | 19,263  | 25,098     | –       | –      |
| Progress billings in respect of property development costs | 61,640  | 655        | –       | –      |
|  | 187,202 | 157,237    | –       | 6      |
| <b>Other payables</b>                                      |         |            |         |        |
| Other payables   | 51,667  | 41,519     | 1,160   | 3,518  |
| Accruals   | 17,614  | 22,520     | 1,046   | 986    |
| Deposits payable   | 1,752   | 1,963      | –       | –      |
| Deferred income  | 1,398   | 1,630      | –       | –      |
| Provision for liabilities (ii)                             | 400     | 400        | –       | –      |
| Interest payable   | 1,604   | –          | –       | –      |
|  | 74,435  | 68,032     | 2,206   | 4,504  |
|  | 261,637 | 225,269    | 2,206   | 4,510  |

(i) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one month to four months.

(ii) Provision for liabilities relates to the provision for resettlement costs.

### 37. Operating lease arrangements

#### a. The Group as lessee

The Group has entered into operating lease agreements for the use of land, buildings and certain plant and machinery. These leases have an average life of between 3 and 5 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 a six-month notice for the termination of those agreements.

The future aggregate minimum lease payments under operating leases contracted for as at the balance sheet date but not recognised as liabilities and the total of future aggregate minimum sublease receipts expected to be received under subleases, are as follows:

|  | Group  | 2008   |
|--|--------|--------|
|  | 2009   | RM'000 |
|  | RM'000 |        |
| Future minimum rental payments:                |        |        |
| – not later than 1 year                        | 665    | 728    |
| – later than 1 year and not later than 5 years | 89     | 685    |
|  | 754    | 1,413  |

The lease payments recognised in profit or loss during the financial year is disclosed in Note 6.

### 37. Operating lease arrangements (contd.)

#### b. The Group as lessor

The Group has entered into an operating lease agreement on its investment property portfolio. This lease has a remaining lease term of less than 5 years.

The future minimum lease payments receivable under the operating lease contracted for as at the balance sheet date but not recognised as receivables, are as follows:

|  | Group<br>2009<br>RM'000 | 2008<br>RM'000 |
|--|-------------------------|----------------|
| Not later than 1 year                        | 480                     | 480            |
| Later than 1 year and not later than 5 years | 760                     | 1,240          |
|  | <b>1,240</b>            | 1,720          |

Investment property rental income recognised in profit or loss during the financial year is disclosed in Note 3.

### 38. Commitments and contingencies

|   | Group<br>2009<br>RM'000 | 2008<br>RM'000<br>(Restated) | Company<br>2009<br>RM'000 | 2008<br>RM'000 |
|---|-------------------------|------------------------------|---------------------------|----------------|
| <b>a. Capital commitments</b>   |                         |                              |                           |                |
| Authorised capital expenditure not provided for in the financial statements:  |                         |                              |                           |                |
| Approved and contracted for:  |                         |                              |                           |                |
| Property, plant and equipment   | 111                     | 3,203                        | —                         | —              |
| Others  | —                       | 6,265                        | —                         | —              |
|   | <b>111</b>              | 9,468                        | —                         | —              |
| Approved and not contracted for:  |                         |                              |                           |                |
| Property, plant and equipment   | 91,235                  | 44,105                       | 546                       | 1,160          |
| Others  | 30,220                  | 30,949                       | —                         | —              |
|   | <b>121,455</b>          | 75,054                       | 546                       | 1,160          |
|   | <b>121,566</b>          | 84,522                       | 546                       | 1,160          |
| <b>b. Contingent liabilities</b>  |                         |                              |                           |                |
| Unsecured guarantees in respect of banking facilities granted to subsidiaries | —                       | —                            | —                         | 6,656          |
| Share of contingent liabilities of associates                                 | 6,627                   | 28,442                       | —                         | —              |
|   | <b>6,627</b>            | 28,442                       | —                         | 6,656          |

i. In 2001, CMS Capital Sdn. Bhd., a subsidiary of the Company, had provided an indemnity to the purchaser of Sarawak Securities Sdn. Bhd. against several legal suits filed by former remisiers in the Industrial Court of Malaysia claiming reinstatement of employment. The subsidiary's Directors are of the opinion that these remisiers would not be entitled to such claims. Accordingly no provision has been made in this respect.

ii. Legal suits have been filed by former employees in the Industrial Court of Malaysia against the Company and a subsidiary alleging wrongful dismissal and claiming reinstatement to their former positions and/or other relief that the Court deems fit and proper. As the Industrial Court has yet to make a decision/award on these matters, it is not possible to determine the Group and the Company's potential liability (if any) at this juncture.

#### c. Other contingencies

An amount of RM5,466,968 included in trade receivables is in dispute and in the process of arbitration. Within the same claim on the receivable, a counterclaim of RM2,240,930 was filed by the debtor. Subsequent to the counterclaim, a further claim of RM2,265,422 was made by the subsidiary against the debtor for loss of profit and other general damages. Both counterclaims by the debtor and the further claim made by the subsidiary have not been accounted for in the financial statements. The Directors are of the opinion that the case is in favour of the subsidiary and are confident of recovering the debt and that the counterclaim is of no basis.

## Notes to the Financial Statements 31 December 2009

### 39. Related party disclosures

During the financial year, the Group and the Company had, in the normal course of business transacted on normal commercial terms the following transactions:

#### a. Transactions with subsidiaries:

|  | Company |        |
|--|---------|--------|
|  | 2009    | 2008   |
|  | RM'000  | RM'000 |
| <b>Income</b>                              |         |        |
| Interest income                            | 283     | 3,983  |
| Internal audit fee                         | 273     | 249    |
| Secretarial fee                            | 74      | 81     |
| Rental income                              | 600     | 600    |
| IT support fee                             | 626     | 659    |
| Procurement fee                            | 1,088   | 784    |
| Human resource fee                         | 1,060   | 1,083  |
| <b>Expenditure</b>                         |         |        |
| Interest expense                           | 2,738   | 3,972  |
| Investment management fee                  | 315     | 163    |
| Provision of IT technical support services | 715     | 246    |

Information regarding outstanding balances with subsidiaries as at 31 December 2009 is disclosed in Note 27.

#### b. Transactions with companies in which certain Directors of the Company and/or persons connected to them have a substantial financial interest and/or are Directors:

|  | Group  |        | Company |        |
|--|--------|--------|---------|--------|
|  | 2009   | 2008   | 2009    | 2008   |
|  | RM'000 | RM'000 | RM'000  | RM'000 |
| <b>Expenditure</b>                       |        |        |         |        |
| Telecommunication equipment and services | 38     | 17     | 4       | 3      |
| Office upkeep and rental                 | 1,691  | 1,543  | 1,421   | 1,276  |
| Professional fees                        | 211    | 357    | –       | –      |

#### c. Transactions with companies in which certain Directors of the subsidiaries and/or persons connected to them have a substantial financial interest and/or are Directors:

|                           | Group  |        |
|---------------------------|--------|--------|
|                           | 2009   | 2008   |
|                           | RM'000 | RM'000 |
| <b>Income</b>             |        |        |
| Management fees           | 1,500  | 1,500  |
| <b>Expenditure</b>        |        |        |
| Investment management fee | 148    | –      |
| Management advisory fees  | 843    | 912    |
| Accommodation charges     | 120    | 120    |
| Share of office expenses  | 43     | 125    |



### 39. Related party disclosures (contd.)

#### d. Transactions with associates:

|  | Group<br>2009<br>RM'000 | 2008<br>RM'000 |
|--|-------------------------|----------------|
| <b>Income</b>  |                         |                |
| Supply of materials  | 84,634                  | 23,009         |
| Investment management fees   | 109                     | 19             |
| Interest income  | 2,826                   | 78             |
| <b>Expenditure</b>   |                         |                |
| Sub-contracting charges, supplying, fabricating and erecting of structural steel works | 16,011                  | 19,791         |
| Roads maintenance work charges   | –                       | 3,368          |
| Rental of machinery  | –                       | 434            |
| Rental of vehicles   | 368                     | 27             |
| Purchase of materials  | 36                      | –              |

#### e. Transactions with a company in which a person connected to a key management personnel of the Group has a substantial financial interest:

|                         | Group<br>2009<br>RM'000 | 2008<br>RM'000 |
|-------------------------|-------------------------|----------------|
| <b>Expenditure</b>      |                         |                |
| Staff training expenses | 24                      | 24             |

#### f. Compensation of key management personnel

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

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2009<br>RM'000 | 2008<br>RM'000 | 2009<br>RM'000 | 2008<br>RM'000 |
| Short-term employee benefits                          | 7,712          | 8,341          | 4,233          | 4,508          |
| Post-employment benefit:<br>Defined contribution plan | 765            | 827            | 430            | 463            |
|   | 8,477          | 9,168          | 4,663          | 4,971          |

Included in total key management personnel are:

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2009<br>RM'000 | 2008<br>RM'000 | 2009<br>RM'000 | 2008<br>RM'000 |
| Directors' remuneration, including amounts capitalised | 7,833          | 8,193          | 4,021          | 3,996          |

## Notes to the Financial Statements 31 December 2009

### 40. Financial instruments

#### a. Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate (both fair value and cash flow), liquidity and credit risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

#### b. Interest rate risk

The Group's primary interest rate risk relates to interest-bearing debt, as the Group had no substantial long-term interest-bearing assets as at 31 December 2009. The investments in financial assets are short term in nature and they are not held for speculative purposes.

