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Overall Objective of the ROAR Strategy:

**Align our CMS businesses
in terms of**

1. Strategy
2. Structure
3. Systems
4. Skills
5. Culture

**ROAR Ahead
2008**

Advance

July – Dec 07

Organise

Jan – June 07

Restructure

Sept – Dec 06

In late 2006, we launched an internal campaign called the ROAR Strategy aimed at aligning our businesses and the way we work towards building CMS' performance capability.

Our efforts in 2007 were focused on implementing this strategy.

Here's how we did.

Advance

- ☒ Acquire & invest in core strategic business units
- ☒ Complete divestments & receive monies
- ☒ Build 'On spec, On time' reputation
- ☒ Third parties seek CMS as a business partner of choice
- ☒ Develop succession planning at key management positions

Restructure & Organise

- | | |
|---|---|
| <input checked="" type="checkbox"/> Define new Vision, Mission & Strategic Objectives | <input checked="" type="checkbox"/> Finalise divestment of non-fit businesses |
| <input checked="" type="checkbox"/> Increase profit margins | <input checked="" type="checkbox"/> Develop 3-year Business Plans |
| <input checked="" type="checkbox"/> Reduce overheads | <input checked="" type="checkbox"/> Develop business risk procedures |
| <input checked="" type="checkbox"/> Re-engineer business processes | <input checked="" type="checkbox"/> Begin community engagement in Sarawak |
| <input checked="" type="checkbox"/> Align businesses | |

CMS Group Performance in 2007

- Revenue:
RM 2.55 billion
- Profit before tax:
RM 887.44 million
- Net profit attributable to equity holders of the Company:
RM 388.17 million
- Basic earnings per share:
117.82 sen
- Gross dividends per share:
15 sen

Key Products & Services



Cement Manufacturing

CMS Cement, Sarawak's sole cement manufacturer, produces high quality Ordinary Portland cement at 2 plants – Kuching and Bintulu. With an annual production capacity of 1.75 million metric tonnes, the company meets customer demand from throughout the state of Sarawak with an established distribution network.

Clinker Manufacturing

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

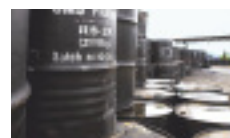


Stone Aggregates (granite, microtonalite, limestone)

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

Premix

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



Concrete Beams

Pre-formed concrete products (square piles, bridge beams, culverts, cement sand bricks, kerbs) are produced by CMS Concrete Products & PPES Concrete Product in Kuching.

Steel Wires

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



CMS at a Glance

Cahaya Mata Sarawak (CMS) is a leading conglomerate listed on the Main Board 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 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

Our Stakeholders

- Shareholders
- Employees
- Customers
- The Community

Trading

CMS Infra Trading is a leading supplier of water treatment chemicals, pipes & fittings, vehicle & equipment spare parts, construction materials, petroleum products & safety equipment for roads.



Technology Solutions

CMS I-Systems develops technology solutions for the insurance & healthcare sectors. Its flagship product is the award winning, InsureConnect. Its current list of clientele includes companies in Malaysia, the ASEAN region & India.



Construction

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



Education

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

Road Maintenance

CMS Roads maintains over 4,000 km of roads throughout Sarawak using an internationally recognised road management & maintenance system.



Unit Trust Funds

CMS Trust Management currently manages 9 funds catering to the various risk appetites of investors. Of all, its equity based CMS Premier Fund has been consistently rated as a top performer for its rates of returns.



Pavement Rehabilitation

CMS Pavement Tech is a specialist provider of construction, maintenance & rehabilitation technology for road pavements using cement stabilisation, pavement profiling & recycling of existing pavements.



Asset Management

CMS Asset Management provides asset management expertise as well as customised investment solutions. Among its clients is CMS Trust Management, for which it has been instrumental in generating the attractive long term returns for these funds.

Property Development

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



Private Equity

CMS Opus Private Equity provides an alternative financing platform to bridge investors in Peninsular Malaysia with under capitalised but potentially profitable companies connected to Sarawak.



Stock Broking

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.

Corporate Information

pg. 004

Directors

Y A M Tan Sri Dato' Seri Syed Anwar Jamalullail

Tuan Haji Mahmud Abu Bekir Taib

YB Dato Sri Sulaiman Abdul Rahman Taib

Y Bhg Dato' Richard Alexander John Curtis

Tuan Syed Ahmad Alwee Alsree

Y Bhg Dato Sri Liang Kim Bang

Y Bhg General (Retired) Tan Sri Dato' Seri
Mohd Zahidi bin Haji Zainuddin

YB Datuk Haji Talib bin Zulpilip

Y Bhg Datuk Wan Ali Tuanku Yubi

Y Bhg Datu Michael Ting Kuok Ngie
@ Ting Kok Ngie

Kevin How Kow

Company Secretary

Denise Koo Swee Pheng

Registered Office

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Website

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Registrar

Symphony Share Registrars Sdn Bhd
Level 26, Menara Multi Purpose
Capital Square
No 8 Jalan Munshi Abdullah
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Malaysia

T +60 3 2721 2222

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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

Stock Exchange Listing

Main Board, Bursa Malaysia Securities Berhad
Stock code: CMSB
Stock number: 2852

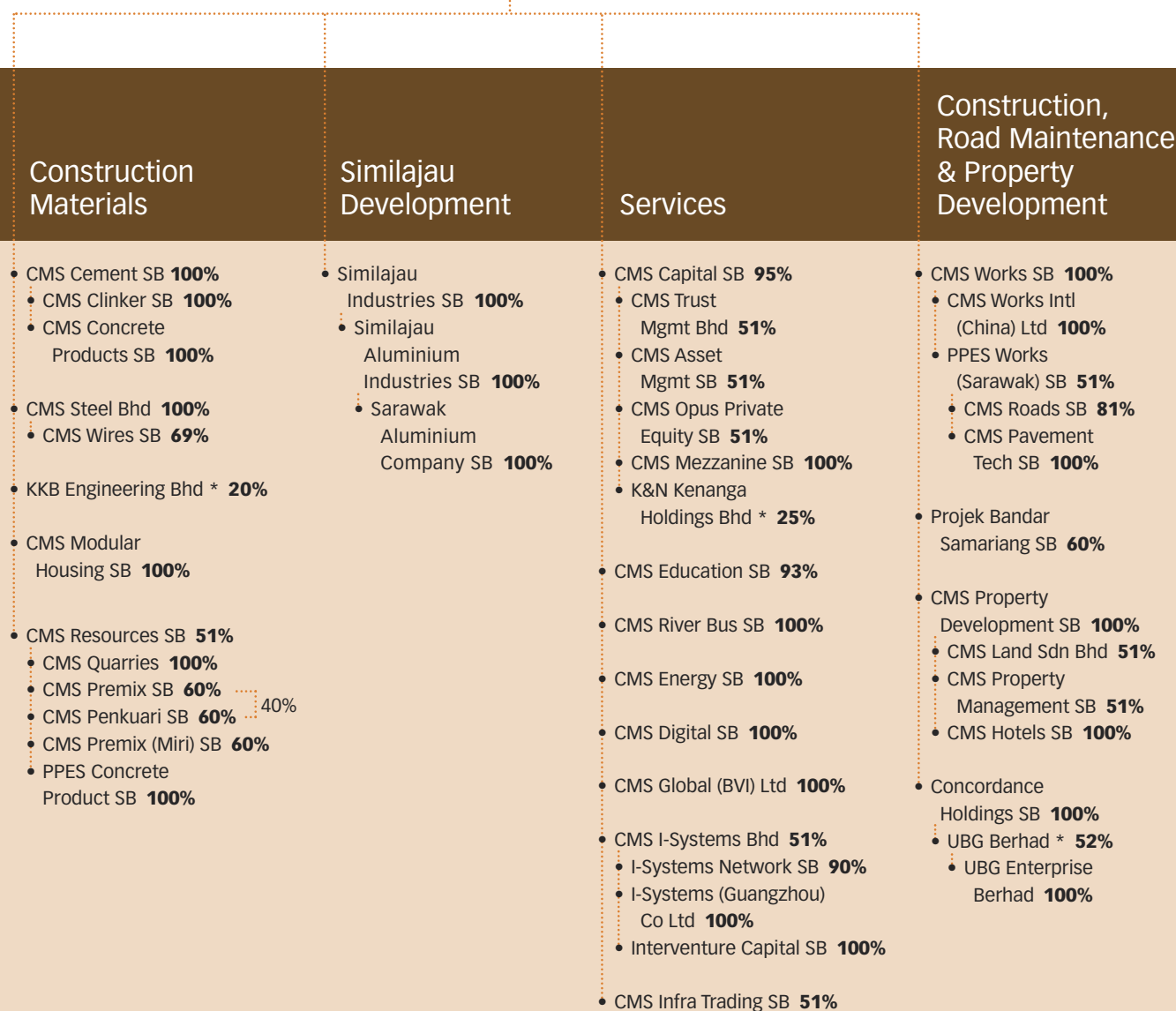
Group Corporate Structure

as at April 2008

pg. 005



CAHYA MATA SARAWAK*



* Listed on Main Board of Bursa Malaysia
SB - Sendirian Berhad

Letter to Shareholders

by Group Chairman

pg. 006

Dear Shareholders,

As Group Chairman, it gives me pleasure to present to you a report on how your company performed in 2007.

CMS Group registered a profit before tax of RM887.44 million compared to RM517.81 million in the year before. The increase in profit was due to the exceptional gain on the sale of the Group's interest in banking group Rashid Hussain Berhad. This has also resulted in a significant improvement in earnings per share from 2.08 sen in 2006 to 117.82 sen in 2007. Thus, in line with our policy of prudent dividend payout, we are proposing to reward you with a gross dividend of 15 sen per share comprising a first and final dividend of 5 sen per share and a special dividend of 10 sen per share for 2007 compared to the 5 sen per share in the previous year.

Overview

The successful sale of the Group's interests in Rashid Hussain Berhad was for RM2.25 billion. In addition to the receipt of RM30.72 million in proceeds from the sale of Utama Merchant Bank Berhad following a favourable outcome of an arbitration in April 2007, these discontinued operations brought in a profit before tax of RM921.72 million after impairment losses of RM144.80 million.

In the continuing operations, the Group registered revenue of RM891.90 million for the 12 months ended 31 December 2007. This resulted in a profit before tax of RM141.55 million before impairment of goodwill on consolidation, impairment in value of investment in an associated company and losses reported by the construction operation totaling RM178.28 million. With this, on a full year basis, the Group's continuing operations registered a loss before tax of RM36.73 million compared to the previous year's profit before tax of RM32.43 million.

Overall, the cement and road maintenance operations achieved higher profits. The construction materials and trading operations achieved comparable results. Better management led to lower losses in the services businesses, whilst the continued soft property market conditions in Sarawak affected the related operation last year. And had it not been for a provision for loss on a single project, our construction operation would have recorded a profit above expectations.

Y A M Tan Sri Syed Anwar Jamalullail
Group Chairman



Apart from improving the Group's bottom-line, we also enhanced our corporate governance. It is my firm belief that good governance means good business. And in 2007, we implemented a number of new processes and reporting measures to better manage our operations for future growth.

Outlook & Prospects

The Malaysian economy grew at 6.3% in 2007, the strongest showing since 2004. The growth prospects are expected to remain favourable in 2008 on the back of continued expansion of domestic demand, especially with the implementation of projects under the 9th Malaysia Plan. Similar positive expectations apply for Sarawak's economy which will benefit from the recently launched Sarawak Corridor of Renewable Energy (SCORE). There is much potential for CMS to play a role in SCORE, both directly and indirectly.

With the developments happening in Sarawak and nationally, we look forward to an exciting but challenging year ahead especially with the external uncertainties. All the same, the CMS team is mindful that the operating environment continues to remain competitive and ever-changing. We are confident that the prudent and strong measures taken in the recent past to align and strengthen our Group will position us for sustainable growth in the future.

Appreciation

Ladies and Gentlemen, the Group handled change management well in 2007, demonstrating resilience and tenacity to stay the course for success, both in good and bad times. For this, I would like to thank all 2,000 plus CMS employees, members of the Management teams and Boards, at the Group and subsidiary levels, for their commitment and fine efforts. Thank you also for the support from various external parties that CMS works with – Government departments, agencies, vendors, suppliers and business partners.

On behalf of the Board, I would also like to express our appreciation to our Director, YB Dato Sri Sulaiman Abdul Rahman Taib, who has decided not to seek re-election. In total, YB Dato Sri Sulaiman had been on the Board of CMS for more than 13 years, serving in various capacities including as Group Chairman. YB Dato Sri Sulaiman is now a member of the Federal Cabinet, and we wish him every success in his future undertakings.

And last but not least, special thanks go to our shareholders who believe in us and our future. With your continued support, guidance and confidence, let us together transform CMS into a respected and preferred Malaysian company.



Y A M Tan Sri Syed Anwar Jamalullail
Group Chairman
on behalf of the Board of Directors
7 April 2008

Looking Back on 2007

pg. 008

January

23/01 – CMS I-Systems Berhad inked a deal with prominent Indonesian insurance underwriter, PT. Citra International Underwriters, for the implementation of its General Insurance Management System.

25/01 – Tunku Putra School received academic accolades for its excellent results in the 2006 IGCSE 'O' level examinations. Students achieved 100% pass rate in all papers with outstanding results in Mathematics and Science.

February

12/02 – CMS Premier Fund was named "Best Equity Malaysia Fund" in the 10-year category for the period ended 31 December 2006 at The Edge-Lipper Malaysia Fund Awards 2007.

14/02 – CMS Trust Management garners more wins! CMS Premier Fund was announced "Winner of the Equity Malaysia (10 Year) Category" whilst CMS Islamic Fund clinched the "Winner of the Sector – Islamic Syariah (1 Year) Category" award at the Standard & Poor's 2007 Malaysia Fund Awards.

April

04/04 – Utama Banking Group Berhad ("UBG") entered into a conditional Sale & Purchase Agreement with EPF for the disposal of UBG's 32.8% equity in Rashid Hussain Berhad ("RHB") for RM2.25 billion.

25/04 – Projek Bandar Samariang launched a new design double-storey terrace house at Taman Indah, Bandar Baru Samariang.



29/04 – CMS Infra Trading kick-started the CMS "Doing Good" CSR programme by taking part in the Open Day sales of work of PERKATA (School of Intellectually Disabled Children) Sarawak 2007.