The following tables set out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the balance sheet date and the remaining maturities of the Group's and the Company's financial instruments that are exposed to interest rate risk:

|   | WAEIR<br>% | Within 1<br>year<br>RM'000 | 1 – 2<br>years<br>RM'000 | 2 – 5<br>years<br>RM'000 | More than<br>5 years<br>RM'000 | Total<br>RM'000 |
|---|------------|----------------------------|--------------------------|--------------------------|--------------------------------|-----------------|
| <b>Group</b>  |            |                            |                          |                          |                                |                 |
| <b>At 31 December 2009</b>                                |            |                            |                          |                          |                                |                 |
| <b>Fixed rate</b>   |            |                            |                          |                          |                                |                 |
| CMS Income Securities (Note 34)                           | 7.27       | (81,623)                   | (85,544)                 | (85,772)                 | –                              | (252,939)       |
| Hire purchase and finance lease liabilities (Note 33(ii)) | 3.77       | (525)                      | (218)                    | (221)                    | –                              | (964)           |
| <b>Floating rate</b>                                      |            |                            |                          |                          |                                |                 |
| Deposits with financial institutions (Note 29)            | 2.26       | 244,381                    | –                        | –                        | –                              | 244,381         |
| Bankers' acceptances (Note 33)                            | 2.34       | (26,100)                   | –                        | –                        | –                              | (26,100)        |
| Revolving credits (Note 33)                               | 4.78       | (124,686)                  | –                        | –                        | –                              | (124,686)       |
| Term loans (Note 33)                                      | 3.91       | (23,222)                   | (21,440)                 | (64,320)                 | (21,360)                       | (130,342)       |
| <b>At 31 December 2008</b>                                |            |                            |                          |                          |                                |                 |
| <b>Fixed rate</b>   |            |                            |                          |                          |                                |                 |
| CMS Income Securities (Note 34)                           | 7.27       | (73,319)                   | (81,623)                 | (171,316)                | –                              | (326,258)       |
| Hire purchase and finance lease liabilities (Note 33(ii)) | 3.80       | (1,685)                    | (1,709)                  | (2,025)                  | (20)                           | (5,439)         |
| <b>Floating rate</b>                                      |            |                            |                          |                          |                                |                 |
| Deposits with financial institutions (Note 29)            | 3.37       | 330,478                    | –                        | –                        | –                              | 330,478         |
| Bankers' acceptances (Note 33)                            | 3.59       | (27,300)                   | –                        | –                        | –                              | (27,300)        |
| Revolving credits (Note 33)                               | 5.62       | (124,710)                  | –                        | –                        | –                              | (124,710)       |
| Term loans (Note 33)                                      | 5.26       | (26,315)                   | (23,221)                 | (64,320)                 | (42,800)                       | (156,656)       |
| Margin trading financing (Note 33)                        | 6.50       | (15,903)                   | –                        | –                        | –                              | (15,903)        |

#### 40. Financial instruments (contd.)

##### b. Interest rate risk (contd.)

|  | WAEIR<br>% | Within 1<br>year<br>RM'000 | 1 – 2<br>years<br>RM'000 | 2 – 5<br>years<br>RM'000 | More than<br>5 years<br>RM'000 | Total<br>RM'000 |
|--|------------|----------------------------|--------------------------|--------------------------|--------------------------------|-----------------|
| <b>Company</b>                                 |            |                            |                          |                          |                                |                 |
| <b>At 31 December 2009</b>                     |            |                            |                          |                          |                                |                 |
| <b>Fixed rate</b>                              |            |                            |                          |                          |                                |                 |
| CMS Income Securities (Note 34)                | 7.27       | (81,623)                   | (85,544)                 | (85,772)                 | –                              | (252,939)       |
| <b>Floating rate</b>                           |            |                            |                          |                          |                                |                 |
| Amount due to subsidiaries (Note 27)           | 1.92       | (189,556)                  | –                        | –                        | –                              | (189,556)       |
| Deposits with financial institutions (Note 29) | 2.29       | 230,144                    | –                        | –                        | –                              | 230,144         |
| <b>At 31 December 2008</b>                     |            |                            |                          |                          |                                |                 |
| <b>Fixed rate</b>                              |            |                            |                          |                          |                                |                 |
| CMS Income Securities (Note 34)                | 7.27       | (73,319)                   | (81,623)                 | (171,316)                | –                              | (326,258)       |
| <b>Floating rate</b>                           |            |                            |                          |                          |                                |                 |
| Amount due to subsidiaries (Note 27)           | 3.06       | (123,743)                  | –                        | –                        | –                              | (123,743)       |
| Deposits with financial institutions (Note 29) | 2.99       | 317,057                    | –                        | –                        | –                              | 317,057         |
| Margin trading financing (Note 33)             | 6.50       | (15,903)                   | –                        | –                        | –                              | (15,903)        |

##### c. Liquidity risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

##### d. Credit risk

The Group's credit risk is primarily attributable to trade receivables. 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, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

## 40. Financial instruments (contd.)

## e. Fair value

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximated their fair values except for the following:

|                            | Note | Group / Company<br>Carrying<br>amount<br>RM'000 | Fair<br>value<br>RM'000 |
|----------------------------|------|---|-------------------------|
| <b>At 31 December 2009</b> |      |   |                         |
| CMS Income Securities      | 34   | 252,939   | 252,948                 |
| <b>At 31 December 2008</b> |      |   |                         |
| Other Investments          | 22   | 165,764   | 159,281                 |
| CMS Income Securities      | 34   | 326,258   | 327,515                 |
|                            |      | 492,022   | 486,796                 |

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

**CMS Income Securities**

The fair value is estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

## 41. Segment information

The segment reporting format is determined to be business segments as the Group's risk and rates of return are affected predominantly by differences in products and services produced.

The Group is organised into seven major business segments:

- i. Manufacturing – manufacturing of cement, clinker, wires and concrete products;
- ii. Construction – civil engineering, road construction and maintenance;
- iii. Construction materials – quarry operations, production and sale of premix;
- iv. Financial services – asset and fund management and other financial services;
- v. Property development – property holding and development and project management;
- vi. Others – general trading, investment holding and other services; and
- vii. Discontinued operations – investment holding.

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 set 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.

Notes to the Financial Statements 31 December 2009

41. Segment information (contd.)

|   | Continuing operations        |                        |                                     |                                 |                                   |                  | Discontinued operations<br>RM'000 | Total operations<br>RM'000 | Total operations<br>RM'000 |
|---|------------------------------|------------------------|-------------------------------------|---------------------------------|-----------------------------------|------------------|-----------------------------------|----------------------------|----------------------------|
|   | Manu-<br>facturing<br>RM'000 | Construction<br>RM'000 | Construction<br>materials<br>RM'000 | Financial<br>services<br>RM'000 | Property<br>development<br>RM'000 | Others<br>RM'000 |                                   |                            |                            |
| <b>31 December 2009</b>                               |                              |                        |                                     |                                 |                                   |                  |                                   |                            |                            |
| <b>Revenue</b>  |                              |                        |                                     |                                 |                                   |                  |                                   |                            |                            |
| Total revenue   | 381,854                      | 205,111                | 134,562                             | 10,661                          | 20,895                            | 152,128          | —                                 | 905,211                    | 905,211                    |
| Inter-segment sales                                   | (16,767)                     | (275)                  | (6,169)                             | —                               | (130)                             | (7,270)          | —                                 | (30,611)                   | (30,611)                   |
| Sales to external customers                           | 365,087                      | 204,836                | 128,393                             | 10,661                          | 20,765                            | 144,858          | —                                 | 874,600                    | 874,600                    |
| <b>Results</b>  |                              |                        |                                     |                                 |                                   |                  |                                   |                            |                            |
| Segment operating profit/(loss)                       | 88,006                       | 34,992                 | 21,309                              | 197                             | (359)                             | (1,438)          | (25,766)                          | 142,707                    | 116,941                    |
| Unallocated corporate income                          | —                            | —                      | —                                   | —                               | —                                 | —                | —                                 | 6,988                      | 6,988                      |
| Finance costs   | —                            | —                      | —                                   | 3,964                           | 458                               | 7,290            | —                                 | (37,524)                   | (37,524)                   |
| Share of profit of associates                         | —                            | (431)                  | —                                   | —                               | —                                 | 840              | —                                 | 11,712                     | 11,712                     |
| Share of (loss)/profit of jointly controlled entities | —                            | —                      | —                                   | —                               | —                                 | —                | —                                 | 409                        | 409                        |
| Profit before tax                                     |                              |                        |                                     |                                 |                                   |                  | (25,766)                          | 124,292                    | 98,526                     |
| Income tax expense                                    |                              |                        |                                     |                                 |                                   |                  | —                                 | (35,461)                   | (35,461)                   |
| Net profit for the year                               |                              |                        |                                     |                                 |                                   |                  | (25,766)                          | 88,831                     | 63,065                     |

Notes to the Financial Statements 31 December 2009

41. Segment information (contd.)

|   | Manu-<br>facturing<br>RM'000 | Construction<br>RM'000 | Construction<br>materials<br>RM'000 | Financial<br>services<br>RM'000 | Property<br>development<br>RM'000 | Others<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000 |
|---|------------------------------|------------------------|-------------------------------------|---------------------------------|-----------------------------------|------------------|-----------------------|-----------------|
| <b>31 December 2009</b>                     |                              |                        |                                     |                                 |                                   |                  |                       |                 |
| <b>Assets</b>                               |                              |                        |                                     |                                 |                                   |                  |                       |                 |
| Segment assets                              | 567,526                      | 363,774                | 137,863                             | 19,457                          | 273,922                           | 705,790          | (582,857)             | 1,485,475       |
| Investments in associates                   | –                            | –                      | –                                   | 242,299                         | 990                               | 40,675           |                       | 283,964         |
| Investments in jointly controlled entities  | –                            | 6,063                  | –                                   | –                               | –                                 | –                |                       | 6,063           |
| Unallocated assets                          |                              |                        |                                     |                                 |                                   |                  |                       | 513,800         |
| Total assets                                | 567,526                      | 369,837                | 137,863                             | 261,756                         | 274,912                           | 746,465          |                       | 2,289,302       |
| <b>Liabilities</b>                          |                              |                        |                                     |                                 |                                   |                  |                       |                 |
| Segment liabilities                         | 208,699                      | 190,955                | 61,026                              | 6,785                           | 237,461                           | 51,481           | (182,323)             | 574,084         |
| Unallocated liabilities                     |                              |                        |                                     |                                 |                                   |                  |                       | 254,770         |
| Total liabilities                           | 208,699                      | 190,955                | 61,026                              | 6,785                           | 237,461                           | 51,481           |                       | 828,854         |
| <b>Other segment information</b>            |                              |                        |                                     |                                 |                                   |                  |                       |                 |
| Capital expenditure                         | 7,187                        | 468                    | 4,845                               | 645                             | 134                               | 4,993            |                       | 18,272          |
| Depreciation                                | 22,486                       | 941                    | 2,255                               | 507                             | 79                                | 2,115            |                       | 28,383          |
| Amortisation of prepaid land lease payments | 622                          | 22                     | 126                                 | –                               | 55                                | 107              |                       | 932             |
| Amortisation of intangible assets           | 655                          | –                      | –                                   | 66                              | –                                 | 2,345            |                       | 3,066           |

Notes to the Financial Statements 31 December 2009

41. Segment information (contd.)

|  | Continuing operations        |                        |                                     |   |                                   |                                      |
|--|------------------------------|------------------------|-------------------------------------|---|-----------------------------------|--------------------------------------|
|  | Manu-<br>facturing<br>RM'000 | Construction<br>RM'000 | Construction<br>materials<br>RM'000 | Financial<br>services development<br>RM'000 | Property<br>development<br>RM'000 | Discontinued<br>operations<br>RM'000 |
| <b>31 December 2008</b>                        |                              |                        |                                     |   |                                   |                                      |
| <b>Revenue</b>                                 |                              |                        |                                     |   |                                   |                                      |
| Total revenue                                  | 373,719                      | 277,573                | 123,480                             | 13,616                                      | 15,529                            | 930,468                              |
| Inter-segment sales                            | (20,572)                     | (1,538)                | (10,041)                            | (163)                                       | (774)                             | 13,517                               |
|  |                              |                        |                                     |   |                                   | (51,927)                             |
| Sales to external customers                    | 353,147                      | 276,035                | 113,439                             | 13,453                                      | 14,755                            | 878,541                              |
|  |                              |                        |                                     |   |                                   | 13,517                               |
|  |                              |                        |                                     |   |                                   | 892,058                              |
| <b>Results</b>                                 |                              |                        |                                     |   |                                   |                                      |
| Segment operating profit/(loss)                | 90,590                       | 60,024                 | 11,986                              | 488   | (795)                             | 160,893                              |
| Unallocated corporate income                   |                              |                        |                                     |   |                                   | 40,014                               |
| Finance costs                                  |                              |                        |                                     |   |                                   | 3,249                                |
| Share of (loss)/profit of associates           | -                            | -                      | -                                   | (13,700)                                    | 18                                | -                                    |
| Share of profit of jointly controlled entities | -                            | 1,526                  | -                                   | -   | -                                 | -                                    |
|  |                              |                        |                                     |   |                                   | (41,671)                             |
|  |                              |                        |                                     |   |                                   | (2,248)                              |
|  |                              |                        |                                     |   |                                   | 2,325                                |
| Profit before tax                              |                              |                        |                                     |   |                                   | 112,804                              |
| Income tax expense                             |                              |                        |                                     |   |                                   | 37,766                               |
|  |                              |                        |                                     |   |                                   | (8,457)                              |
| Net profit for the year                        |                              |                        |                                     |   |                                   | 104,347                              |
|  |                              |                        |                                     |   |                                   | 34,416                               |
|  |                              |                        |                                     |   |                                   | 138,763                              |



## Notes to the Financial Statements 31 December 2009

### 41. Segment information (contd.)

#### 31 December 2008

##### Assets

|  | Manu-<br>facturing<br>RM'000 | Construction<br>RM'000 | Construction<br>materials<br>RM'000 | Financial<br>services<br>RM'000 | Property<br>development<br>RM'000 | Others<br>RM'000 | Eliminations<br>RM'000 | Total<br>RM'000 |
|--|------------------------------|------------------------|-------------------------------------|---------------------------------|-----------------------------------|------------------|------------------------|-----------------|
| Segment assets                             | 573,105                      | 368,942                | 112,844                             | 24,823                          | 210,523                           | 131,916          | (516,578)              | 905,575         |
| Investments in associates                  | –                            | –                      | –                                   | 232,198                         | 531                               | 524,377          | –                      | 757,106         |
| Investments in jointly controlled entities | –                            | 6,494                  | –                                   | –                               | –                                 | –                | –                      | 6,494           |
| Unallocated assets                         | –                            | –                      | –                                   | –                               | –                                 | –                | –                      | 567,961         |
| Total assets                               | 573,105                      | 375,436                | 112,844                             | 257,021                         | 211,054                           | 656,293          | –                      | 2,327,136       |

##### Liabilities

|                         |         |         |        |       |         |        |           |         |
|-------------------------|---------|---------|--------|-------|---------|--------|-----------|---------|
| Segment liabilities     | 447,222 | 218,997 | 47,825 | 6,659 | 179,527 | 46,889 | (381,029) | 566,090 |
| Unallocated liabilities | –       | –       | –      | –     | –       | –      | –         | 345,938 |
| Total liabilities       | 447,222 | 218,997 | 47,825 | 6,659 | 179,527 | 46,889 | –         | 912,028 |

##### Other segment information

|   |        |       |       |     |     |       |   |        |
|---|--------|-------|-------|-----|-----|-------|---|--------|
| Capital expenditure                         | 9,294  | 3,486 | 2,278 | 872 | 113 | 4,381 | – | 20,424 |
| Depreciation                                | 23,837 | 1,715 | 1,922 | 451 | 107 | 2,059 | – | 30,091 |
| Amortisation of prepaid land lease payments | 622    | 21    | 140   | –   | 56  | 115   | – | 954    |
| Amortisation of intangible assets           | 126    | –     | –     | –   | –   | 1,640 | – | 1,766  |

### 42. Significant events

#### i. Acquisition of additional interest in CMS I-Systems Berhad ("CMS I-Systems")

On 15 July 2009, pursuant to a rights issue by CMS I-Systems Berhad, the Company subscribed for the rights issue of 8,000,000 new ordinary shares of RM1.00 each, at par, including 3,923,552 ordinary shares renounced by the other shareholders. In consideration of the Company agreeing to take up the unsubscribed shares, all the other shareholders transferred a total of 278,286 shares already held by them for a total cash consideration of RM12.00. As a result, upon completion of the rights issue and share transfer, the Company's shareholding in CMS I-Systems Berhad increased from 51.0% to 68.8%.