May

14/05 – CMS Cement does its bit for the community by organising an educational Recycling Campaign, Exhibition & Competition for 200 secondary school students at SMK Bandar Kuching No. 2. CMS Cement collected 800 kg of recyclable materials and raised awareness of recycling among students.



16/05 – Utama Banking Group Berhad shareholders voted "Yes" to dispose off its entire investment in RHB to the EPF and approved a proposed capital repayment scheme of RM1.365 billion on the basis of RM2.00 for every one (1) existing ordinary share of RM1.00 each in UBG.



24/05 – Shareholders attended CMS' 32nd Annual General Meeting in Kuching.

June



27/06 – Utama Banking Group Berhad changed its name to UBG Berhad. A new logo was also unveiled.

July



02/07 – CMS employee volunteers raised RM5,065 for the Sarawak Children's Cancer Society at the charity's Open Day sales of work.



17/07 – The Chief Minister of Sarawak officially declared open Tunku Putra School's new campus in Petra Jaya, Kuching. The purpose-built campus showcases the best in holistic, learning-centred infrastructure with child-safety building designs and architecture. Facilities include single storey classrooms, science labs, a library, dedicated rooms and workshops for computer, music, art and drama, as well as playgrounds and a multipurpose recreational hall.

27/07 – Projek Bandar Samariang signed a block sale agreement with Koperasi Perumahan Angkatan Tentera Bhd to develop 1,000 units of single storey terrace houses at Bandar Baru Samariang.

30/07 – CMS and KKB Engineering Bhd ("KKB") signed a Memorandum of Understanding to negotiate the sale of CMS Steel's land and plant. The deal also paves the way for a strategic alliance for steel fabrication activities in the oil & gas, shipping and marine sectors.

August



06/08 – Bandar Baru Samariang may soon add a Chinese primary school to its township facilities. An agreement for the land sale was signed between Projek Bandar Samariang and the Chung Hua Primary Schools Management Committee.



07/08 – CMS signed a Heads of Agreement with leading aluminium producer, Rio Tinto Alcan, to begin studies for the proposed development of a world-class aluminium smelter in Similajau, Sarawak. The 550,000 metric tonnes per annum smelter will be operated by the Sarawak Aluminium Company ("SALCO").



18/08 – Over 200 CMS "Doing Good" employee volunteers from PPES Works, CMS Roads and CMS Pavement Tech spent their Saturday to do a mass community clean-Up at Kampung Sinar Baru, an ex-leprosy resettlement village located 14 km from Kuching city.

30/08 – CMS Trust announced an interim net income distribution of 3.5 sen for the CMS Premier Fund and CMS Islamic Fund following the funds' strong financial performance in 2006 and 2007.

September



03/09 – CMS Cement announced plans to acquire Sarawak Clinker, the sole clinker producer in East Malaysia, from Mirzan Mahathir and Maybach Investment Co.



08/09 – Tunku Putra School's "Celebration of Learning" Open Day received 1,500 visitors at the School's new campus in Petra Jaya and raised RM30,000 through food fair sales and raffle proceeds. Part of this was donated to charity.



16/09 – The symbolic crowning of the new Dewan Undangan Negeri Sarawak building under construction by a consortium including PPES Works, took place in a topping-up ceremony graced by the Chief Minister of Sarawak.

17/09 – The SALCO smelter commenced its Detailed Environmental Impact Assessment ("DEIA") study. The DEIA will take 18 months and will include air quality, noise, flora and fauna, land use and social impact studies along with waste management, transport, surface water and groundwater impact.



24/09 – The SALCO smelter began its programme of community engagement with a dialogue in Bintulu attended by a cross-section of the local community – associations and the business community, local community heads and government departments.

October

09/10 – The SALCO smelter project gained further momentum with the allocation of a parcel of State-owned land by the Sarawak Government at Similajau. SALCO also announced the appointment of prominent international engineering consultant, Bechtel, to undertake an engineering study for the smelter.

30/10 – CMS I-Systems announced that it had penetrated the India market by securing the supply of its flagship product, InsureConnect, to its first major customer in India, insurer Future Generali. Weeks later, the company announced its second Indian client, the Reliance group. CMS I-Systems also made headway into the Islamic Takaful insurance sector by securing a contract with Hong Leong Tokio Marine Berhad in Malaysia.

November



07/11 – CMS and KKB sealed its future growth and new business opportunities in ship-building and steel fabrication in the region's oil & gas sector by finalising the Sale & Purchase Agreement. Under the Agreement, KKB will acquire CMS Steel's 17.6 acre land, in exchange for 16 million new ordinary shares in KKB valued at RM32 million.



14/11 – CMS Trust brought 3 new funds to the market – the CMS Malaysian Inc Fund, the CMS Money Market Fund and the CMS Islamic Money Market Fund. The new funds expanded the company's product suite to nine funds, and total fund capacity from 3 billion units to 3.8 billion units overall – a potential increase of RM400 million worth of new assets.

16/11 – For the fourth consecutive year, Tunku Putra School achieved 100% pass rate amongst its students who sat for the Ujian Penilaian Sekolah Rendah (UPSR) examinations in September.

30/11 – CMS Cement became the owner of East Malaysia's sole clinker producer, Sarawak Clinker Sdn Bhd. The acquisition was valued at RM131.7 million. The company's name was subsequently changed to CMS Clinker Sdn Bhd in January 2008.

December



03/12 – 07/12 – CMS held its annual staff town-hall meetings and annual dinners through a nationwide series of "Group Managing Director's Address" sessions in Kuching, Sibul, Bintulu, Miri and Kuala Lumpur.



15/12 – CMS employee volunteers assisted Habitat for Humanity to complete construction of two homes for impoverished families in Desa Wira and Mambong, Kuching.

Operations Review

by Group Managing Director

pg. 011

As part of the ROAR strategy, by the end of 2007, our teams had established an alignment of CMS Group's strategy, structure, systems, skills and culture.

In the **Restructure** and **Organise** phases, we defined a new Vision, Mission, and strategic objectives. Profit margins were increased, overheads reduced and business processes re-engineered. Planned business divestments and short- and medium-term business plans were drawn up. Operationally, business risk management procedures were put into place. And as part of CMS' community engagement, we introduced the "CMS Doing Good" programme which became a great success resulting in a huge new corporate culture of employee volunteerism.

Under the **Advance** phase, our teams completed plans to acquire new investments in the core strategic business units (SBU). We closed the deal to acquire Sarawak's sole clinker operation, and we acquired shares in an established steel fabricator in Sarawak, paving the way for CMS to tap into the growing oil & gas sector.

Also in the **Advance** phase, we targeted to divest certain businesses that were no longer the best fit for our Group. In May 2007, we completed the divestiture of CMS' interests (through UBG) in RHB and received its proceeds soon after. For the first time in a long while, shareholders of UBG, including CMS as the majority shareholder, saw returns for their investment with the capital repayment exercise. We also completed the sale of our steel rolling mill and land. Operationally, we advanced towards building our Group's "On spec & On time" reputation. This has helped make more third parties - local, national and internationally - seek CMS as a business partner of choice.

2007 was a busy year for CMS. It was a year of focused effort to fulfill our targets towards creating a stronger CMS for the future. The following report describes how our operations fared.



Dato' Richard Curtis
Group Managing Director

Operations Review

by Group Managing Director

pg. 012



Cement – 22% Increase in Profit Before Tax

Cement

CMS Cement Sdn Bhd continued to be the highest profit contributor in the Group and in 2007, generated a 22% increase in profit before tax to RM72.5 million. The performance reflected a nationwide upward revision in the price of cement in January 2007 by the Ministry of Domestic Trade and Consumer Affairs. CMS Cement's performance was also boosted by successful cost-reduction measures, improved efficiency in logistics, and a favourable exchange rate that reduced the cost of imported raw materials.

The big news for our cement operation is that we have finally secured the long-term supply of its main raw material, clinker. Managing the supply of quality clinker is crucial. In November 2007, CMS Cement became the new owner of East Malaysia's sole clinker manufacturer, **CMS Clinker Sdn Bhd** (formerly known as Sarawak Clinker Sdn Bhd). The strategic

acquisition will enable CMS Clinker's current production capacity, which at 800,000 metric tonnes (MT) per annum is still short of the demand from CMS Cement, to be expanded.

CMS Concrete Products Sdn Bhd specialises in pre-formed concrete products such as RC square piles, bridge beams, culverts, kerbs and cement sand bricks. The company reported a lower profit before tax in 2007 despite higher sales volume and revenue as sales were mainly for products with lower profit margins.



CMS Clinker's plant at Mambong on the outskirts of Kuching

Construction Materials

In April 2008, the Board of CMS approved the proposal to separate the Group's construction materials operations comprising quarrying, premix and wires from the Cement SBU. The reorganisation will better position the new Construction Materials SBU to support its expansion plans.

CMS Quarries Sdn Bhd and CMS Penkuari Sdn Bhd produce granite, microtonalite and limestone aggregates. Existing reserves of 24.0 million MT at the 4 operating quarries with a combined annual rated capacity of 2.1 million MT make CMS' quarrying operations the largest in Sarawak and represent 30% market share. In 2007, CMS Quarries reported a 13% increase in profit before tax attributable to effective management of costs in what is (and will remain) a highly competitive market.

CMS Premix Sdn Bhd and CMS Premix (Miri) Sdn Bhd supply 55% of Sarawak's market for high quality asphaltic concrete and bitumen emulsion used in the construction of roads, flyovers and airport runways. These operations' fixed and mobile premix plants located across Sarawak saw a 14% increase in profit before tax in 2007. This was attributed to higher external sales to major projects in Kuching and Miri and for Federal roads maintenance jobs. Improved selling prices and lower production costs also contributed to the better profits.

CMS Wires Sdn Bhd reported a lower profit before tax in 2007, largely due to higher raw material costs. CMS Wires manufactures drawn wires and wire mesh for the local market.



1,500 Direct Jobs
5,700 Indirect Jobs

SALCO

Similajau Development

The newest addition to the Group is a focus on potential developments at Similajau, an area located 60 km north of Bintulu town in central Sarawak. As part of the Sarawak Corridor of Renewable Energy (SCORE), there are many exciting plans for the Similajau area. SCORE covers an area of 70,709 sq km from Tanjung Manis up to Similajau. It is a comprehensive masterplan to bring greater development to Sarawak by the year 2030 based on the area's large reserves of coal, oil & gas, and potential to generate hydro power energy. Investments totaling RM334 billion are expected to pour into SCORE, both from the Government and private sector, including foreign direct investments.

A major initiative by CMS is the development of an aluminium smelter at Similajau. A joint-venture between CMS and leading aluminium producer, Rio Tinto Alcan, will operate **Sarawak Aluminium Company Sdn Bhd (SALCO)**.

Its production capacity will be a minimum 550,000 MT per annum in its initial phase, with further capability to be expanded to 1.5 million MT per annum. Estimated to cost over RM7 billion, the SALCO smelter will be a major economic driver for Sarawak and Malaysia. Based on current rates, it will have the potential to generate over RM2 billion per year in sales revenue for the local economy, and provide 1,500 direct and 5,700 indirect jobs. It will also attract other downstream industries as well as convert Malaysia from an aluminium importer into a significant exporter of this industrially important raw material.

A Heads of Agreement between CMS and Rio Tinto Alcan was signed in August 2007. This marked the start of the project's feasibility studies as well as a detailed environmental impact assessment. A parcel of land has also been allocated by the State Government for the proposed aluminium smelter.

With its various businesses, CMS is well-positioned to participate directly and indirectly in other plans for the Similajau area. These include supply of cement and other construction materials, development of a deep-sea port, housing and infrastructure at the new township and industrial precinct, as well as in synergistic manufacturing and services.



The new Sarawak State Legislative Assembly complex in Kuching

Construction & Road Maintenance

CMS' construction arm, PPES Works (Sarawak) Sdn Bhd, had a mixed year of successes and challenges. Had it not been for the potential loss provision made in 2007 in respect of a single project, the company would have enjoyed an above budget performance to register a healthy profit. However, PPES Works reported a loss before tax of RM48.0 million for 2007.

Projects completed during the year included the Sarikei Regional Water Supply project (consisting of a 21.45 km trunk main pipe, distribution mains, three service reservoirs and a booster pumping station), rehabilitation of the airfield tarmac at Kuching International Airport, and Phase 1 of the Jalan Mulukun/Ng. Gaat road project in hilly terrain of Sarawak's Kapit division. Meanwhile, the campus extension at Swinburne University, the Pusat Islam complex and the Tanjung Manis – Pulau Bruit water supply project are nearing completion.

On-going projects exceeding the 60% completion stage by the end of 2007 included the Mukah coal-fired power plant, the new Sarawak State Legislative Assembly or Dewan Undangan Negeri (DUN) complex on the banks of Kuching's Sarawak River, and the Gerugu Dam in Sarikei. Construction of the Borneo Convention Centre Kuching on The Isthmus is also progressing well.

CMS Roads Sdn Bhd continued to perform well in 2007, maintaining an average of 4,040 km per month of roads throughout the State under its 15-year concession with the Sarawak Government. Operational efficiency and effectiveness of service for the client and the public remain top priorities for CMS Roads.

A further 590 km of Federal roads in Sarawak are maintained by CMS under another 15-year concession awarded to PPES Works. Combined, the road maintenance operations of CMS are the largest in Sarawak.

CMS Pavement Tech Sdn Bhd, which undertakes pavement reconstruction and rehabilitation, reported a marginally lower profit before tax in 2007. Notwithstanding this, the company's performance was still above our budgeted expectations due to good weather during the year, improved internal coordination and better costs control.

Sale of RHB
Brings in
Net Gain of
RM1.23 Billion



Property Development

CMS Group owns a large land bank; the biggest being 5,200 acres located north of Kuching city. The area is today the site of a new riverine township development called Bandar Baru Samariang ("BBS") managed by **Projek Bandar Samariang Sdn Bhd**, a joint-venture between CMS and the Employees' Provident Fund Board.

Sarawak experienced continued soft property market conditions in 2007. Given this scenario, our property team adjusted its strategy to focus on securing sales of completed properties at BBS and delaying new launches until the market picks up. Heightened marketing efforts throughout the year resulted in a 171% increase in total sales in 2007 compared to the previous year, reducing the stock of built homes by 62%.