#### ii. Proposed disposal of CMS Trust Management Berhad

On 14 December 2009, CMS Capital Sdn. Bhd., a 95.20% owned subsidiary of the Company and AGI Asset Management Ltd. (collectively "the Vendors") entered into a Sale and Purchase Agreement with Kenanga Investment Bank Berhad ("KIBB") for the disposal of 6,765,300 ordinary shares of RM1.00 each representing the entire equity interest in CMS Trust Management Berhad for a total cash consideration of RM23,000,000.

The proposed disposal is subject to the fulfillment of conditions precedent which include, inter-alia, completion of such due diligence as KIBB may opt to undertake, approval of the shareholders of the Vendors and KIBB at extraordinary general meetings to be convened; if applicable, and approval of the Board of Directors of the Vendors and KIBB.

#### iii. Proposed disposal of equity interest in UBG Berhad

On 29 December 2009, Concordance Holdings Sdn. Bhd., a wholly-owned subsidiary, and PPES Works (Sarawak) Sdn. Bhd., a 51%-owned subsidiary, received letters of offer from PetroSaudi International Ltd. to acquire all the ordinary shares of RM0.25 each held by them for a fixed cash consideration of RM2.50 per share. On 8 January 2010, the Board of Directors of both companies approved the said offer. The proposed disposal is subject to the approval of the shareholders of the Company at an extraordinary general meeting to be convened.

### 43. Comparative figures

The presentation and classification of items in the current year's financial statements have been consistent with the previous financial year except for certain comparative figures which have been reclassified to comply with FRS 5 "Non-Current Assets Held for Sale", whereby the investment in UBG Berhad has been classified as "Held For Sale" and the share of results are presented separately on the income statement as a discontinued operation. Accordingly, the consolidated income statement for the financial year ended 31 December 2008 has been restated on a comparable basis.

# Analysis of Shareholdings

as at 22 March 2010

|                                   |  |
|-----------------------------------|--|
| Authorised Share Capital :        | 1,000,000,000 ordinary shares of RM1.00 per share<br>400 non-cumulative redeemable preference shares of RM1.00 per share |
| Issued and Paid-up Share Capital: | 329,445,840 ordinary shares of RM1.00 per share<br>250 non-cumulative redeemable preference shares of RM1.00 per share   |
| Voting Right:                     | One voting right for one ordinary share  |

## Directors' Shareholdings

| Name of Shareholder  | Direct Shareholdings | % of Issued Capital | Indirect Shareholdings  | % of Issued Capital |
|--|----------------------|---------------------|-------------------------|---------------------|
| 1. Dato Sri Mahmud Abu Bekir Taib                                    | 29,400,085           | 8.92                | –                       | –                   |
| 2. General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin | 20,000               | 0.006               | –                       | –                   |
| 3. Datu Michael Ting Kuok Ngie @ Ting Kok Ngie                       | –                    | –                   | 19,000 <sup>2</sup>     | 0.005               |
| 4. Datuk Syed Ahmad Alwee Alsree                                     | –                    | –                   | 45,630,102 <sup>2</sup> | 13.85               |

## Distribution of Shareholdings

| Size of Shareholdings                    | No. of Shareholders | % of Shareholders | No. of Ordinary Shares Held | % of Issued Capital |
|--|---------------------|-------------------|-----------------------------|---------------------|
| 1 to 99                                  | 46                  | 0.68              | 1,242                       | 0.00                |
| 100 to 1,000                             | 1,679               | 24.84             | 1,616,237                   | 0.49                |
| 1,001 to 10,000                          | 3,980               | 58.90             | 17,202,459                  | 5.22                |
| 10,001 to 100,000                        | 925                 | 13.69             | 27,185,000                  | 8.25                |
| 100,001 to less than 5% of issued shares | 123                 | 1.82              | 115,685,270                 | 35.12               |
| 5% and above of issued shares            | 5                   | 0.07              | 167,755,632                 | 50.92               |
| <b>Total</b>                             | <b>6,758</b>        | <b>100.00</b>     | <b>329,445,840</b>          | <b>100.00</b>       |

## Category of Shareholders

| Category                               | No. of Shareholders | % of Shareholders | No. of Ordinary Shares Held | % of Issued Capital |
|--|---------------------|-------------------|-----------------------------|---------------------|
| Individuals                            | 5,478               | 81.06             | 128,552,191                 | 39.02               |
| Banks/Finance companies                | 15                  | 0.22              | 2,973,100                   | 0.90                |
| Investment Trusts/Foundation/Charities | 0                   | 0                 | 0                           | 0                   |
| Industrial and Commercial Companies    | 113                 | 1.67              | 48,973,902                  | 14.87               |
| Government Agencies/Institutions       | 2                   | 0.03              | 26,988,860                  | 8.19                |
| Nominee Companies                      | 1,150               | 17.02             | 121,957,787                 | 37.02               |
| <b>Total</b>                           | <b>6,758</b>        | <b>100.00</b>     | <b>329,445,840</b>          | <b>100.00</b>       |

### Thirty Largest Shareholders as per Record of Depositors

| Name of Shareholder   | No. of Ordinary Shares Held | % of Issued Capital |
|---|-----------------------------|---------------------|
| 1. Majaharta Sdn Bhd  | 44,925,102                  | 13.64               |
| 2. Lejla Taib   | 37,000,000                  | 11.23               |
| 3. YB Dato Sri Sulaiman Abdul Rahman Taib   | 29,465,085                  | 8.94                |
| 4. RHB Capital Nominees (Tempatan) Sdn Bhd<br><i>Pledged securities account for Dato Sri Mahmud Abu Bekir Taib</i>        | 29,400,085                  | 8.92                |
| 5. Sarawak Economic Development Corporation   | 26,965,360                  | 8.19                |
| 6. DB (Malaysia) Nominee (Asing) Sdn Bhd<br><i>Exempt AN for Deutsche Bank AG Singapore (PWM Asing)</i>                   | 11,819,100                  | 3.59                |
| 7. Pui Cheng Wui  | 9,661,805                   | 2.93                |
| 8. UOBM Nominees (Asing) Sdn Bhd<br><i>Exempt AN for Societe Generale Bank &amp; Trust, Singapore Branch (Cust Asset)</i> | 8,448,600                   | 2.56                |
| 9. Malaysia Nominees (Asing) Sdn Bhd<br><i>Pretoria Limited</i>   | 6,000,000                   | 1.82                |
| 10. Malaysia Nominees (Asing) Sdn Bhd<br><i>Kimber Cove Corporation</i>   | 6,000,000                   | 1.82                |
| 11. UOBM Nominees (Asing) Sdn Bhd<br><i>Galliano Holdings Limited</i>   | 6,000,000                   | 1.82                |
| 12. UOBM Nominees (Asing) Sdn Bhd<br><i>Roundsun Assets Limited</i>   | 5,646,200                   | 1.71                |
| 13. UOBM Nominees (Asing) Sdn Bhd<br><i>Taminga Profits Limited</i>   | 5,600,000                   | 1.70                |
| 14. Malaysia Nominees (Asing) Sdn Bhd<br><i>Honeywell Assets Limited</i>  | 5,500,000                   | 1.67                |
| 15. Malaysia Nominees (Asing) Sdn Bhd<br><i>Fullstead Finance Corporation</i>   | 5,287,695                   | 1.61                |
| 16. Malaysia Nominees (Asing) Sdn Bhd<br><i>Bakerville Profits Limited</i>  | 5,146,200                   | 1.56                |
| 17. Chua Sim Neo @ Diana Chua   | 3,698,000                   | 1.12                |
| 18. Jimmy Thomas @ James Abraham Thomas   | 3,301,900                   | 1.00                |
| 19. HSBC Nominees (Asing) Sdn Bhd<br><i>Exempt AN for HSBC Private Bank (Suisse) S.A (Spore Tst Accl)</i>                 | 1,845,000                   | 0.56                |
| 20. Citigroup Nominees (Asing) Sdn Bhd<br><i>CBNY for Dimensional Emerging Markets Value Fund</i>                         | 1,545,200                   | 0.47                |
| 21. Malaysia Nominees (Asing) Sdn Bhd<br><i>Fullearn Assets Inc</i>   | 1,200,000                   | 0.36                |
| 22. Mayban Nominees (Asing) Sdn Bhd<br><i>Pledged Securities Account for San Tuan Sam</i>                                 | 1,064,100                   | 0.32                |
| 23. Employees Provident Fund Board  | 937,400                     | 0.28                |
| 24. Amsec Nominees (Tempatan) Sdn Bhd<br><i>Amtrustee Berhad for Pacific Pearl Fund</i>                                   | 915,500                     | 0.28                |

## Analysis of Shareholdings as at 22 March 2010

### Thirty Largest Shareholders as per Record of Depositors (contd.)

| Name of Shareholder   | No. of Ordinary Shares Held | % of Issued Capital |
|---|-----------------------------|---------------------|
| 25. Amanahraya Trustees Berhad<br><i>Public Global Select Fund</i>  | 830,000                     | 0.25                |
| 26. Citigroup Nominees (Asing) Sdn Bhd<br><i>CBNY for DFA Emerging Markets Small Cap Series</i>                 | 823,600                     | 0.25                |
| 27. Ting Pik King   | 755,100                     | 0.23                |
| 28. Datin Hanifah Hajar Taib  | 705,000                     | 0.21                |
| 29. Mayban Nominees (Tempatan) Sdn Bhd<br><i>Pledged Securities Account for Li Cheng Thong @ Lee Chen Thung</i> | 670,000                     | 0.20                |
| 30. Goh Peng Cheong   | 620,000                     | 0.19                |
| <b>Total</b>  | <b>261,776,032</b>          | <b>79.46</b>        |

### Substantial Shareholders as per Register of Substantial Shareholders, excluding nominee companies

| Name of Substantial Shareholders            | Direct Shareholding | Indirect Shareholding   | % of Issued Capital |
|---|---------------------|-------------------------|---------------------|
| 1. Datin Hanifah Hajar Taib                 | 705,000             | 44,925,102 <sup>1</sup> | 13.85               |
| 2. Datuk Syed Ahmad Alwee Alsree            | –                   | 45,630,102 <sup>2</sup> | 13.85               |
| 3. Majaharta Sdn. Bhd.                      | 44,925,102          | –                       | 13.64               |
| 4. Jamilah Hamidah Taib                     | –                   | 44,925,102 <sup>1</sup> | 13.64               |
| 5. Lejla Taib                               | 37,000,000          | –                       | 11.23               |
| 6. YB Dato Sri Sulaiman Abdul Rahman Taib   | 29,465,085          | –                       | 8.94                |
| 7. Dato Sri Mahmud Abu Bekir Taib           | 29,400,085          | –                       | 8.92                |
| 8. Sarawak Economic Development Corporation | 26,965,360          | –                       | 8.19                |

<sup>1</sup> Deemed interest pursuant to Section 6A of the Companies Act, 1965

<sup>2</sup> Deemed interest pursuant to Section 134 (12) (c) of the Companies Act, 1965

# List of Properties

as at 31 December 2009

| 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) |
|--|-----------------------------------|----------------------|------------------------|------------------|--------------------------------------|---|------------------|---------------------|
| Lot 4747, Block 18, Salak Land District Kuching                          | 2009                              | Mixed zone land      | Vacant Land            | Leasehold        | 47 years (2056)                      | 0.033 / N/A   | –                | 421,083             |
| Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate Kuching   | 1996                              | Land & cement mill   | Office & factory       | Leasehold        | 27 years (2036)                      | 6.25 / 15,223   | 32 years*        | 19,943,100          |
| * The age of the new office extension and canteen is 11 years            |                                   |                      |                        |                  |                                      |   |                  |                     |
| Lot 766, Block 20, Kemena Land District Bintulu                          | 1997                              | Land & cement mill   | Office & factory       | Leasehold        | 53 years (2062)                      | 6.88 / 68,797   | 13 years         | 17,563,600          |
| Lot 767, Block 20, Kemena Land District Bintulu                          | 1997                              | Land                 | Vacant Land            | Leasehold        | 53 years (2062)                      | 10.125 / N/A  | –                | 6,882,032           |
| Lot 571, Block 4, Sentah Segu Land District Kuching                      | 1992/2002                         | Land & Clinker Mill  | Office & factory       | Leasehold        | 34.4 years (2042)                    | 24.15 / 53,877  | 12 years         | 46,419,292          |
| Lot 528, Block 4, Sentah Segu Land District Kuching                      | 1996                              | Land                 | Vacant Land            | Leasehold        | 2.5 years (2011)                     | 0.11 / N/A  | –                | 1,005               |
| Lot 872, Block 4, Sentah Segu Land District Kuching                      | 1996                              | Land                 | Vacant Land            | Leasehold        | 3.8 years (2012)                     | 0.218 / N/A   | –                | 3,402               |
| Lot 415, Block 32, Kemena Land District Bintulu                          | 1996                              | Industrial land      | Held for rental income | Leasehold        | 35 years (2044)                      | 2.228 / N/A   | –                | 1,892,551           |
| Lot 34 & 35, Section 15, Kuching Town Land District Nanas Road, Kuching  | 1994                              | 4 storey shophouse   | Held for rental income | Leasehold        | 806 years (2815)                     | 0.41 / 1,400  | 13 years         | 4,193,277           |
| Lot 90, Block 11, Lambir Land District KM17, Miri-Bintulu Road Miri      | 1994 land                         | Mixed zone operation | Premix                 | Leasehold (2054) | 45 years                             | 2.73 / N/A  | –                | 52,649              |
| Lot 444, Block 11, Seduan Land District 8th Mile, Sibu Ulu Oya Road Sibu | 1994                              | Mixed zone land      | Premix operation       | Leasehold        | 46 years (2055)                      | 2.76 / N/A  | –                | 203,629             |
| Lot 71, Block 17, Kuching Central Land District Kuching                  | 1996                              | Mixed zone land      | Quarry operation       | Leasehold        | 47 years (2056)                      | 18.94 / N/A   | –                | 2,019,800           |
| Lot 294, Block 17, Kuching Central Land District Kuching                 | 1996                              | Mixed zone land      | Quarry operation       | Leasehold        | 47 years (2056)                      | 2.75 / N/A  | –                | 473,969             |

## List of Properties as at 31 December 2009

| 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) |
|--|-----------------------------------|---------------------------|---------------------------|-----------|--------------------------------------|---|------------------|---------------------|
| Lot 212, Block 17, Kuching Central Land District Kuching                             | 1996                              | Mixed zone land           | Office & factory          | Leasehold | 47 years (2056)                      | 5.04 / 900  | 12 years         | 1,140,598           |
| Lot 353, Block 17, Kuching Central Land District Kuching                             | 1996                              | Mixed zone land           | Premix operation          | Leasehold | 47 years (2056)                      | 2.24 / N/A  | –                | 347,131             |
| Lot 338, 340 – 345, Block 10, Sentah-Segu Land District Kuching                      | 1996                              | Mixed zone land           | Quarry operation          | Leasehold | 29 years (2038)                      | 3.07/ N/A   | –                | 777,704             |
| Lot 302 – 304, 354 – 357, 362 & 363, Block 17, Kuching Central Land District Kuching | 1999                              | Mixed zone land           | Quarry operation          | Leasehold | 815 years (2824)                     | 4.27/ N/A   | –                | 3,451,804           |
| Lot 342 – 343, Block 17, Kuching Central Land District Kuching                       | 1999                              | Mixed zone land           | Quarry operation          | Leasehold | 15 years (2024)                      | 0.74 / N/A  | –                | 192,591             |
| Lot 134, Section 64, Kuching Town Land District Kuching                              | 1998                              | Mixed zone land           | Jetty and land            | Leasehold | 49 years (2058)                      | 0.43 / N/A  | 12 years         | 1,304,642           |
| Lot 2128, Sublot 2, Kuching Town Land District Kuching                               | 1998                              | 3-Storey shophouse        | Office                    | Leasehold | 51 years (2060)                      | 0.012 / 334.45  | 12 years         | 396,804             |
| Lot 2116, Sublot 2, Kuching Town Land District Kuching                               | 2003                              | 3-Storey corner shophouse | Office                    | Leasehold | 51 years (2060)                      | 0.012 / 327.6   | 12 years         | 488,314             |
| Lot 493, Block 5, Muara Tebas Land District Sejingkat, Kuching                       | 1996                              | Mixed zone land           | Vacant land               | Freehold  | In perpetuity                        | 1.223 / N/A   | –                | 254,956             |
| Lot 494, Block 5, Muara Tebas Land District Sejingkat, Kuching                       | 1998                              | Mixed zone land           | Vacant land               | Leasehold | 28 years (2037)                      | 0.53 / N/A  | –                | 80,800              |
| Lot 488, Block 5, Muara Tebas Land District Sejingkat, Kuching                       | 1996                              | Mixed zone land           | Vacant land               | Leasehold | 17 years (2026)                      | 2.70 / N/A  | –                | 312,250             |
| Lot 1319, Block 7, Muara Tebas Land District, Sejingkat, Kuching.                    | 1997                              | Mixed zone land           | Land held for development | Leasehold | 87 years (2096)                      | 26.4 / N/A  | –                | 22,283,704          |
| Lot 2342, Block 7, Muara Tebas Land District Sejingkat, Kuching                      | 1997                              | Mixed zone land           | Land held for development | Leasehold | 87 years (2096)                      | 38.2 / N/A  | –                | 79,816,628          |