In August, we signed an Agreement to develop 1,000 single-storey terrace houses in BBS for Koperasi Perumahan Angkatan Tentera. Also in the same month, we signed a Sale & Purchase Agreement with the Committee of Management of Chung Hua Primary Schools to develop a Chinese-medium school at BBS. This school will be one of only a few Chinese-medium schools in the Kuching North area which is predominantly populated by Malay and Bumiputera communities.

Exciting developments are taking place at The Isthmus, CMS' 240-acre land bank to the east of Kuching city centre. Construction of the 5,000 delegate capacity Borneo Convention Centre Kuching and a multi-storey hotel made progress in 2007. Both are part of the comprehensive masterplan being developed with the Government to create a new city within Kuching city.

UBG Berhad

UBG Berhad (formerly known as Utama Banking Group Berhad) is evolving. From being a financial services group, UBG is presently undergoing a major transformation after divestment of its shareholding in RHB. A subsequent name change and new logo were unveiled in June 2007. After much deliberation by its Board, the decision has been made, as part of a series of moves to acquire new core businesses, to buy into successful niche construction companies. This decision would transform UBG into a company with strategic exposure in 2 growth sectors – construction and property development, as well as water infrastructure.

In February 2008, UBG announced its proposed acquisition of controlling interests in water infrastructure specialist Loh & Loh Corporation Berhad and niche construction specialist Putrajaya Perdana Berhad, which it hopes to finalise by the third quarter of 2008. Managed by a team of industry experts, the prospective new investments hold promise for UBG to steer these companies towards new businesses and opportunities, both local and

3 New Funds Launched

Services

international. A direct investment into UBG by Middle-Eastern consortium, the Abu Dhabi-Kuwait-Malaysia Investment Corp, has the potential to open doors for construction and infrastructure jobs in the Middle East. UBG will strengthen its infrastructure capabilities by finalising the acquisition of CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd during this year.

UBG boosted CMS Group's overall financial position in 2007 with the successful sale of its interest in RHB for RM2.25 billion. This resulted in a net gain of RM1.23 billion. The favourable outcome of an arbitration case also brought in proceeds of RM30.72 million. Combined, these discontinued operations brought in a profit before tax of RM921.72 million to CMS for the full year of 2007. CMS received RM707 million in proceeds from the capital reduction exercise at UBG in October 2007.

CMS Trust Management Berhad recorded a 12% increase in funds under management in 2007. Sales were up 58% following more aggressive marketing efforts. Revenue from management and service fees were also higher. Having re-branded itself with the "CMS Trust – Wealth Intelligence" tagline, the company launched three funds in 2007, bringing its total funds to nine. CMS Trust continued to demonstrate its objective to provide investors with long-term returns when its CMS Premier Fund was named "Best Equity Malaysia Fund" in the 10-year category of 2007 by The Edge-Lipper. This was the second consecutive win in this category for CMS Premier Fund.

CMS Asset Management Sdn Bhd saw total assets under management (AUM) grow 50% from RM1.4 billion in 2006 to RM2.1 billion in 2007 following the launch of three new funds and fresh capital injection from existing and new clients. CMS Asset Management is the fund manager of CMS Trust Management's funds.

Going forward, we are looking to merge the operations of CMS Trust Management and CMS Asset Management. Apart from greater efficiency, the merged entity will unlock value to enable it to venture into wider markets and new products. Announcements on these developments will be made in due course.

The Group's technology solutions operation, **CMS I-Systems Berhad**, achieved a profit turnaround in 2007 and expanded its reach to new markets. As a developer of solutions for the health and insurance sectors, CMS I-Systems did the seemingly impossible by making inroads into the domestic Indian software market. During the year, the company secured contracts to supply technology solutions to 2 major insurance companies in India, namely Future Generali and the Reliance groups. It further went on to secure a deal to customise its award-winning flagship product, InsureConnect, to the Syariah-based Takaful insurance sector in Malaysia.

Operations Review

by Group Managing Director

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CMS Opus Private Equity Sdn Bhd ("COPE") recorded a three-fold increase in profit before tax in 2007 against budget. This favourable variance was attributed to a cautious approach towards operating expenditure. During the year, COPE successfully closed a deal with a local oil and chemical tankers' operator. The company owns and operates off-shore vessels serving the oil & gas industry regionally, as well as provides technical management and marine consultancy services. With another deal being finalised in 2008, COPE expects to maintain its focus to capitalise on the booming oil & gas industry.

CMS Infra Trading Sdn Bhd registered a marginally lower profit before tax in 2007 due to its products mix. In terms of revenue, higher sales of water-treatment chemicals, DI pipes and fittings, cement and steel bars were off-set by lower sales from HDPE and steel pipes.

CMS' associate company, **K&N Kenanga Holdings Berhad**, a financial services holding company, recorded an improvement of 197% over the previous year's profit before tax, resulting in RM35.1 million contribution back to CMS Group. The main contributor to K&N's revenue was from gross brokerage fees of its subsidiary, Kenanga Investment Bank Berhad, which rose from RM109.7 million to RM242.7 million in the last financial year.

Of favorable mention is the performance of subsidiary Kenanga Deutsche Futures which maintained its position as the leading futures broker in Malaysia. In 2007, it won the "Top Overall Futures Broker" award by Bursa Malaysia Derivatives Berhad for the fifth consecutive year as well as the "Top Equities Futures Broker" recognition.

K&N Kenanga Holdings Berhad has now ventured into investment opportunities in the Middle East and the Asian region, having developed joint-ventures in the Kingdom of Saudi Arabia, Dubai, Sri Lanka and Vietnam. These are for securities and investment banking-related activities. Strategic alliances are also being formed in South Korea and Indonesia. These efforts are expected to contribute to the earnings of K&N in the coming years.

CMS Capital Sdn Bhd reported a loss before tax of RM66.9 million in 2007 mainly due to recognition of an impairment loss of RM67 million in the value of investment of our associate company, K&N Kenanga Holdings Berhad.

2007 was an excellent year for **Tunku Putra School**. It moved to a new, larger and better equipped, purpose-built campus in Petra Jaya, Kuching. Student enrolment continues to rise by leaps and bounds. It added the Cambridge 'A' Levels to its list of curriculum offerings. In terms of teaching faculty, the School now boasts a larger and more impressive team led by a highly experienced Principal and Deputy Principal. These factors have contributed to the excellent results by its students in both national and international examinations. Such positive showings are indeed rewarding for CMS which continues to support the School's operation financially.

Our efforts in 2008 will be focused on completing the final phase of our ROAR strategy which is the Roar Ahead phase. We will do this by firing up our 4 business groupings known as 'Engines of Growth' with their identified business boosters.

To translate our 'Engines of Growth' strategies into sustainable revenue and profits growth, our Management and employees need to complete the mindset change that the ROAR strategy is bringing about within CMS and its stakeholders.

We all need to be in a mindset that understands we share a common purpose in our Vision, Mission and strategies. This mindset must willingly embrace change and challenges, whether due to external factors or otherwise, seeing these as opportunities and not threats. Within this mindset, we need to stay on course with our common purpose and seek to realise it due to focus, hard work and passion.

I am confident that we are now moving conclusively towards seeing our 'Engines of Growth' fired up for progress in future years.



Dato' Richard Curtis
Group Managing Director
7 April 2008



On the evolution of UBG from a financial services group to one with a focus on construction, engineering and infrastructure:

"We are transforming from a predominately Malaysia-based company to one that is forward-looking and getting a presence in the Gulf Corporation Council (GCC) countries. The injection of a high-powered management team and the emergence of new major shareholders and institutional investors are critical elements for

the sustainable long-term economic development of UBG. It is our intention to build this pool of professionals to take UBG to even greater heights of achievements and excellence."

Tuan Syed Ahmad Alwee Alsree
Deputy Group Managing Director/
UBG Berhad Deputy Chairman



On the significance of the clinker business as a power booster for the Construction Materials 'Engine of Growth':

"The acquisition of CMS Clinker enables CMS Cement to control the OPC production cost and reliability of consistent quality supply. 95% of raw materials used for the production of OPC is clinker. This is produced by CMS Clinker which sources all raw materials locally. We now directly control

our own production costs, reliability and eventually our destiny".

Tuan Haji Othman Abdul Rani
Head, Cement SBU/
Executive Director, CMS Cement Sdn Bhd



On the new strategic business focus for CMS in the area of Similajau, north of Bintulu in Sarawak:

"The development of Similajau is a big dream and it comes with daunting challenges. It is a green field site without any supporting infrastructure and the investment required for its maiden project, the aluminium smelter project, is the biggest single investment for the CMS

Group. However, it is a necessary strategic step that the Group has to take to secure the sustainability of its business for the long term."

Isaac Lugun
Head, Similajau Development SBU/
Chief Executive Officer, Similajau Industries
Sdn Bhd

Communicating the ROAR Strategy One-on-One

"It is very important to be there for our employees – to listen to them, to understand their work, to hear their difficulties, and to support their successes. Improving communication with our employees is especially important when implementing change or selling new ideas. We have to earn their buy-in, and that begins with respect. The new breakfast sessions called "Koffee Talk" and the annual Group Managing Director's Address sessions were very useful for the top management of CMS to listen to the messages and feelings directly from the ground, with no barriers of supervisors and managers in between."

Tuan Syed Ahmad Alwee Alsree

Deputy Group Managing Director/Group General Manager – Human Resources



It was a busy year for our Group's Human Resources team towards strategically managing human capital development. Among the key activities of 2007 were:

- We completed the formation of the Strategic Human Resource Unit to better serve the whole Group.
- The first full-year implementation of the Key Performance Indicators (KPI) for management-level employees was a success.
- Succession planning and specific training plans for key management positions was implemented.
- Human capital development efforts to retain talents through career planning and effective supervisory management skills training were conducted in-house for non-executives, executives and managers.
- Training and development programmes were implemented for all levels of employees.
- A greater focus on internal communications has supported the new energy across CMS today. Activities of 2007 included:
 - The newly introduced "Koffee Talk" sessions where executive and non-executive employees have an informal breakfast with the Group Managing Director and Deputy Group Managing Director.
 - The annual Group Managing Directors' Address sessions were held in Kuching, Sibul, Bintulu, Miri, and Kuala Lumpur. Previously, this communications session was only held in Kuching.
 - Improvement of content on CMS' Intranet.
 - Publication of the quarterly in-house newsletter called OurCMS.
 - The organisation of in-house sports activities and gatherings such as annual dinners.
 - Management strategic 'away-day' sessions.
 - Leadership surveys were conducted twice in 2007 to gather feedback on Management's leadership skills and style.
- Reviewing remuneration to ensure that no employee is paid below the Poverty Line, in line with the Government's efforts to eradicate poverty
- We showed we care for our employees – over and above the standard practices, CMS has included two insurance coverage schemes for employees, the provision of festive cash gifts for every employee, and the setting-up of a dedicated Compassionate Fund for special needs.
- Acknowledging the long service of employees via our Long Service Awards for dedicated employees serving the Group and/or its subsidiaries for 10 years and more. The quantum of reward for long service was increased markedly in 2007.

For CMS, Corporate Social Responsibility (CSR) is simply about 'Doing Good' for our stakeholders – be they our shareholders, employees, customers or the community around us. The year 2007 saw the Group continue to enrich its CSR practices. These efforts included:



Supporting children's education



Bringing joy to the children



Aiding rural communities

Doing good for the community **The Rise of Employee Volunteerism in CMS**

Celebrating outstanding success in 2007 is CMS' new, purpose-driven Employee Volunteerism programme. In its inaugural year, CMS "Doing Good" community outreach programmes tracked over 7,719 man-hours of voluntary good deeds for disadvantaged communities and individuals, children, the disabled and the environment. The top three activities were Rebuilding Communities (28%), Education Projects (25%) and Sustaining Charities (18%). The resulting man-hours recorded in 2007 was 3½ times the original targeted man-hours for the whole year.

Employees contributed their own spare time, not company time, to help others in the community around which CMS operates – a reflection of the strong sense of social responsibility and high Employee Volunteerism culture among our 2,100 employees.

Major Employee Volunteerism Activities in 2007

Building homes for hardcore poor – in and around Kuching.

Supporting children's education –

Through providing English tuition to the Salvation Army's primary school-aged children, organising the "Back To School" donation drive for children from Kampung Sinar Baru, an ex-leprosy resettlement village, giving furniture to rural tuition centres, and contributing books and book shelves to a library/learning center established by a CMS employee in a poor village in Kuching.

Sustaining charities – Over 100 employees teamed up during 2007 to set up stalls at annual charity fund-raisers of PERKATA School for Special Children, Sarawak Children's Cancer Society, Chung Hua Primary School No. 6, and Sarawak Cheshire Home.

Bringing joy to the children – through collection of cash and kind.

Community clean-up – 'Gotong-royong' and minor construction jobs were carried out by CMS employee volunteers benefiting disadvantaged schools, villages and longhouses. Employees from CMS Cement also organised a recycling campaign at a school in Kuching and collected 800 kg of recyclable materials in the process.

Aiding rural communities – Employee volunteers raised cash and kind for fire victims, and conducted regular visits, community clean-ups, donation drives and motivational talks at Kampung Sinar Baru.

Blood donation drives – The local blood bank benefited from the generosity of employees of CMS Cement and the Construction & Road Maintenance SBU.

Caring Corporate

Promoting Road Safety – PPES Works joined the State Public Works Department (JKR) to promote road safety around the clock in a 14-day Hari Raya Aidilfitri Road Safety Campaign in October 2007.

CMS Adopt-A-Mosque Programme

– Into its fifth year, CMS continued to contribute towards the utility expenses for 66 mosques and surau throughout Sarawak.

Helping future careers – In 2007, CMS' Internship Programme benefited 52 students from local universities and polytechnics.

Doing good for the environment

Turning Green into Gold – Recycling of green waste at PPES Works' project sites continued in 2007. Now into its second year, PPES Works' joint-venture with a team of young entrepreneurs to turn green waste into organic compost and fertiliser has proved to be a sustainable business. The 'EcoGold' compost and fertilisers are now used in plantations and in landscaping of gardens in Kuching, and is sold state-wide.

Doing good for the marketplace

Responsibility to shareholders –

As a public-listed entity with over 6,800 shareholders, maintaining the highest corporate governance standards is a must for CMS. CMS is a four time winner of the Overall Excellence Award for corporate reports by the Sarawak Chamber of Commerce & Industry. CMS also prides itself on compliance with the strict rules and regulations set by the Malaysian stock exchange.

Responsibility to customers – CMS upholds the quality of its products and services to the highest standards possible. Even within Sarawak's large land mass and rough terrain, CMS manages to rise to the challenge of timely delivery and service. CMS conducts regular customer satisfaction surveys to garner feedback as a way to constantly improve efficiency.

Fair procurement practices for vendors & suppliers

– It is important for vendors and suppliers to know that they will be treated fairly when putting in bids to supply products and services. CMS Group Procurement is continuously improving its policies, processes, documentation, and quality of service for greater ease and simplicity. The Code of Ethics and Business Conduct for Contractors and Suppliers is published on the corporate web-site. In 2007, Group Procurement carried out a trial e-bidding exercise to ensure transparency and competitive bidding. On-going improvements to the Contractor-Supplier Management System are expected to be completed in 2008.

Doing good at the workplace

Promoting good health & safety practices at the workplace

– CMS is committed to protecting employees by adhering to good practices in health and safety. In 2007, CMS Cement was named one of the top 5 winners of the Safety & Health Excellence National Award 2006 (Large Scale Category) by the Ministry of Human Resources. CMS Cement also conducted its annual Safety & Health Week in October to raise awareness among employees.

PPES Works, CMS Roads and CMS Pavement Tech continued to maintain their Integrated Management System (IMS) accreditation as well as separate international accreditations for quality, environmental management and occupational health and safety.

Strengthening internal bridges –

In 2007, we launched "Koffee Talk", a popular employee activity in which the top management of CMS Group engage employees at executive-levels and below over an informal breakfast. Employees also have the opportunity to give feedback and express their thoughts at the annual Group Managing Director's Address sessions. In 2007, such sessions were held in Kuching, Sibul, Bintulu, Miri and Kuala Lumpur.

Looking after our employees –

We try our utmost best to look after our 2,100 employees whilst they are in our employment and if possible, to be there for their families if the unfortunate should happen. In 2007, the Group successfully claimed RM687,456 in insurance for beneficiaries of deceased employees. In addition, CMS has set up the Compassionate Fund to provide financial assistance to employees in times of urgent need.

Board of Directors

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- 01 **Y A M Tan Sri Syed Anwar Jamalullail**
Group Chairman
- 02 **Tuan Haji Mahmud Abu Bekir Taib**
Deputy Group Chairman
- 03 **YB Dato Sri Sulaiman Abdul Rahman Taib**
Non-Independent, Non-Executive Director
- 04 **Y Bhg. Dato' Richard Alexander John Curtis**
Group Managing Director
- 05 **Tuan Syed Ahmad Alwee Alsree**
Deputy Group Managing Director
- 06 **Y Bhg. Dato Sri Liang Kim Bang**
Senior Independent, Non-Executive Director
- 07 **Y Bhg. General (Retired) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin**
Independent, Non-Executive Director
- 08 **YB Datuk Haji Talib bin Zulpilip**
Non-Independent, Non-Executive Director
- 09 **Y Bhg. Datuk Wan Ali Tuanku Yubi**
Independent, Non-Executive Director
- 10 **Y Bhg Datu Michael Ting Kuok Ngie**
Independent, Non-Executive Director
- 11 **Kevin How Kow**
Independent, Non-Executive Director

Y A M Tan Sri Syed Anwar Jamalullail
Group Chairman
Independent, Non-Executive Director
Malaysian, Age 56 years

Member – Group Audit Committee
Chairman – Nomination &
Remuneration Committee
Chairman – Executive Committee

YAM Tan Sri Syed Anwar Jamalullail is the 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 and Media Prima Berhad.

Apart from CMS, Tan Sri Syed Anwar is currently Chairman of DRB-HICOM Berhad, EON Capital Berhad, HICOM Berhad, HICOM Holdings Berhad, Uni. Asia Life Assurance Berhad and Uni. Asia General Insurance Berhad. He is a director of Nestle (M) Berhad and several other companies. Tan Sri Syed Anwar was until recently a director of Maxis Communications Berhad. He was also the former Chairman of the Investment Panel of Lembaga Urusan Tabung Haji.

Tan Sri Syed Anwar has no family relationship with any director and/or major shareholder of the Company.

Tuan Haji Mahmud Abu Bekir Taib
Deputy Group Chairman
Non-Independent,
Non-Executive Director
Malaysian, Age 44 years

Member – Nomination &
Remuneration Committee
Member – Executive Committee

Tuan Haji Mahmud is the Group Deputy Chairman of CMS. He was appointed to the Board of CMS as Group Executive Director on 23 January 1995. Having pursued his tertiary education in USA and Canada, Haji Mahmud has extensive experience in the stock-broking and corporate sectors. He was a founding member of Sarawak Securities Sdn Bhd, Sarawak's first stock-broking company which is now merged with K&N Kenanga Holdings Berhad.

Tuan Haji Mahmud is currently Chairman of UBG Berhad (formerly known as Utama Banking Group Berhad) and a member of several CMS subsidiaries.

Tuan Haji Mahmud is the brother of YB Dato Sri Sulaiman Abdul Rahman Taib (a director and major shareholder of CMS), Hanifah Hajar Taib and Jamilah Hamidah Taib (major shareholders of CMS). He is also a son of Lejla Taib (a major shareholder of CMS) and brother-in-law of Tuan Syed Ahmad Alwee Alsree (Deputy Group Managing Director of CMS). Tuan Haji Mahmud is also a director and former major shareholder of Majaharta Sdn Bhd (a major shareholder of CMS). Tuan Haji Mahmud is deemed interested in recurrent related party transactions announced to Bursa Malaysia Securities Berhad on 7 April 2008.

YB Dato Sri Sulaiman Abdul Rahman Taib
Non-Independent,
Non-Executive Director
Malaysian, Age 39 years

YB Dato Sri Sulaiman first joined the Board of CMS on 23 January 1995 and resigned on 21 January 2008. He was reappointed as Director on 29 January 2008.

YB Dato Sri Sulaiman was Group Chairman of CMS from May 2002 until June 2006. Prior to that, he had been Deputy Group Chairman from January to April 2002, and held the position of Acting Group Chief Executive Officer of CMS in 2001.

In March 2008, YB Dato Sri Sulaiman was appointed as Malaysia's Deputy Minister of Tourism. He is also the Member of Parliament for the Kota Samarahan constituency in Sarawak. YB Dato Sri Sulaiman holds a Bachelor of Science degree in Business Administration from the University of San Francisco, USA.

YB Dato Sri Sulaiman is the brother of Tuan Haji Mahmud Abu Bekir Taib (a director and major shareholder of CMS), Hanifah Hajar Taib and Jamilah Hamidah Taib (major shareholders of CMS). He is also a son of Lejla Taib (a major shareholder of CMS) and brother-in-law of Tuan Syed Ahmad Alwee Alsree (Deputy Group Managing Director of CMS). YB Dato Sri Sulaiman is also a director and former major shareholder of Majaharta Sdn Bhd (a major shareholder of CMS). YB Dato Sri Sulaiman is deemed interested in recurrent related party transactions announced to Bursa Malaysia Securities Berhad on 7 April 2008.

Board of Directors

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Y Bhg. Dato' Richard Alexander John Curtis

Group Managing Director

UK national, Malaysian Permanent Resident, Age 56 years

Member – Executive Committee

Dato' Richard Curtis is the Group Managing Director of CMS having been appointed to the Board on 4 September 2006.

Dato' Richard graduated with a Bachelor of Law (LL.B.) (Honours) degree from University of Bristol, UK 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 UBG Berhad (formerly known as Utama Banking Group Berhad), CMS Trust Management Berhad, 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.

Tuan Syed Ahmad Alwee Alsree

Deputy Group Managing Director

Singapore national, Age 42 years

Member – Nomination & Remuneration Committee

Member – Executive Committee

Tuan Syed Ahmad Alwee Alsree is the Deputy Group Managing Director of CMS following his appointment to the Board on 4 September 2006.

He had earlier joined CMS in February 2004 as Group General Manager – Human Resources, a portfolio which he continues to oversee until today. Tuan Syed Ahmad graduated with a Bachelor of Law (LL.B.) degree from the National University of Singapore, and practised law in Singapore for over 10 years prior to joining CMS.

Tuan Syed Ahmad is currently Deputy Chairman of UBG Berhad (formerly known as Utama Banking Group Berhad), Chairman of CMS Trust Management Berhad, and director of a number of subsidiaries of CMS Group.

Tuan Syed Ahmad is a brother-in-law of Jamilah Hamidah Taib (a major shareholder of CMS), Tuan Haji Mahmud Abu Bekir Taib and YB Dato Sri Sulaiman Abdul Rahman Taib (directors and major shareholders of CMS). He is also a son-in-law of Lejla Taib (a major shareholder of CMS) and the spouse of Hanifah Hajar Taib (a major shareholder of CMS).

He is deemed interested in recurrent related party transactions announced to Bursa Malaysia Securities Berhad on 7 April 2008.

Y Bhg. Dato Sri Liang Kim Bang

Senior Independent, Non-Executive Director

Malaysian, Age 71 years

Dato Sri Liang Kim Bang was appointed to the Board of CMS on 26 June 1986.

He is currently Non-Executive Chairman of CMS Cement Sdn Bhd, CMS Clinker Sdn Bhd (formerly known as Sarawak Clinker Sdn Bhd), CMS Infra Trading Sdn Bhd and CMS Wires Sdn Bhd. He is also a director of MISC Berhad, PPB Group Berhad, UBG Berhad (formerly known as Utama Banking Group Berhad) and CMS Trust Management Berhad.

Dato Sri Liang holds a Bachelor of Arts and Bachelor of Arts (Honours) degrees from the University of Malaya, Singapore (1957-1961), and attended a Post Graduate Course in Public Administration at Cambridge University, England (1962-1963).

He served in the Sarawak Civil Service from 1971 until his retirement in 1994. Senior positions held include Permanent Secretary of the Ministry of Communication and Works, Deputy State Financial Secretary and Chairman/Director/Member of several government statutory bodies and government-linked companies. Dato Sri Liang was Sarawak's State Financial Secretary from 1984 to 1994.

Dato Sri Liang has no family relationship with any director and/or major shareholder of the Company.

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|--|--|---|
| <p>Y Bhg. General (Retired) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin Independent, Non-Executive Director Malaysian, Age 60 years</p> | <p>General (R) Tan Sri Dato' Seri Mohd Zahidi was appointed to the Board of CMS on 8 July 2005.</p> | <p>Perak to be a Member of Dewan Negara Perak, and is a director of Yayasan Sultan Azlan Shah.</p> |
| <p>Member – Nomination & Remuneration Committee</p> | <p>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.</p> <p>General (R) Tan Sri Zahidi is currently Chairman of Affin Holdings Berhad and CMS I-Systems Berhad. He is a director of Asiatic Development Berhad, Bandar Raya Developments Berhad, Bintulu Port Holdings Berhad, Defence Technologies Berhad, Resorts World Berhad and Wah Seong Corporation Berhad. In November 2006, General (R) Tan Sri Zahidi was elected by DYMM Paduka Seri Sultan</p> | <p>General (R) Tan Sri Zahidi holds a Master of Science degree (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.</p> <p>General (R) Tan Sri Zahidi has no family relationship with any director and/or major shareholder of the Company.</p> |
| <p>YB Datuk Haji Talib bin Zulpilip Non-Independent, Non-Executive Director Malaysian, Age 56 years</p> | <p>YB Datuk Haji Talib was appointed to the Board of CMS on 13 February 1995.</p> <p>He is currently Chairman of the Sarawak Economic Development Corporation, and has been an elected Member of the Sarawak State Legislative Assembly since September 1996. YB Datuk Haji Talib has held senior positions in both public service (as Permanent Secretary in the Ministry of Industrial Development and Ministry of Infrastructure Development, Sarawak) and in the private sector (at Petronas and several other organizations). He holds a Master of Commerce and Administration degree from Victoria University, New Zealand (1976).</p> | <p>Apart from CMS, YB Datuk Haji Talib is a director of Sarawak Concrete Industries Berhad, a number of CMS subsidiaries, and several private limited companies.</p> <p>YB Datuk Haji Talib has no family relationship with any director and/or major shareholder of the Company.</p> |
| <p>Y Bhg. Datuk Wan Ali Tuanku Yubi Independent, Non-Executive Director Malaysian, Age 58 years</p> | <p>Datuk Wan Ali was appointed to the Board of CMS on 23 June 1995.</p> <p>A former Sarawak State Financial Secretary (1995-2000) and Director/Chief Executive Officer of Sarawak Enterprise Corporation Berhad (December 2000 - June 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</p> | <p>a Bachelor of Economics degree and Graduate Diploma in Education from the University of Malaya. He also holds a Master of Education degree from Birmingham University, UK.</p> <p>Datuk Wan Ali has no family relationship with any director and/or major shareholder of the Company.</p> |
| <p>Member – Nomination & Remuneration Committee</p> | | |

Board of Directors

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Y Bhg Datu Michael Ting Kuok Ngie
Independent, Non-Executive Director

Malaysian, Age 67 years

Member – Group Audit Committee

Member – Nomination &
Remuneration Committee

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 a 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 UBG Berhad (formerly known as Utama Banking Group Berhad), CMS Trust Management Berhad and a number of subsidiaries of the CMS Group.

Datu Michael has no family relationship with any director and/or major shareholder of the Company. He is deemed interested in recurrent related party transactions announced to Bursa Malaysia Securities Berhad on 7 April 2008.

Kevin How Kow
Independent, Non-Executive Director

Malaysian, Age 59 years

Chairman – Group Audit 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 the Institute of Certified Public Accountants of Singapore. He is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He was made a partner of Ernst & Young, Malaysia in 1984 and served as Partner-in-charge of its offices in Sabah and Sarawak. From 1996 onwards, 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 UBG Berhad (formerly known as Utama Banking Group Berhad), CMS I-Systems Berhad, K&N Kenanga Holdings Berhad, Kenanga Investment Bank 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

Ian G. Sadler
Group Chief Financial Officer

Tuan Haji Draim Abdul Latip
Deputy Group General Manager,
Human Resources

Hasanah Abdullah
Deputy Group General Manager,
Human Resources

Abdul Rashid Daljit Abdullah
Head, Group Technology

David Ling Koah Wi
Group General Counsel

Eda Ahmad
Head, Group Corporate
Communications

Woo Yoke Meng
Group Internal Auditor

Tuan Haji Othman Abdul Rani
Head, Cement SBU

Robert E. Gardner
Head, Construction &
Road Maintenance SBU

Y Bhg Datuk Dr Chew Han Ching
Head, Property Development SBU

Isaac Lugun
Head, Similajau Development SBU

Goh Chii Bing
Head, Construction Materials SBU

Cahya Mata Sarawak's ("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 emphasising increased business efficiency of the Group.