| 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) |
|--|-----------------------------------|-----------------|------------------------------------|-----------|--------------------------------------|---|------------------|---------------------|
| Lot 2345, Block 7, Muara Tebas Land District Sejingkat, Kuching                      | 1997                              | Mixed zone land | Land held for development          | Leasehold | 87 years (2096)                      | 33.2 / N/A  | –                | 28,023,445          |
| Lot 622, Section 66, Kuching Town Land District Kuching                              | 1998                              | Mixed zone land | Land held for development          | Leasehold | 49 years (2058)                      | 3.14 / N/A  | –                | 3,671,118           |
| Lot 744, Section 66, Kuching Town Land District Kuching                              | 1998                              | Mixed zone land | Land held for development          | Leasehold | 49 years (2058)                      | 14.508 / N/A  | –                | 16,850,308          |
| Lot 2082, Section 66, Kuching Town Land District Kuching                             | 1996                              | Land & factory  | Office & factory                   | Leasehold | 36 years (2045)                      | 0.85 / 3,936  | 26 years         | 2,571,865           |
| Parcel 42, Block 71, Kuching Central Land District Kuching                           | –                                 | **              | Quarry operation                   | –         | –                                    | N/A / 1,262   | 17 years         | 176,646             |
| G.N. No.100 Sebuyau, Kota Semarahan Division Kuching                                 | –                                 | **              | Jetty                              | –         | –                                    | N/A   | 10 years         | 345,901             |
| Lot 846, Block 9, Salak Land District Kuching  | 1999                              | Mixed zone land | Land held for township development | Leasehold | 89 years (2098)                      | 1,544.61 / N/A  | –                | 11,509,984          |
| Lot 3284, 3765, 3986, 3990, 3992 – 3994 & 3541, Block 9, Salak Land District Kuching | 1999                              | Mixed zone land | Land held for township development | Leasehold | 89 years (2098)                      | 65.85 / N/A   | –                | 520,793             |
| Lot 1, Block 13, Salak Land District Kuching   | 1999                              | Mixed zone land | Land held for township development | Leasehold | 89 years (2098)                      | 349.70 / N/A  | –                | 2,710,680           |
| Lot 449, Block 15, Salak Land District Kuching                                       | 2007                              | Mixed zone land | Land & school                      | Leasehold | 58 years                             | 7.49 / 5,321.85                                       | 3 years          | 19,453,437          |
| Lot 2221, Block 17, Menuku Land District Kuching                                     | 2008                              | Mixed zone land | Quarry operation                   | Freehold  | In perpetuity                        | 0.82 / N/A  | –                | 161,347             |
| Lot 360 & 361, Block 17, Kuching Central Land District Kuching                       | –                                 | **              | Temporary sheet pile               | –         | –                                    | –   | 1 year           | 412,313             |

\*\* Land owned by third party

#### Revaluation Policy

The Group does not adopt a policy of regular revaluation.

# Group Directory

## **Cahaya Mata Sarawak Berhad** (21076-T)

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

Level 33, Menara Maxis  
Kuala Lumpur City Centre  
50088 Kuala Lumpur  
T +60 3 2078 9133  
F +60 3 2078 7233

## **Construction Materials**

### **CMS Cement Sdn. Bhd.** (321916-K)

Lot 5895, Jalan Simen Raya  
P O Box 2000  
Pending Industrial Estate  
93450 Kuching  
T +60 82 332 111  
F +60 82 334 537

### **CMS Clinker Sdn. Bhd.** (49256-V)

Lot 571, Block 4  
Sentah Segu Land District  
Jalan Mambong  
P O Box A599  
93810 Kuching  
T +60 82 610 229  
F +60 82 610 227

### **CMS Concrete Products Sdn. Bhd.** (366884-X)

Lot 212, Block 17, KCLD  
Jalan Old Airport  
93250 Kuching  
T +60 82 614 406  
F +60 82 614 406

### **PPES Concrete Product Sdn. Bhd.** (152276-P)

Lot 212, Block 17, KCLD  
Jalan Old Airport  
93250 Kuching  
T +60 82 614 406  
F +60 82 614 406

### **CMS Wires Sdn. Bhd.** (23092-U)

Lot 87, Lorong Tenaga 2  
Off Jalan Tenaga  
Locked Bag 3039  
Bintawa Industrial Estate  
93450 Kuching  
T +60 82 484 924  
F +60 82 486 085

### **CMS Resources Sdn. Bhd.** (98773-T)

7th Mile, Kuching-Serian Road  
93350 Kuching  
T +60 82 610 226  
F +60 82 612 434

### **CMS Quarries Sdn. Bhd.** (121767-D)

7th Mile, Kuching-Serian Road  
93350 Kuching  
T +60 82 615 605, 610 226  
F +60 82 615 598

### **CMS Penkuari Sdn. Bhd.** (27895-T)

7th Mile, Kuching-Serian Road  
93250 Kuching  
T +60 82 614 913  
F +60 82 614 923

### **CMS Premix Sdn. Bhd.** (117700-W)

Lot 353, Block 17, 7th Mile  
Penrissen Road  
93250 Kuching  
T +60 82 614 208  
F +60 82 614 626

### **CMS Premix (Miri) Sdn. Bhd.** (218541-T)

Mile 11, Miri-Bintulu Road  
98000 Miri  
T +60 85 491 136  
F +60 85 491 136

## **Similajau Development**

### **Sarawak Aluminium Company Sdn. Bhd.** (783974-K)

### **Similajau Aluminium Industries Sdn. Bhd.** (783329-P)

### **Similajau Industries Sdn. Bhd.** (783430-V)

Level 6, Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching  
T +60 82 238 888  
F +60 82 338 611

## **Construction**

### **PPES Works (Sarawak) Sdn. Bhd.** (209892-K)

1st – 4th Floor  
Lot 621 – 623, Section 62, KTLD  
Jalan Padungan  
93100 Kuching  
T +60 82 340 588  
F +60 82 340 695