Once again, 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.

- 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 eleven (11) members, of which nine (9) are non-executive Directors, including the Chairman. Six (6) of the eleven (11) 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 025 to 028 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 of 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 and the Nomination and Remuneration Committee ("NRC"), 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, organisational 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.

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 the 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.

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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.

On 21 January 2008, YB Dato Sri Sulaiman Abdul Rahman Taib resigned as a Non-Executive Director. He was subsequently reappointed to the Board as Non-Executive Director on 29 January 2008.

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 after their appointment. One-third of the remaining Directors are required to submit themselves for re-election by rotation at each Annual General Meeting. 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 calibre 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 Annual General Meeting.

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. In 2007, Key Performance Indicators (KPI) were introduced and implemented for Executive Directors. Bonuses 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 Malaysian 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 Director's service contract is 6 months on either side.

Remuneration paid to the Directors of the Company during 2007, analysed into bands of RM50,000, is set out in Note 9 to the Financial Statements. This complies with the disclosure requirements under the 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 2007 are as follows:

| Remuneration Band (RM) | Number of Directors | |
|---------------------------|---------------------|---------------|
| | Executive | Non-executive |
| 50,001 – 100,000 | | 3 |
| 150,001 – 200,00 | | 2 |
| 200,001 – 250,000 | | 1 |
| 300,001 – 350,000 | | 1 |
| 800,001 – 850,000 | | 2 |
| 950,001 – 1,000,000 | 1 | |
| 1,000,001 – 1,050,000 | 1 | |

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

| Remuneration | Executive (RM'000) | Non-executive (RM'000) | Total (RM'000) |
|---|-----------------------|---------------------------|-------------------|
| Salaries & other emoluments | 1,682 | 1,292 | 2,974 |
| Defined contribution plans | 201 | 130 | 331 |
| Fees | – | 1,206 | 1,206 |
| Estimated money value of benefits-in-kind | 158 | 90 | 248 |
| Total | 2,041 | 2,718 | 4,759 |

Directors' Training

All Directors have attended the required Mandatory Accreditation Programme ("MAP") within the stipulated time-frame. In addition, the Directors attended training programmes 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 Listing Requirements of Bursa Securities.

In 2007, the Directors attended an in-house seminar entitled "Improving Board Directors' Performance, Leadership and Governance". Other trainings attended covered wide-ranging topics which provided the Directors with updates on business trends and management, finance, tax, audit and legal issues. Such training is appropriate to enhance the Directors' knowledge and skills in the discharge of their responsibilities as director of a diversified public-listed group such as CMS.

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.

Board Meetings and Supply of Information

During the year, nine (9) Board Meetings including five (5) Special Meetings were held. Attendance of Directors at the Board Meetings in 2007 is as follows:

| Name of Director | Attendance at Meetings (2007) |
|---|-------------------------------|
| Y A M Tan Sri Syed Anwar Jamalullail (Independent, Non-Executive Chairman) | 9/9 (100%) |
| Tuan Haji Mahmud Abu Bekir Taib (Non-Independent, Non-Executive) | 9/9 (100%) |
| YB Dato Sri Sulaiman Abdul Rahman Taib (Non-Independent, Non-Executive) (Resigned on 21 January 2008. Reappointed on 29 January 2008) | 2/9 (22%) |
| Y Bhg. Dato' Richard Curtis (Executive) | 9/9 (100%) |
| Tuan Syed Ahmad Alwee Alsree (Executive) | 9/9 (100%) |
| Y Bhg. Dato Sri Liang Kim Bang (Independent, Non-Executive) | 7/9 (78%) |
| Y Bhg. General (Retired) Tan Sri Dato' Seri Mohd Zahidi Zainuddin (Independent, Non-Executive) | 8/9 (89%) |
| YB Datuk Haji Talib Zulpilip (Non-Independent, Non-Executive) | 8/9 (89%) |
| Y Bhg. Datuk Wan Ali Tuanku Yubi (Independent, Non-Executive) | 7/9 (78%) |
| Y Bhg. Datu Michael Ting Kuok Ngie (Independent, Non-Executive) | 9/9 (100%) |
| Kevin How Kow (Independent, Non-Executive) | 9/9 (100%) |

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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 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 2007, the Board papers included the following reports or information:

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

Among the numerous initiatives studied and approved by the Board in 2007 were:

- An updated and comprehensive manual on the Limits of Authority for implementation in the Group.
- Re-composition of the Board and Board Committees for the Group to enhance efficiency and effectiveness.
- The Group's risk management processes were improved with the appointment of a Risk Coordinator to ensure that risk management is integrated into business activities enterprise-wide.

Group Company Secretary

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

- Ensures 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 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.

In August 2007, the Board passed a Resolution to combine and reconstitute the Nomination and Remuneration committees of the Board. This decision was made to eliminate the need to convene separate meetings on matters which concerned the Board and senior management of the Group.

Directors' Membership on Board Committees

| Name of Director | Audit | Nomination (up to 28 Aug 2007) | Remuneration (up to 28 Aug 2007) | Nomination & Remuneration (with effect from 29 Aug 2007) | EXCO |
|--|--------------------------|---|---|---|-------------------|
| Y A M Tan Sri Syed Anwar Jamalullail (Independent, Non-Executive) | Yes (1) | Yes | Yes (2) | Yes (Chairman) | Yes (Chairman) |
| Tuan Haji Mahmud Abu Bekir Taib (Non-Independent, Non-Executive) | | Yes | Yes | Yes | Yes |
| YB Dato Sri Sulaiman Abdul Rahman Taib (Non-Independent, Non-Executive) | | | | | |
| Y Bhg. Dato' Richard Curtis (Executive) | | | | | Yes |
| Tuan Syed Ahmad Alwee Alsree (Executive) | | | | Yes (6) | Yes |
| Y Bhg. Dato Sri Liang Kim Bang (Independent, Non-Executive) | Yes (3) | | | | |
| Y Bhg. General (Retired) Tan Sri Dato' Seri Mohd Zahidi Zainuddin (Independent, Non-Executive) | | Yes (4) | Yes | Yes | |
| YB Datuk Haji Talib Zulpilip (Non-Independent, Non-Executive) | Yes | | | | |
| Y Bhg. Datuk Wan Ali Tuanku Yubi (Independent, Non-Executive) | | Yes | Yes | Yes | |
| Y Bhg. Datu Michael Ting Kuok Ngie (Independent, Non-Executive) | Yes | Yes | Yes | Yes | |
| Kevin How Kow (Independent, Non-Executive) | Yes (Chairman) (5) | | | | |

Notes:

(1) Appointed as a member of the Audit Committee with effect from 29 January 2008.

(2) Chairman of the Remuneration Committee until 28 August 2007.

(3) Chairman/Member of the Audit Committee until 29 January 2008.

(4) Chairman of the Nomination Committee until 28 August 2007.

(5) Redesignated as Chairman of the Audit Committee with effect from 29 January 2008.

(6) Appointed as a member of the Nomination and Remuneration Committee on 7 April 2008.

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The Company has three principal Board Committees:

a. Nomination and Remuneration Committee (NRC)

The newly constituted 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 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 2007 are set out below:

| Name of Director | Attendance at Meetings (2007) | | |
|--|---|---|---------------------------------------|
| | Nomination Committee (up to 28 Aug 2007) | Remuneration Committee (up to 28 Aug 2007) | NRC (reconstituted on 29 Aug 2007) |
| Y A M Tan Sri Syed Anwar Jamalullail (Independent, Non-Executive) Chairman of Remuneration Committee up to reconstitution of NRC on 29 Aug 2007 | 2/2 (100%) | 2/2 (100%) | 1/1 (100%) |
| Tuan Haji Mahmud Abu Bekir Taib (Non-Independent, Non-Executive) | 2/2 (100%) | 2/2 (100%) | 0/1 (0%) |
| General (Retired) Tan Sri Dato' Seri Mohd Zahidi Zainuddin (Independent, Non-Executive) Chairman of Nomination Committee up to reconstitution of NRC on 29 Aug 2007 | 2/2 (100%) | 2/2 (100%) | 0/1 (0%) |
| Datuk Wan Ali Tuanku Yubi (Independent, Non-Executive) | 1/2 (50%) | 1/2 (50%) | 1/1 (100%) |
| Datu Michael Ting Kuok Ngie (Independent, Non-Executive) | 2/2 (100%) | 2/2 (100%) | 1/1 (100%) |

Note: Tuan Syed Ahmad Alwee Alsree (Executive Director) was appointed to the NRC on 7 April 2008.

b. Executive Committee ("EXCO")

In addition, the Board has established an EXCO comprising the Group Chairman, Deputy Chairman, the 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, the EXCO met 3 times during 2007.

| Name of Director | Attendance at Meetings (2007) |
|---|-------------------------------|
| Y A M Tan Sri Syed Anwar Jamalullail (Chairman) (Independent, Non-Executive) | 3/3 (100%) |
| Tuan Haji Mahmud Abu Bekir Taib (Non-Independent, Non-Executive) | 2/3 (67%) |
| Dato' Richard Curtis (Executive) | 3/3 (100%) |
| Tuan Syed Ahmad Alwee Alsree (Executive) | 2/3 (67%) |

c. Audit Committee

The terms of reference, composition and a summary of the activities of the Audit Committee are set out separately on page 039 to 041 of this Annual Report.

Communicating with Shareholders and Investors

Shareholders, Stakeholders and Investors

The Company seeks to develop and maintain regular informative communications with its shareholders totaling over 6,800. 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 Annual General Meeting.
- 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, 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**Y Bhg. Dato Sri Liang Kim Bang**

Senior Independent, Non-Executive Director

T +60 82 238 888

F +60 82 341 719

Shareholders' enquiries**Denise Koo Swee Pheng**

Group Company Secretary

T +60 82 238 888

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E denisek@hq.cmsb.com.my

Finance-related**Ian Sadler**

Group Chief Financial Officer

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E isadler@hq.cmsb.com.my

Investor relations**Eda Ahmad**

Head - Group Corporate Communications

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F +60 82 338 611

E eda@hq.cmsb.com.my

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Annual General Meeting ("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 of Internal Control is set out on page 037 to 038 of this Annual Report.

This statement is made in accordance with a resolution of the Board of Directors dated 7 April 2008.

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. Under Bursa Securities Listing Requirements, directors of listed companies must include a statement in their annual report on the state of the Company's internal controls.

Responsibility

The Board of Directors 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 the publicly listed subsidiary, UBG Berhad, or those of its associated companies. The Group's interests are served through representation on the Boards of those respective companies and the receipt and review of management reports thereon.

The Board has established procedures to implement the recommendations of Bursa Securities Listing Requirements' "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 of Directors 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 SBU/CMS Board level decision making process. Management also have 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 operating 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 Board of Directors through the Audit Committee 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 Coordinator and Group Managing Director before presentation to the Board of Directors. 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.

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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 authorisation levels for all aspects of the businesses. Such delegation is subject to periodic review throughout the year as to their implementation and for their continuing suitability.
 - Clearly documented internal procedures set out in the Group Financial Policies and Procedures Manual.
 - A detailed Group Procurement Policies and Procedures Manual to regulate procurement of goods and services in the Group. This includes the centralisation of competitive sourcing and evaluation of major purchases to leverage 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 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.
 - Regular and comprehensive information provided to Management, covering financial performance and key business indicators which are reviewed by the Group Managing Director and other members of the senior management team during the monthly operational review meetings.
 - 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 adequacy of internal controls, monitor compliance with procedures and assess the integrity of financial information provided.
 - An emphasis on the quality and ability of employees with continuing education, training and development being actively encouraged through a wide variety of programs.
 - All significant contracts and legally enforceable agreements are vetted by the Group's Legal Department.
- The above control arrangements in place provide reasonable assurance to the Board that the structure of controls are 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 7 April 2008.**

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 2007.

Composition

The Group Audit Committee comprises the following Board members:

Kevin How Kow – Chairman

(Independent, Non-Executive Director)

(Redesignated as Chairman on 29 January 2008)

Y A M Tan Sri Syed Anwar Jamalullail

(Independent, Non-Executive Director)

(Appointed on 29 January 2008)

YB Datuk Haji Talib bin Zulpilip

(Non-Executive Director)

Datu Michael Ting Kuok Ngie

(Independent Non-Executive Director)

Dato Sri Liang Kim Bang

(Senior Independent, Non-Executive Director)

(Cessation as Chairman/Member on 29 January 2008)

- 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 Group.

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.

Terms of Reference of the Group Audit Committee

1. Constitution

- i. The Group Audit Committee ("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.

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- 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 Malaysia 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 Malaysia.

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 the external auditors, 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.
-

Meetings In 2007

During the year ended 31 December 2007, the Group Audit Committee held five meetings which were attended by the members as follows:

| | Total Meetings Attended |
|--|----------------------------|
| Kevin How Kow | 5/5 (100%) |
| Y A M Tan Sri Syed Anwar Jamalullail (Appointed 29 January 2008) | 0/5 (0%) |
| YB Datuk Haji Talib bin Zulpilip | 4/5 (80%) |
| Datu Michael Ting Kuok Ngie | 5/5 (100%) |
| Dato Sri Liang Kim Bang (Cessation as Chairman/Member on 29 January 2008) | 4/5 (80%) |

On 29 January 2008, Kevin How was redesignated as Chairman to replace Dato Sri Liang Kim Bang who remained on the Board as the Senior Independent Non-Executive Director. On the same date, Y A M Tan Sri Syed Anwar Jamalullail, the Group Chairman was appointed a member of the Committee.

The Committee held a meeting with the external auditors on 28 February 2007 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 Group Audit Committee in the Year 2007

- 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 to Bursa Malaysia prior to submission to the Board for consideration and approval;
- 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 or 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 Group Audit Committee.

This statement is made in accordance with a resolution of the Board of Directors dated 7 April 2008.