## Property Development

**Projek Bandar Baru Samariang Sdn. Bhd.** (443828-P)

**CMS Property Development Sdn. Bhd.** (321917-U)

**CMS Property Management Sdn. Bhd.** (326616-U)

**CMS Development Services Sdn. Bhd.** (366880-P)

**CMS Land Sdn. Bhd.** (410797-H)

Level 5, Wisma Mahmud

Jalan Sungai Sarawak

93100 Kuching

T +60 82 237 777

F +60 82 252 652

**CMS Hotels Sdn. Bhd.** (690299-T)

**CMS River Bus Sdn. Bhd.** (317047-P)

Level 6, Wisma Mahmud

Jalan Sungai Sarawak

93100 Kuching

T +60 82 238 888

F +60 82 333 828

## Services

**CMS Infra Trading Sdn. Bhd.** (196635-M)

**CMS Agrotech Sdn. Bhd.** (859264-P)

No. 2128, Sublot 2

Jalan Utama, Pending

93450 Kuching

T +60 82 348 950

F +60 82 348 952

**CMS I-Systems Berhad** (227507-D)

Level 13, Kelana Brem Tower 1

Jalan SS 7/15, Kelana Jaya

47301 Petaling Jaya

Selangor Darul Ehsan

T +60 3 7492 2238

F +60 3 7492 2268

**CMS Education Sdn. Bhd.** (392555-A)

**CMS Energy Sdn. Bhd.** (343095-A)

**CMS Global (BVI) Ltd.** (672792)

Level 6, Wisma Mahmud

Jalan Sungai Sarawak

93100 Kuching

T +60 82 238 888

F +60 82 333 828

**Tunku Putra School** (392555-A)

Jalan Stadium

Petra Jaya

93050 Kuching

T +60 82 313 900

F +60 82 313 970

## Others

**Concordance Holdings Sdn. Bhd.** (73782-U)

**CMS Capital Sdn. Bhd.** (120674-T)

Level 6, Wisma Mahmud

Jalan Sungai Sarawak

93100 Kuching

T +60 82 238 888

F +60 82 333 828

**CMS Opus Private Equity Sdn. Bhd.** (694013-H)

Level 33, Menara Maxis

Kuala Lumpur City Centre

50088 Kuala Lumpur

T +60 3 2031 9008

F +60 3 2031 4008

## Associates

**UBG Berhad** (240931-X)

Level 70, Tower 2

Petronas Twin Towers

Kuala Lumpur City Centre

50088 Kuala Lumpur

T +60 3 2332 0222

F +60 3 2332 0333

**K&N Kenanga Holdings Berhad** (302859-X)

8th Floor, Kenanga International

Jalan Sultan Ismail

50250 Kuala Lumpur

T +60 3 2162 1490

F +60 3 2161 4990

**KKB Engineering Berhad** (26495-D)

Lot 865, Section 66

Jalan Kilang

Bintawa Industrial Estate

93450 Kuching

T +60 82 333 877

F +60 82 331 152

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-fifth Annual General Meeting of the Company will be held at Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak on Thursday, 27 May 2010 at 11:00 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the year ended 31 December 2009 and the Reports of the Directors and Auditors thereon.

**(Ordinary Resolution 1)**

2. To declare a first and final dividend of 5 sen per share less 25% income tax for the year ended 31 December 2009.

**(Ordinary Resolution 2)**

3. To re-elect the following Directors who retire in accordance with Article 110 of the Company's Articles of Association and are offering themselves for re-election:-

- a. Y Bhg Datuk Syed Ahmad Alwee Alsree

**(Ordinary Resolution 3)**

- b. Y Bhg Dato' Richard Alexander John Curtis

**(Ordinary Resolution 4)**

- c. Mr Kevin How Kow

**(Ordinary Resolution 5)**

4. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129 of the Companies Act, 1965:-

"THAT YBhg Dato Sri Liang Kim Bang, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."

**(Ordinary Resolution 6)**

5. To approve the payment of Directors' fees for the year ended 31 December 2009.

**(Ordinary Resolution 7)**

6. To re-appoint Messrs. Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

**(Ordinary Resolution 8)**

## As Special Business

To consider, and if thought fit, to pass the following Resolutions:

7. Proposed Amendments to the Articles of Association of the Company

**(Special Resolution)**

"THAT the Articles of Association of the Company be amended in the manner as set out in Appendix II in the Circular to Shareholders dated 30 April 2010".

8. Proposed renewal of Shareholders' Mandate for the Company and its subsidiaries (hereinafter referred to as "CMS Group") to enter into recurrent related party transactions of a revenue or trading nature with the related parties ("Proposed Shareholders' Mandate")

**(Ordinary Resolution 9)**

"THAT, subject always to the Main Market Listing Requirements of Bursa Securities Malaysia Berhad, approval be and is hereby given to the Company and/or its subsidiary to enter into recurrent related party transactions of a revenue or trading nature with those related parties as set out in Section 3.3 of the Circular to Shareholders dated 30 April 2010 ("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 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 ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at a general meeting the authority is renewed; or
  - ii. the expiration of the period within which the next AGM of the Company subsequent to the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
  - iii. revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate.

AND THAT the estimated value given on the recurrent related party transactions specified in Section 3.4 of the Circular being provisional in nature, the Directors of the Company be hereby authorised to agree to the actual amount or amounts thereof provided always that such amount or amounts comply with the review procedures set out in Section 3.7 of the Circular."

## Notice of Dividend Payment

NOTICE IS HEREBY GIVEN that the first and final dividend of 5 sen per share less 25% income tax for the financial year ended 31 December 2009, if approved at the above Annual General Meeting, will be paid on 23 July 2010 to Depositors whose names appear in the Record of Depositors on 30 June 2010.

A Depositor shall qualify for entitlement only in respect of:-

- a. Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 30 June 2010 in respect of transfers;
- b. Shares bought on Bursa Malaysia on a cum entitlement basis according to the Rules of Bursa Malaysia.

By Order of the Board

**Denise Koo Swee Pheng**  
Group Company Secretary  
Kuching, Sarawak  
30 April 2010

### Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. **If the proxy is not a member of the Company, he/she must be a Director of the Company, an advocate, an approved company auditor, a person approved by the Registrar of Companies in a particular case or an attorney under power of attorney.**
2. A corporation must complete this form of proxy under its common seal or under the hand of a duly authorised officer or attorney.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. This form of proxy, duly signed, 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 AGM or any adjournment thereof.
5. Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.
6. If you have appointed a proxy or proxies who is/are not member(s) of CMS to attend the AGM on your behalf, please ensure that the proof of eligibility of the proxy or proxies is/are enclosed with the Form of Proxy submitted and the original counterpart of such proof of eligibility is/are presented by your proxy or proxies during the registration of the AGM for verification purposes.

### Explanatory Notes On Special Business:

#### (Special Resolution)

- **Proposed Amendments to the Articles of Association of the Company**

The proposed Special Resolution, if passed, is to update the Articles of Association of the Company to be in line with Bursa Malaysia Securities Berhad's directive on the implementation of eDividend.

#### (Ordinary Resolution 9)

- **Proposed Shareholders' Mandate**

The proposed Ordinary Resolution 9, if passed, will enable the CMS Group to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations, provided such 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 the minority shareholders.

Please refer to the Circular to Shareholders dated 30 April 2010 for further information.

# Statement Accompanying The Notice of Annual General Meeting

Further details of Directors seeking re-election/re-appointment at the Annual General Meeting

| Name  | Y Bhg Datuk Syed Ahmad Alwee Alsree   | Y Bhg Dato' Richard Alexander John Curtis   | Mr Kevin How Kow  | Y Bhg Dato Sri Liang Kim Bang                                 |
|---|---|---|---|---|
| Age   | 44  | 58  | 61  | 73  |
| Nationality   | Singaporean   | Malaysian<br>Permanent Resident   | Malaysian   | Malaysian   |
| Designation   | Group Executive Director  | Group Managing Director   | Independent<br>Non-Executive Director   | Senior Independent<br>Non-Executive Director                  |
| Date first appointed on the Board   | 4 September 2006  | 4 September 2006  | 12 March 2004   | 26 June 1986  |
| Working experience and occupation   | As per profile in page 30   | As per profile in page 31   | As per profile in page 32   | As per profile in page 31                                     |
| Directorships in other public companies                                       | CMS I-Systems Berhad<br>CMS Foundation<br>CMS Global (BVI) Ltd<br>CMS Trust Management Berhad<br>KKB Engineering Berhad<br>Loh & Loh Corporation Berhad<br>K&N Kenanga Holdings Berhad<br>UBG Berhad  | K&N Kenanga Holdings Berhad<br>Kenanga Investment Bank Berhad<br>Yayasan Raja Muda Selangor | CMS I-Systems Berhad<br>K&N Kenanga Holdings Berhad<br>Kenanga Investment Bank Berhad<br>Sarawak Cable Berhad<br>Sabah Development Bank Berhad<br>Saham Bank Berhad | UBG Berhad<br>PPB Group Berhad<br>CMS Trust Management Berhad |
| Securities holdings in the Company and its subsidiaries                       | 45,630,102 ordinary shares of RM1.00 each in Cahya Mata Sarawak Berhad (Deem interest pursuant to Section 134 (12)(c) of the Companies Act, 1965)   | None  | None  | None  |
| Family relationship with any Director and/or major shareholder of the company | He is a brother-in-law of Dato Sri Mahmud Abu Bekir Taib (director and major shareholder of CMS), Jamilah Hamidah Taib and YB Dato Sri Sulaiman Abdul Rahman Taib (major shareholders of CMS). He is the spouse of Datin Hanifah Hajar Taib (major shareholder of CMS). | None  | None  | None  |
| Conflict of interest with the Company   | None  | None  | None  | None  |
| List of convictions for offences within the past 10 years                     | None  | None  | None  | None  |
| No. of the Company's Board meetings attended in the financial year            | 8 / 8 (100%)  | 8 / 8 (100%)  | 8 / 8 (100%)  | 7 / 8 (88%)   |