Additional Compliance Information

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

Utilisation of Proceeds

The status of utilisation of the proceeds from the CMS Income Securities as at 31 December 2007 was as follows:

| Description | Actual Utilised RM'000 |
|---|---------------------------|
| | |
| Repayment of borrowings | 330,081 |
| Expenses of issuance of CMS Income Securities | 1,858 |
| Working capital | 110,464 |
| | |
| Total | 442,403 |
| | |

Share Buy-backs

CMS did not enter into any share buy-back transactions during the financial year ended 31 December 2007.

Options, Warrants or Convertible Securities

CMS did not issue any options, warrants or convertible securities during the financial year ended 31 December 2007.

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 RM624,000 were paid to the external auditors for the financial year ended 31 December 2007.

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 27 February 2008.

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 2007 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

On 18 April 2007, CMS announced the recurrent related party transactions of a revenue or trading nature which it expected to enter into with persons who are considered to be "Related Party" as defined in Chapter 10 of the Listing Requirements of Bursa Malaysia Securities Berhad. A breakdown of the aggregate value of transactions conducted during the financial year under review is set out below:

| | RM'000 | Relationship |
|---|--------|--|
| Telecommunication equipment and services paid to: – Achi Jaya Communications Sdn Bhd | 14 | A company controlled by Tuan Haji Mahmud Abu Bekir Taib (a major shareholder of CMS). |
| Office rental paid to: – Satria Realty Sdn Bhd | 952 | A company controlled by Majaharta Sdn Bhd (a major shareholder of CMS), which in turn is controlled by Hanifah Hajar Taib and Jamilah Hamidah Taib (major shareholders of CMS and persons connected to Lejla Taib, YB Dato Sri Sulaiman Abdul Rahman Taib, Tuan Haji Mahmud Abu Bekir Taib and Tuan Syed Ahmad Alwee Alsree). |
| Office upkeep paid to: – Centigrade Resources Sdn Bhd | 489 | Subsidiary company of Satria Realty Sdn Bhd. |
| Professional fees paid to: – KTA (Sarawak) Sdn Bhd | 184 | A person connected to Datu Michael Ting has direct interest of 20%. |
| Management fees received from: – 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 39.9% 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. |

Statement of Directors' Responsibility

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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 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 2007 set out on page 048 to 128, 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 7 April 2008.

Financial Calendar 2007

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| | |
|----------|--|
| 28/02/07 | The Group reported a profit after tax and minority interests of RM7.3 million for the financial year ended 31 December 2006. |
| 27/04/07 | <p>The Group declared a first and final dividend of 5 sen per share less 27% income tax for the financial year ended 31 December 2006.</p> <p>Notice of the 32nd Annual General Meeting was announced.</p> |
| 24/05/07 | <p>The Group reported a profit after tax and minority interests of RM5.2 million for the first quarter ended 31 March 2007.</p> <p>CMS' 32nd Annual General Meeting took place.</p> |
| 08/08/07 | The Group paid a first and final dividend of 5% less 27% income tax for the financial year ended 31 December 2006 amounting to RM12.0 million. |
| 29/08/07 | The Group reported a profit after tax and minority interests of RM335.0 million for the second quarter ended 30 June 2007. |
| 27/11/07 | The Group reported a profit after tax and minority interests of RM26.3 million for the third quarter ended 30 September 2007. |
| 27/02/08 | The Group reported an unaudited profit after tax and minority interests of RM18.6 million for the fourth quarter, and profit after tax and minority interests of RM385.0 million for the 12 months ended 31 December 2007. |

Five-Year Financial Highlights

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| | 2003 | 2004 | Restated 2005* | 2006* | 2007 |
|---|-----------|-----------|-------------------|-------------|------------------|
| Revenue (RM'000) | 1,082,662 | 1,020,344 | 5,196,614 | 6,210,644 | 2,552,466 |
| Profit Before Tax (RM'000) | 82,310 | 130,955 | 469,853 | 517,807 | 887,441 |
| Net Profit/(loss) Attributable to Equity Holders of the Company (RM'000) | 23,670 | 28,749 | (117,987) | 6,865 | 388,166 |
| Weighted Average No. of Shares | 328,486 | 329,306 | 329,446 | 329,446 | 329,446 |
| Gross Earnings per Share (sen) | 25.06 | 39.77 | 142.62 | 157.18 | 269.37 |
| Basic Earnings/(loss) per Share (sen) | 7.21 | 8.73 | (35.81) | 2.08 | 117.82 |
| Gross Dividends per Share (sen) | 5 | 5 | 5 | 5 | 15 |
| Total Shareholders' Funds (RM'000) | 973,698 | 991,970 | 853,451 | 851,478 | 1,238,248 |
| Total Assets (RM'000) | 3,449,086 | 2,710,384 | 90,197,381 | 103,410,293 | 2,790,777 |
| Net Tangible Assets per Share (RM) | 2.33 | 2.42 | (0.63) | (0.59) | 3.54 |
| Net Assets per Share (RM) | 2.96 | 3.01 | 2.59 | 2.58 | 3.76 |
| Return on Equity (after tax) (%) | 2.45 | 2.93 | (13.85) | 0.81 | 37.15 |
| Return on Total Assets (after tax) (%) | 0.69 | 1.06 | (0.13) | 0.01 | 13.91 |
| Total Borrowings (RM'000) | 890,221 | 782,218 | 4,260,237 | 4,574,719 | 678,303 |
| Gearing (times) | 0.91 | 0.79 | 4.99 | 5.37 | 0.55 |
| Current Assets (RM'000) | 1,469,362 | 751,601 | 71,479,903 | 81,459,806 | 2,021,426 |
| Current Liabilities (RM'000) | 1,496,783 | 772,065 | 84,661,323 | 98,049,742 | 664,731 |
| Current Ratio (times) | 0.98 | 0.97 | 0.84 | 0.83 | 3.04 |
| CMS Share Price Information (RM) | | | | | |
| Low | 1.53 | 1.44 | 0.88 | 0.88 | 1.44 |
| High | 2.36 | 2.38 | 1.63 | 1.58 | 3.20 |
| Closing | 1.99 | 1.50 | 0.93 | 1.46 | 2.29 |

* RHB is deemed a subsidiary of UBG following the adoption of FRS 127 with effect from 1 January 2006 after taking into consideration the potential voting rights arising from the RHB ICULS that UBG holds. The comparative figures for 2005 have been restated accordingly.

Financial Statements

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Directors' Report

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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 2007.

Principal activities

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

The Group is principally engaged in cement manufacturing, construction and quarry operations, road maintenance, stockbroking and related financial services, property development, trading and services.

The principal activities of the subsidiaries are more particularly set out in Note 20 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year except for the disposal of investment in Rashid Hussain Berhad ("RHB") as disclosed in Note 11 to the financial statements.

Results

| | Group | Company |
|---|----------|---------|
| | RM'000 | RM'000 |
| Loss after tax from continuing operations | (70,580) | (2,221) |
| Profit after tax from discontinued operations | 856,164 | – |
| Profit/(loss) for the year | 785,584 | (2,221) |
| Attributable to: | | |
| Equity holders of the Company | 388,166 | (2,221) |
| Minority interests | 397,418 | – |
| | 785,584 | (2,221) |

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 amount of dividends paid by the Company since 31 December 2006 was as follows:

In respect of the financial year ended 31 December 2006 as reported in the directors' report of that year:

| | RM'000 |
|---|--------|
| First and final dividend of 5% less 27% taxation, on 329,445,840 ordinary shares, declared on 24 May 2007 and paid on 8 August 2007 | 12,025 |

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2007 of 5% less 26% taxation and a special dividend of 10% less 26% taxation on 329,445,840 ordinary shares, amounting to a dividend payable of RM36,568,490 (11.10 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

Directors

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

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail Group Chairman

Tuan Haji Mahmud Abu Bekir Taib Deputy Group Chairman

YB Dato Sri Sulaiman Abdul Rahman Taib (Resigned on 21 January 2008; reappointed on 29 January 2008)

Dato Sri Liang Kim Bang

General (R) Tan Sri Dato' Seri Mohd Zahidi Bin Zainuddin

YB Datuk Haji Talib Bin Zulpilip

Datuk Wan Ali Tuanku Yubi

Datu Michael Ting Kuok Ngie @ Ting Kok Ngie

Kevin How Kow

Dato' Richard Alexander John Curtis Group Managing Director

Tuan Syed Ahmad Alwee Alsree Deputy Group Managing Director

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, YAM Tan Sri Dato' Seri Syed Anwar Jamalullail, Tuan Haji Mahmud Abu Bekir Taib and General (R) Tan Sri Dato' Seri Mohd Zahidi Bin Zainuddin retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 112 of the Company's Articles of Association, YB Dato Sri Sulaiman Abdul Rahman Taib retires at the forthcoming Annual General Meeting and, will not be offering himself for re-election.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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 9 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.

Remuneration committee

The Remuneration Committee and Nomination Committee were reconstituted as Nomination and Remuneration Committee on 29 August 2007. 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 a majority of independent Non-Executive Directors of the Company who have served since the date of the last report are:

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail

Tuan Haji 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

Directors' Report

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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 and a related company during the financial year were as follows:

| | At 1 January 2007 | Number of Ordinary Shares of RM1 Each | | | At 31 December 2007 |
|--|----------------------|---------------------------------------|------|----------------------|------------------------|
| | | Bought | Sold | Capital reduction | |
| Cahaya Mata Sarawak Berhad | | | | | |
| Direct interest: | | | | | |
| Tuan Haji Mahmud Abu Bekir Taib | 29,400,085 | — | — | — | 29,400,085 |
| YB Dato Sri Sulaiman Abdul Rahman Taib | 29,465,085 | — | — | — | 29,465,085 |
| General (R) Tan Sri Dato' Seri Mohd Zahidi Bin Zainuddin | 20,000 | — | — | — | 20,000 |
| Indirect interest: * | | | | | |
| Datu Michael Ting Kuok Ngie @ Ting Kok Ngie | 19,000 | — | — | — | 19,000 |
| Tuan Syed Ahmad Alwee Alsree | 45,630,102 | — | — | — | 45,630,102 |

UBG Berhad

(formerly known as Utama Banking Group Berhad)

| | | | | | |
|---|---------|--------|-----------|-----------|---------|
| Direct interest: | | | | | |
| Dato Sri Liang Kim Bang | 504,000 | — | — | (302,400) | 201,600 |
| YB Datuk Haji Talib Bin Zulpilip | 13,333 | — | — | (8,000) | 5,333 |
| Indirect interest: * | | | | | |
| Datu Michael Ting Kuok Ngie @ Ting Kok Ngie | 509,000 | 50,000 | (410,000) | (89,400) | 59,600 |
| Tuan Syed Ahmad Alwee Alsree | 712,000 | — | — | (427,200) | 284,800 |

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

There were no other movements in shares of the Company during the financial year other than as disclosed.

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.

Other statutory information (contd.)

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.

Subsequent events

Details of subsequent events are disclosed in Note 43 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 7 April 2008



YAM Tan Sri Dato' Seri Syed Anwar Jamalullail



Dato' Richard Alexander John Curtis

Statement by Directors

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

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We, **YAM Tan Sri Dato' Seri Syed Anwar Jamalullail** and **Dato' Richard Alexander John Curtis**, being two of the Directors of **Cahya Mata Sarawak Berhad**, do hereby state that in the opinion of the Directors, the accompanying financial statements set out on pages 054 to 128 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable 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 2007 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 7 April 2008

YAM Tan Sri Dato' Seri Syed Anwar Jamalullail

Dato' Richard Alexander John Curtis

Statutory Declaration

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

I, **Ian Graham Sadler**, 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 054 to 128 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.



Ian Graham Sadler
Chief Financial Officer

Subscribed and solemnly declared by the abovenamed Ian Graham Sadler at Kuching in the State of Sarawak on 7 April 2008

Before me,

Report of the Auditors

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

pg. 053

We have audited the financial statements set out on pages 054 to 128. These financial statements are the responsibility of the Company's Directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We have conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:


- a. the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
 - i. the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - ii. the matters required by Section 169 of the Companies Act, 1965, to be dealt with in the financial statements; and
- b. the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 20 to the financial statements, being financial statements which have been included in the consolidated financial statements.

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

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


ERNST & YOUNG
AF 0039
Chartered Accountants


YONG YOUN KAR
1769 04-11 (CPH)
Partner

Kuching, Malaysia
7 April 2008

Income Statements

for the year ended 31 December 2007

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| | | Group | | Company | |
|--|-------|-----------------|------------------------------|----------------|----------------|
| | Note | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| Continuing operations | | | | | |
| Revenue | 3 | 891,895 | 794,093 | 102,976 | 64,429 |
| Cost of sales | 4 | (747,235) | (656,875) | (11,017) | (13,276) |
| Gross profit | | 144,660 | 137,218 | 91,959 | 51,153 |
| Other income | | 6,648 | 6,429 | 6 | 426 |
| Administrative expenses | | (57,440) | (59,265) | (19,791) | (18,002) |
| Selling and marketing expenses | | (6,723) | (5,380) | – | – |
| Other expenses | | (10,208) | (8,032) | (27,950) | – |
| Impairment losses/written off | 5 | (112,302) | (4,011) | – | – |
| Operating (loss)/profit | | (35,365) | 66,959 | 44,224 | 33,577 |
| Finance costs | 6 | (40,604) | (45,577) | (26,276) | (24,728) |
| Share of profit of associates | | 34,383 | 6,638 | – | – |
| Share of profit of jointly controlled entities | | 4,858 | 4,408 | – | – |
| (Loss)/profit before tax | 7 | (36,728) | 32,428 | 17,948 | 8,849 |
| Income tax expense | 10 | (33,852) | (30,044) | (20,169) | (9,930) |
| (Loss)/profit after tax from continuing operations | | (70,580) | 2,384 | (2,221) | (1,081) |
| Discontinued operations | | | | | |
| – CMS Steel Berhad | 11(a) | 2,365 | (902) | – | – |
| – Rashid Hussain Berhad | 11(b) | 823,081 | 254,033 | – | – |
| – Utama Merchant Bank Berhad | 11(c) | 30,718 | – | – | – |
| Profit for the year from discontinued operations | | 856,164 | 253,131 | – | – |
| Profit/(loss) for the year | | 785,584 | 255,515 | (2,221) | (1,081) |
| Attributable to: | | | | | |
| Equity holders of the Company | | 388,166 | 6,865 | (2,221) | (1,081) |
| Minority interests | | 397,418 | 248,650 | – | – |
| | | 785,584 | 255,515 | (2,221) | (1,081) |
| Earnings per share attributable to equity holders of the Company (sen): | | | | | |
| For loss from continuing operations | 12 | (20.28) | (0.65) | | |
| For profit from discontinued operations | 12 | 138.10 | 2.73 | | |
| For profit for the year | | 117.82 | 2.08 | | |