# Form of Proxy



**CAHYA MATA SARAWAK BERHAD**  
(Company No.: 21076-T)  
(Incorporated in Malaysia)

No. of Shares Held: \_\_\_\_\_

I/We (full name) \_\_\_\_\_ NRIC / Co. No. \_\_\_\_\_

of (full address) \_\_\_\_\_

being a member/members of Cahya Mata Sarawak Berhad hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or, failing him, the Chairman of the Meeting as my/our proxy to attend and vote for me/us and on my/our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held at Meeting Room 14, Borneo Convention Centre Kuching, The Isthmus, Sejingkat, 93050 Kuching, Sarawak on Thursday, 27 May 2010 at 11:00 a.m. and at any adjournment thereof.

| No. | Resolutions  | For | Against |
|-----|--|-----|---------|
| 1.  | Receive the Audited Financial Statements and Reports of the Directors and Auditors thereon |     |         |
| 2.  | Declaration of First and Final Dividend  |     |         |
| 3.  | Re-election of Y Bhg Datuk Syed Ahmad Alwee Alsree as Director                             |     |         |
| 4.  | Re-election of Y Bhg Dato' Richard Alexander John Curtis as Director                       |     |         |
| 5.  | Re-election of Mr Kevin How Kow as Director  |     |         |
| 6.  | Re-appointment of Y Bhg Dato Sri Liang Kim Bang as Director                                |     |         |
| 7.  | Approval of Directors' fees for the year ended 31 December 2009                            |     |         |
| 8.  | Re-appointment of Auditors   |     |         |
| 9.  | Proposed Amendments to the Articles of Association of the Company                          |     |         |
| 10. | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions         |     |         |

Date: \_\_\_\_\_ 2010

Signature \_\_\_\_\_

## Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. **If the proxy is not a member of the Company, he/she must be a Director of the Company, an advocate, an approved company auditor, a person approved by the Registrar of Companies in a particular case or an attorney under power of attorney.**
2. A corporation must complete this form of proxy under its common seal or under the hand of a duly authorised officer or attorney.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.
4. This form of proxy, duly signed, 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 AGM or any adjournment thereof.
5. Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.
6. If you have appointed a proxy or proxies who is/are not member(s) of CMS to attend the AGM on your behalf, please ensure that the proof of eligibility of the proxy or proxies is/are enclosed with the Form of Proxy submitted and the original counterpart of such proof of eligibility is/are presented by your proxy or proxies during the registration of the AGM for verification purposes.



Folding line

Stamp

**The Company Secretary**  
Cahya Mata Sarawak Berhad (21076-T)  
Level 6 Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching, Sarawak

Folding line

Folding line



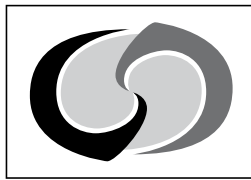
CMS' Annual Report 2009 dedicates its cover to the completed new Dewan Undangan Negeri (DUN) Sarawak building, home of the Sarawak State Legislative Assembly. Located on the banks of Sungai Sarawak in Kuching, the imposing 9 storey building is an architectural wonder incorporating elements unique to the rich cultural heritage of Sarawak. Officially opened in July 2009, CMS subsidiary, PPES Works, was proud to have been the Main Project Developer of this magnificent Sarawak icon.

## CAHYA MATA SARAWAK BERHAD 21076-T

Wisma Mahmud, Jalan Sungai Sarawak  
93100 Kuching, Sarawak, Malaysia

T +60 82 238 888  
F +60 82 333 828

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



## CAHYA MATA SARAWAK

30 April 2010

Dear Shareholder,

RE: Implementation of Electronic Dividend Payment (eDividend)

---

We are pleased to inform you that Cahya Mata Sarawak Berhad ("the Company") will be providing eDividend to Shareholders to be implemented in the third quarter of 2010. The eDividend is a service which allows the Company to electronically pay your cash dividend entitlement directly into your bank account. One of the main objectives of implementing eDividend is to promote greater efficiency of the payment system which is aligned to the national agenda of migrating to electronic payment.

### 1. Benefits of eDividend

1.1 eDividend extends to all companies listed on Bursa Malaysia Securities Berhad ("listed issuers") and provides, amongst others, faster access to your cash dividends, eliminates the inconvenience of having to deposit the dividend cheques and problems such as misplaced, lost or expired cheques, and unauthorized deposit of dividend cheques.

1.2 When you register for eDividend, you will enjoy the following additional benefits:-

- (a) the convenience of a one-off registration for entitlement to eDividend from all listed issuers; and
- (b) the option to consolidate the dividends from all your Central Depository System ("CDS") accounts into one bank account for better account management.

### 2. Registration for eDividend

2.1 To register, you can start providing your bank account information to Bursa Depository through your Authorised Depository Agent ("ADA")/ stockbroker commencing from **19 April 2010** for a period of 1 year until 18 April 2010, at no cost to the shareholders. The sooner you provide your bank account information, the sooner you will be able to benefit from the advantage of eDividend. If you register after the 1 year period, an administrative charge will be imposed.

A prescribed form can be obtained from your stockbroker's office where your CDS account is maintained, or downloaded from Bursa Malaysia's website at <http://www.bursamalaysia.com>.

2.2 You need to submit to your stockbroker's office where your CDS account is maintained, the duly completed prescribed form and the following for registration:-

- (a) Individual depositor: Copy of identification documents i.e. NRIC, Passport, Authority Card or other acceptable identification documents. Original documents must be produced for your stockbroker's certification;

Corporate depositor: Certified true copy of the Certification of Incorporation/ Certificate of Registration; and

- (b) Copy of your bank statement/ bank savings book/ details of your bank account obtained from your bank website that has been certified by your bank/ copy of letter from your bank confirming your bank account particulars. For individuals, original documents must be produced for your stockbroker's verification. For corporate entities, a certified true copy is to be submitted.

### CAHYA MATA SARAWAK BERHAD (Company No. 21076-T)

Head Office: Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak, Malaysia  
P. O. Box 2710, 93754 Kuching, Sarawak, Malaysia

Tel: +6 082 238 888 Fax: +6 082 333 828

Kuala Lumpur Office: Level 33, Suite A, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia

Tel: +6 03 2078 9133 Fax: +6 03 2072 5511



CAHYA MATA SARAWAK

If the CDS account is held in the name of a nominee, the nominee will register for the eDividend.

2.3 If you are not able to be present at your stockbroker's office to submit the prescribed form and supporting documents, please ensure that the signing of the prescribed form and the supporting documents have been witnessed by an acceptable witness specified by Bursa Depository. In this regard, an acceptable witness includes an Authorised Officer of your stockbroker, a Dealer's Representative, a notary public and Authorised Officer of the Malaysian embassy/ High Commission.

3. **Notification of eDividend payment after registration**

3.1 You are encouraged to provide in the prescribed form to Bursa Depository both your mobile phone number and e-mail address, if any. This is to enable the Company to issue electronic notification to you either via SMS or e-mail, at the discretion of the Company, once the company has paid the cash dividend out of its account. Please note that if you provide only your mobile phone number, you may only be notified of the cash dividend payment when you receive your dividend warrant or tax voucher.

4. **Additional information for shareholders**

4.1 Your savings or current account, must be an active bank account, maintained with a local bank under your name or in case of a joint account, has your name as one of the account holders. It must also be a bank account with a financial institution that is a member of the Malaysia Electronic Payment System Inter-Bank GIRO (IBG), which can be found on this website: [http://www.meps.com.my/faq/interbank\\_giro.asp?id=2#answer](http://www.meps.com.my/faq/interbank_giro.asp?id=2#answer).

4.2 Your bank account particulars and other related information are protected under the Securities Industry (Central Depositories) Act 1991 which strictly prohibits the disclosure of such information to any person unless you expressly authorise the disclosure in writing. For eDividend purposes, you will be authorizing disclosure of your bank account particulars and other related information to persons necessary to facilitate the eDividend such as the Company, the share registrar and the appointed paying banks.

4.3 Once you have registered for eDividend, any cash dividend entitlement of which the books closure date is announced by the Company on or after 1 September 2010, shall be paid to you via eDividend.

4.4 Dividend will be paid by the Company on the payment date. Generally, your dividend will be credited into your bank account within the same day of payment depending on your bank's processes.

We look forward to a successful implementation of eDividend through your active participation, and to serving you better as our valued shareholders. If you have any query relating to our eDividend service, please do not hesitate to contact our share registrars, Symphony Share Registrars Sdn Bhd at 03-7841 8000.

Thank you.

Yours faithfully  
**DATO' RICHARD ALEXANDER JOHN CURTIS**  
Group Managing Director