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

Balance Sheets

as at 31 December 2007

pg. 055

| | | Group | | Company | |
|---|-------|------------------|------------------------------|------------------|------------------|
| | Note | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 14 | 351,516 | 882,793 | 3,979 | 18,664 |
| Prepaid land lease payments | 15 | 40,391 | 130,925 | – | – |
| Land held for property development | 16(a) | 40,145 | 39,862 | – | – |
| Investment properties | 17 | 6,328 | 2,011 | 22,398 | – |
| Intangible assets | 18 | 9,923 | 10,307 | – | – |
| Goodwill on consolidation | 19 | 61,709 | 1,037,145 | – | – |
| Investments in subsidiaries | 20 | – | – | 1,056,898 | 1,056,898 |
| Investments in associates | 21 | 250,036 | 291,783 | – | – |
| Investments in jointly controlled entities | 22 | 8,640 | 8,868 | – | – |
| Securities available-for-sale | | – | 6,269,840 | – | – |
| Securities held-to-maturity | | – | 13,022,152 | – | – |
| Deferred tax assets | 23 | 663 | 254,801 | – | – |
| | | 769,351 | 21,950,487 | 1,083,275 | 1,075,562 |
| Current assets | | | | | |
| Property development costs | 16(b) | 123,303 | 145,825 | – | – |
| Real property assets | | – | 392,000 | – | – |
| Inventories | 24 | 73,336 | 41,231 | – | – |
| Amount due from customers on contracts | 25 | 19,633 | 12,585 | – | – |
| Statutory deposits | | – | 1,905,043 | – | – |
| Securities held-for-trading | | – | 5,160,642 | – | – |
| Short term investments | 26 | 5,432 | 763 | – | – |
| Amount due from subsidiaries | 27 | – | – | 120,212 | 490,675 |
| Trade and other receivables | 28 | 264,331 | 1,007,574 | 16,434 | 72,919 |
| Derivative assets | | – | 169,619 | – | – |
| Clients' and brokers' balances | | – | 177,027 | – | – |
| Loans, advances and financing | | – | 53,392,886 | – | – |
| Deposits and placements with banks and other financial institutions | | – | 5,596,849 | – | – |
| Securities purchased under resale agreements | | – | 2,691,541 | – | – |
| Cash and bank balances | 29 | 1,515,294 | 10,708,210 | 626,190 | 88,606 |
| | | 2,001,329 | 81,401,795 | 762,836 | 652,200 |
| Assets classified as held for sale | 11 | 20,097 | 58,011 | – | – |
| | | 2,021,426 | 81,459,806 | 762,836 | 652,200 |
| Total Assets | | 2,790,777 | 103,410,293 | 1,846,111 | 1,727,762 |

Balance Sheets as at 31 December 2007

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| | | Group | | Company | |
|---|------|------------------|------------------------------|------------------|----------------|
| | Note | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| Equity And Liabilities | | | | | |
| Equity attributable to equity holders of the Company | | | | | |
| Share capital | 30 | 329,446 | 329,446 | 329,446 | 329,446 |
| Share premium | 30 | 427,513 | 427,513 | 427,513 | 427,513 |
| Other reserves | 31 | 73,505 | 122,377 | 180,633 | 180,633 |
| Retained earnings/(accumulated losses) | 32 | 407,784 | (27,858) | 50,535 | 64,781 |
| | | 1,238,248 | 851,478 | 988,127 | 1,002,373 |
| Minority interests | | 538,644 | 1,810,233 | – | – |
| Total equity | | 1,776,892 | 2,661,711 | 988,127 | 1,002,373 |
| Non-current liabilities | | | | | |
| Borrowings | 33 | 326,996 | 2,659,148 | 320,340 | 365,909 |
| Deferred tax liabilities | 23 | 22,158 | 39,692 | 171 | 200 |
| | | 349,154 | 2,698,840 | 320,511 | 366,109 |
| Current liabilities | | | | | |
| Deposits from customers | | – | 57,334,363 | – | – |
| Deposits and placements of banks and financial institutions | | – | 11,577,118 | – | – |
| Obligations on securities sold under repurchase agreements | | – | 14,975,669 | – | – |
| Bills and acceptances payables | | – | 3,778,758 | – | – |
| Clients' and brokers' balances | | – | 251,372 | – | – |
| Trade and other payables | 36 | 254,124 | 2,107,171 | 5,625 | 1,417 |
| Amount due to customers on contracts | 25 | 48,317 | 10,038 | – | – |
| Amount due to subsidiaries | 27 | – | – | 472,925 | 275,762 |
| Derivative liabilities | | – | 310,737 | – | – |
| Recourse obligation on loans sold to Cagamas Berhad | | – | 2,879,284 | – | – |
| Borrowings | 33 | 351,307 | 1,915,571 | 58,923 | 82,101 |
| Subordinated obligations | | – | 1,493,158 | – | – |
| Irredeemable Convertible Unsecured Loan Stocks | | – | 197,844 | – | – |
| Irredeemable Non-Cumulative Convertible Preference Shares | | – | 1,104,469 | – | – |
| Current tax payable | | 10,983 | 100,190 | – | – |
| | | 664,731 | 98,035,742 | 537,473 | 359,280 |
| Liabilities directly associated with assets classified as held for sale | 11 | – | 14,000 | – | – |
| | | 664,731 | 98,049,742 | 537,473 | 359,280 |
| Total liabilities | | 1,013,885 | 100,748,582 | 857,984 | 725,389 |
| Total Equity And Liabilities | | 2,790,777 | 103,410,293 | 1,846,111 | 1,727,762 |

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2007

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| | | ← Attributable to equity holders of the Company → | | | | | Minority interests | Total equity |
|---|------|---|---------------------|----------------------------------|---|-----------|--------------------|--------------|
| | | Share capital | Share premium | Non-Distributable Other reserves | Distributable (Accumulated losses)/ retained earnings | Total | | |
| | Note | (Note 30) RM'000 | (Note 30) RM'000 | (Note 31) RM'000 | (Note 32) RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2007 | | 329,446 | 427,513 | 122,377 | (27,858) | 851,478 | 1,810,233 | 2,661,711 |
| Dilution of interest due to conversion of RHB ICULS by minority interests | | - | - | (4,155) | 13,482 | 9,327 | (2,024) | 7,303 |
| Currency translation differences | | - | - | (1,163) | - | (1,163) | (12,876) | (14,039) |
| Exercise of call warrants 2003/2007 | | - | - | (2,182) | 2,182 | - | 41,141 | 41,141 |
| Unrealised net gain on revaluation of securities AFS | | - | - | 2,351 | - | 2,351 | 26,340 | 28,691 |
| Net transfer to income statement on disposal or impairment | | - | - | 118 | - | 118 | 2,191 | 2,309 |
| Deferred tax | | - | - | (4) | - | (4) | (381) | (385) |
| Net (expense)/income recognised directly in equity | | - | - | (5,035) | 15,664 | 10,629 | 54,391 | 65,020 |
| Profit for the year | | - | - | - | 388,166 | 388,166 | 397,418 | 785,584 |
| Total recognised income and expense for the year | | - | - | (5,035) | 403,830 | 398,795 | 451,809 | 850,604 |
| Realised upon disposal of subsidiary | | - | - | (43,837) | 43,837 | - | (1,635,970) | (1,635,970) |
| Dividend | 13 | - | - | - | (12,025) | (12,025) | - | (12,025) |
| Dividend paid to minority interests | | - | - | - | - | - | (87,428) | (87,428) |
| At 31 December 2007 | | 329,446 | 427,513 | 73,505 | 407,784 | 1,238,248 | 538,644 | 1,776,892 |

Consolidated Statement of Changes in Equity for the year ended 31 December 2007

| | Attributable to equity holders of the Company | | | | | Minority interests | Total equity |
|--|---|--------------------------------|---|---------------------------|--------------|--------------------|--------------|
| | Share capital (Note 30) RM'000 | Share premium (Note 30) RM'000 | Non-Distributable Other reserves (Note 31) RM'000 | Accumulated losses RM'000 | Total RM'000 | | |
| At 1 January 2006 | | | | | | | |
| As previously stated | 329,446 | 427,513 | 99,495 | (6,719) | 849,735 | 666,693 | 1,516,428 |
| Effects of adopting FRS 127 | - | - | 1,248 | 2,468 | 3,716 | 932,360 | 936,076 |
| At 1 January 2006 (restated) | 329,446 | 427,513 | 100,743 | (4,251) | 853,451 | 1,599,053 | 2,452,504 |
| Effects of adopting FRS 3 | - | - | (53) | 53 | - | - | - |
| | 329,446 | 427,513 | 100,690 | (4,198) | 853,451 | 1,599,053 | 2,452,504 |
| (Loss)/gain from conversion of RHB ICULS by minority interests | - | - | (1,113) | 1,702 | 589 | (1,584) | (995) |
| Currency translation differences | - | - | (1,167) | 31 | (1,136) | (14,379) | (15,515) |
| Exercise of call warrants 2003/2007 | - | - | (276) | 123 | (153) | 3,994 | 3,841 |
| Unrealised net gain on revaluation of securities AFS | - | - | 6,771 | - | 6,771 | 47,470 | 54,241 |
| Net transfer to income statement on disposal or impairment | - | - | (1,676) | - | (1,676) | (9,816) | (11,492) |
| Increase in investment in an associate | - | - | - | - | - | (10) | (10) |
| Transfer in respect of liquidation of subsidiary | - | - | - | - | - | (257) | (257) |
| Deferred tax | - | - | (1,373) | - | (1,373) | (9,906) | (11,279) |
| Transfer in respect of disposal of land | - | - | (217) | 217 | - | - | - |
| Net income recognised directly in equity | - | - | 949 | 2,073 | 3,022 | 15,512 | 18,534 |
| Profit for the year | - | - | - | 6,865 | 6,865 | 248,650 | 255,515 |
| Total recognised income and expense for the year | - | - | 949 | 8,938 | 9,887 | 264,162 | 274,049 |
| Transfer in respect of statutory requirements | - | - | 20,738 | (20,738) | - | - | - |
| Dividend | - | - | - | (11,860) | (11,860) | - | (11,860) |
| Dividend paid to minority interests | - | - | - | - | - | (52,931) | (52,931) |
| Additional investment in a subsidiary | - | - | - | - | - | (100) | (100) |
| Issue of shares | - | - | - | - | - | 49 | 49 |
| At 31 December 2006 | 329,446 | 427,513 | 122,377 | (27,858) | 851,478 | 1,810,233 | 2,661,711 |

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

Company Statement of Changes in Equity

for the year ended 31 December 2007

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| | Note | Non-Distributable | | | | Merger reserve | Distributable | | Total equity |
|--|------|--------------------------------|--------------------------------|----------------------------------|--|----------------|------------------------------------|--|--------------|
| | | Share capital (Note 30) RM'000 | Share premium (Note 30) RM'000 | Capital reserve (Note 31) RM'000 | | | Retained earnings (Note 32) RM'000 | | |
| At 1 January 2007 | | 329,446 | 427,513 | 12,633 | | 168,000 | 64,781 | | 1,002,373 |
| Loss for the year, representing total recognised income and expense for the year | | - | - | - | | - | (2,221) | | (2,221) |
| Dividend | 13 | - | - | - | | - | (12,025) | | (12,025) |
| At 31 December 2007 | | 329,446 | 427,513 | 12,633 | | 168,000 | 50,535 | | 988,127 |
| At 1 January 2006 | | 329,446 | 427,513 | 13,037 | | 168,000 | 77,318 | | 1,015,314 |
| Transfer in respect of disposal of land | | - | - | (404) | | - | 404 | | - |
| Loss for the year, representing total recognised income and expense for the year | | - | - | - | | - | (1,081) | | (1,081) |
| Dividend | 13 | - | - | - | | - | (11,860) | | (11,860) |
| At 31 December 2006 | | 329,446 | 427,513 | 12,633 | | 168,000 | 64,781 | | 1,002,373 |

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

Consolidated Cash Flow Statement

for the year ended 31 December 2007

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| | Note | 2007 RM'000 | 2006 RM'000 (Restated) |
|--|------|-----------------|------------------------------|
| Cash flows from operating activities | | | |
| (Loss)/profit before tax | | | |
| Continuing operations | | (36,728) | 32,428 |
| Adjustments for: | | | |
| Amortisation/(reversal) of intangible assets | 7 | 1,542 | (639) |
| Amortisation of prepaid land lease payments | 7 | 827 | 1,304 |
| Amortisation of transaction costs | 6 | 265 | 265 |
| Bad debts written off, net of recoveries | 7 | 231 | 20 |
| Depreciation of investment properties | 7 | 117 | 41 |
| Depreciation of property, plant and equipment | 7 | 16,888 | 13,713 |
| Discount on acquisition of additional equity in subsidiary | | – | (52) |
| Gain on disposal of investment | 7 | (359) | – |
| Gain on disposal of investment properties | 7 | – | (500) |
| Gain on disposal of property, plant and equipment | 7 | (117) | (229) |
| Loss on disposal of intangible assets | 7 | 499 | – |
| Impairment losses/written off | 5 | 112,302 | 4,011 |
| Interest expense | 7 | 40,105 | 45,019 |
| Interest income | 7 | (45,306) | (1,452) |
| Property, plant and equipment written off | 7 | 59 | 72 |
| Provision for bad and doubtful debts, net of recoveries | 7 | 418 | 2,608 |
| Share of profit of associates | | (34,383) | (6,638) |
| Share of profit of jointly controlled entities | | (4,858) | (4,408) |
| Write down of inventories | 7 | 12 | 612 |
| Operating profit before working capital changes | | 51,514 | 86,175 |
| (Increase)/decrease in operating assets: | | | |
| Property development costs | | 22,522 | 712 |
| Inventories | | (15,511) | 1,691 |
| Amount due from customers on contracts | | 32,083 | 4,551 |
| Investments | | (4,853) | (420) |
| Receivables | | 432 | 37,226 |
| Increase/(decrease) in operating liabilities: | | | |
| Payables | | 6,676 | (2,793) |
| Other liabilities | | 212 | (5,283) |
| Cash generated from operations | | 93,075 | 121,859 |
| Interest received | | 45,306 | 1,452 |
| Interest paid | | (59,827) | (57,110) |
| Taxes paid, net of refund | | (32,626) | (21,180) |
| Net cash generated from operating activities – discontinued operations (RHB) | | 1,381,498 | 1,760,873 |
| Net cash generated from operating activities – discontinued operations (CMS Steel) | | 4,749 | 46,335 |
| Net cash generated from operating activities | | 1,432,175 | 1,852,229 |

| | Note | 2007 RM'000 | 2006 RM'000 (Restated) |
|--|-------|--------------------|------------------------------|
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (22,865) | (32,157) |
| Proceeds from disposal of investment properties | | – | 1,094 |
| Purchase of investment properties | | – | (5) |
| Proceeds from disposal of property, plant and equipment | | 423 | 593 |
| Proceeds from disposal of investment | | 543 | – |
| Net cash outflow arising from acquisition of subsidiary | 20(a) | (107,979) | (49) |
| Expenses incurred on intangible assets | 18 | (1,141) | (1,302) |
| Investments in associates | | (8,000) | (4,000) |
| Dividends received from associates | | 1,684 | 1,656 |
| Expenditure incurred on land held for development | | (283) | (593) |
| Distribution of profit from jointly controlled entities | | 5,086 | 1,124 |
| Net cash outflow on disposal of RHB | 11(b) | (10,459,185) | – |
| Net cash inflow on disposal of UMBB | 11(c) | 30,718 | – |
| Net cash generated from/(used in) investing activities – discontinued operations (RHB) | | 695,706 | (2,740,215) |
| Net cash generated from/(used in) investing activities – discontinued operations (CMS Steel) | | 36,652 | (101) |
| Net cash used in investing activities | | (9,828,641) | (2,773,955) |
| Cash flows from financing activities | | | |
| Drawdown of borrowings | | 4,800 | 18,660 |
| Repayment of borrowings | | (270,733) | (194,117) |
| Proceeds from issuance of CMS Income Securities | | 142,088 | 131,330 |
| Repayment of CMS Income Securities | 34 | (30,000) | – |
| Dividends paid to shareholders of the Company | | (12,025) | (11,860) |
| Dividends paid to minority interests in subsidiaries | | (42,795) | (3,200) |
| Capital repayment to minority interests | | (657,732) | – |
| Proceeds from issuance of shares to minority interests | | – | 49 |
| Net cash generated from financing activities – discontinued operations (RHB) | | 84,081 | 296,330 |
| Net cash used in financing activities – discontinued operations (CMS Steel) | | (14,000) | (79,256) |
| Net cash (used in)/generated from financing activities | | (796,316) | 157,936 |
| Net decrease in cash and cash equivalents | | (9,192,782) | (763,790) |
| Cash and cash equivalents at the beginning of the year | | 10,708,051 | 11,471,841 |
| Cash and cash equivalents at the end of the year | 29 | 1,515,269 | 10,708,051 |

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

Company Cash Flow Statement

for the year ended 31 December 2007

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| | Note | 2007 RM'000 | 2006 RM'000 |
|---|------|----------------|-----------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 17,948 | 8,849 |
| Adjustments for: | | | |
| Amortisation of transaction costs | 6 | 265 | 265 |
| Depreciation of investment property | 7 | 550 | – |
| Depreciation of property, plant and equipment | 7 | 743 | 729 |
| Gain on disposal of property, plant and equipment | 7 | (4) | (28) |
| Gross dividend income | 7 | (91,807) | (56,371) |
| Interest expense | 7 | 36,797 | 37,421 |
| Interest income | 7 | (8,686) | (7,325) |
| Property, plant and equipment written off | 7 | 12 | 3 |
| Provision against advance to subsidiary | 7 | 27,950 | – |
| Operating loss before working capital changes | | (16,232) | (16,457) |
| Increase in receivables | | (2,038) | (2,689) |
| Increase/(decrease) in payables | | 4,208 | (1,166) |
| Increase/(decrease) in amount due to subsidiaries | | 539,676 | (81,815) |
| Cash generated from/(used in) operations | | 525,614 | (102,127) |
| Interest received | | 8,686 | 7,325 |
| Interest paid | | (56,519) | (49,513) |
| Taxes paid, net of refund | | 11,738 | 5,675 |
| Net cash generated from/(used in) operating activities | | 489,519 | (138,640) |
| Cash flows from investing activities | | | |
| Dividends received | | 67,019 | 40,588 |
| Purchase of property, plant and equipment | 14 | (9,021) | (15,355) |
| Proceeds from disposal of property, plant and equipment | | 7 | 30 |
| Investment in subsidiaries | | – | (2,000) |
| Net cash generated from investing activities | | 58,005 | 23,263 |
| Cash flows from financing activities | | | |
| Proceeds from issuance of CMS Income Securities | | 142,088 | 131,330 |
| Repayment of CMS Income Securities | | (30,000) | – |
| Repayment of term loans | | (110,000) | (55,000) |
| Dividends paid to shareholders of the Company | | (12,025) | (11,860) |
| Net cash (used in)/generated from financing activities | | (9,937) | 64,470 |
| Net increase/(decrease) in cash and cash equivalents | | 537,587 | (50,907) |
| Cash and cash equivalents at the beginning of the year | | 88,603 | 139,510 |
| Cash and cash equivalents at the end of the year | 29 | 626,190 | 88,603 |

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

Notes to the Financial Statements

31 December 2007

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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, administrative and other support services to the Group. The principal activities of the subsidiaries are set out in Note 20 of the financial statements. There have been no significant changes in the nature of the principal activities during the financial year except for the disposal of investment in RHB as disclosed in Note 11 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 7 April 2008.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act, 1965, and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for the current financial year as described fully in Note 2.3.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis except as disclosed in the significant accounting policies.

The financial statements of the Group incorporate all activities relating to the Islamic Banking business undertaken by the banking subsidiaries in compliance with Shariah principles.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965, applicable Financial Reporting Standard in Malaysia and Bank Negara Malaysia's ("BNM") guidelines require the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from estimates.

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 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.

Notes to the Financial Statements

31 December 2007

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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 which meet the criteria for merger are 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.

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.

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.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless costs cannot be recovered.

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).

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

c. Jointly controlled entities (contd.)

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 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.

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.

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

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

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 cost less accumulated depreciation and impairment losses consistent with the accounting policies for property, plant and equipment as stated in Note 2.2(e).

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.

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.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

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 stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction 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.

i. Impairment of non-financial assets

The carrying amounts of assets, other than investment properties, 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.

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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. Marketable securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in profit or loss. On disposal of marketable securities, the difference between net disposal proceeds and the 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 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.

The effective interest method is the rate that exactly discounts estimated future cash payments through the expected life of the Income Securities. When calculating the effective interest method, 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 method, is recognised in profit or loss as finance costs in the period in which they are 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.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

i. Leases

ii. Classification

A lease is recognized 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.

iii. 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).

iv. 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.

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.

Notes to the Financial Statements

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

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.

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. 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.

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. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, 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 Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's 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.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

q. Foreign currencies (contd.)

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 2007 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 2007 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:

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 and services

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. Dividend income

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

vi. Interest income

Interest is recognised on a time proportion basis.

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.

Notes to the Financial Statements

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

t. Additional accounting policies relating to the banking subsidiaries

i. Securities

The Group classifies its securities portfolio into securities held-for-trading, securities held-to-maturity or securities available-for-sale. Classification of the securities is determined at initial recognition.

a. Securities held-for-trading

Securities held-for-trading are securities acquired or incurred principally for the purpose of selling or repurchasing in the near term or is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Securities held-for-trading are stated at fair value at initial recognition. Any gain or loss arising from a change in the fair value or arising from derecognition of such securities is recognised in profit or loss.

Interest calculated using the effective interest method is recognised in profit or loss.

b. Securities held-to-maturity

Securities held-to-maturity are securities with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Securities held-to-maturity are measured at fair value at initial recognition and subsequently to amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the securities are derecognised or impaired and through the amortisation process.

Interest calculated using the effective interest method is recognised in profit or loss.

c. Securities available-for-sale ("Securities AFS")

Securities AFS are securities that are not classified as held-for-trading or held-to-maturity. Securities AFS are measured at fair value at initial recognition. Equity instruments that do not have a quoted market price in an active market and where the fair values cannot be reliably measured are stated at cost. Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity, except for impairment loss and foreign exchange gain and loss. In the event that the financial assets are derecognised, the cumulative gain or loss previously recognised in equity shall be transferred to profit or loss.

Interest calculated using the effective interest method is recognised in profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the right to receive payment has been established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair values using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

For loans converted into debt or equity instruments/impaired securities, the Group shall assess whether there is any objective evidence that the securities or group of securities arising from conversion scheme/other securities are impaired, and the impairment rules shall apply. Refer to accounting policy Note 2.2(t)(xi) on impairment of securities.

ii. Repurchase agreements

Securities purchased under resale agreements are securities which the banking subsidiaries have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the banking subsidiaries have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the balance sheet.

iii. Real property assets

Real property assets comprise land and the related development expenditure. Real property assets are stated at cost less impairment loss, if any. Where the carrying amount of the asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Refer to accounting policy Note 2.2(t)(x) on impairment of non-financial assets.

iv. Derivative financial instruments

Derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

t. Additional accounting policies relating to the banking subsidiaries (contd.)

iv. Derivative financial instruments (contd.)

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which variables include only data from observable markets. When such evidence exists, the Group recognises profits on day one.

v. Bills and acceptances payable

Bills and acceptances payable represent the banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

vi. Recourse obligation on loans sold to Cagamas Berhad ("Cagamas")

In the normal course of commercial banking operations, the commercial banking subsidiaries sell loans to Cagamas but undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective based on prudence. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the balance sheet.

vii. Other provisions

Provisions other than for non-performing debts are recognised when the Group has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

viii. Borrowings

Preference shares which carry a mandatory coupon, or are redeemable on a specific date or at the option of the shareholder, are classified as financial liabilities and are presented in other borrowed funds. The dividends on these preference shares are recognised in profit or loss on an amortised cost basis using the effective interest method.

ix. Allowance for non-performing debts and financing

Specific allowances are made for non-performing debts and financing which have been individually reviewed and specifically identified as bad, doubtful or substandard.

A general allowance for banking operations based on a percentage of the loan portfolio is also made to cover possible losses which are not specifically identified. A general allowance for securities operations is made based on a percentage of the total amounts due from clients after deducting the amount of interest-in-suspense and specific allowance for bad and doubtful debts. These percentages are reviewed annually in the light of past experience and prevailing circumstances and an adjustment is made on the overall general allowance, if necessary.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

x. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

xi. Impairment of securities

The Group assesses at each balance sheet date whether there is objective evidence that a security is impaired. A security is impaired and impairment loss are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the securities that can be reliably estimated.

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2. Significant accounting policies (contd.)

2.2 Summary of significant accounting policies (contd.)

t. Additional accounting policies relating to the banking subsidiaries (contd.)

xi. Impairment of securities (contd.)

a. Securities carried at amortised cost

If there is objective evidence that an impairment loss on securities held-to-maturity carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a security held-to-maturity has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

b. Securities carried at fair value

In the case of securities classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised, is removed from equity and recognised in profit or loss. Impairment loss recognised in profit or loss on equity instruments is not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as securities AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs

On 1 January 2007, the Group and the Company adopted the following FRSs mandatory for the current financial year:

| | |
|--------------------------------------|---|
| FRS 6 | Exploration for and Evaluation of Mineral Resources |
| FRS 117 | Leases |
| FRS 124 | Related Party Disclosures |
| Amendment to FRS 119 ₂₀₀₄ | Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures |

At the date of authorisation of these financial statements, the Group and the Company have not adopted the following Amendment to FRS, IC Interpretations and FRSs which have effective dates as follows:

Amendment to FRS, IC Interpretations and FRSs

Effective for financial periods beginning on or after

| | |
|---|-------------------------|
| Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates – Net Investments in a Foreign Operation | 1 July 2007 |
| IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities | 1 July 2007 |
| IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments | 1 July 2007 |
| IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | 1 July 2007 |
| IC Interpretation 6: Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment | 1 July 2007 |
| IC Interpretation 7: Applying the Restatement Approach under FRS 129 ₂₀₀₄ Financial Reporting in Hyperinflationary Economies | 1 July 2007 |
| IC Interpretation 8: Scope of FRS 2 | 1 July 2007 |
| Revised FRS 107: Cash Flow Statements | 1 July 2007 |
| Revised FRS 111: Construction Contracts | 1 July 2007 |
| Revised FRS 112: Income Taxes | 1 July 2007 |
| Revised FRS 118: Revenue | 1 July 2007 |
| Revised FRS 119: Employee Benefits | 1 July 2007 |
| Revised FRS 120: Accounting for Government Grants and Disclosure of Government Assistance | 1 July 2007 |
| Revised FRS 126: Accounting and Reporting By Retirement Benefit Plans | 1 July 2007 |
| Revised FRS 129: Financial Reporting in Hyperinflationary Economies | 1 July 2007 |
| Revised FRS 134: Interim Financial Reporting | 1 July 2007 |
| Revised FRS 137: Provisions, Contingent Liabilities and Contingent Assets | 1 July 2007 |
| FRS 139: Financial Instruments – Recognition and Measurement | Effective date deferred |

2. Significant accounting policies (contd.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSS (contd.)

The adoption of Amendment to FRS 121, IC Interpretations 1, 2, 5, 6, 7 and 8 and Revised FRSS 107, 111, 112, 118, 119, 120, 126, 129, 134 and 137 is not expected to have any significant effects on the financial statements of the Group and of the Company for the year ending 31 December 2008.

The adoption of Amendment to FRS 119₂₀₀₄ and FRS 6 did not result in significant changes in accounting policies of the Group and of the Company.

The adoption of FRS 124 gave rise to additional disclosures but did not result in significant changes in accounting policies of the Group and of the Company.

The principal changes in accounting policies and their effects resulting from the adoption of FRS 117 are discussed below:

a. FRS 117: Leases

Leasehold land held for own use

Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and buildings. 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. Leasehold land held for own use is now classified as operating lease and where necessary, the minimum lease payments or the up-front payments made are allocated 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.

The Group and the Company have applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 January 2007, the unamortised amount of leasehold land is retained as the surrogate carrying amount of prepaid lease payments as allowed by the transitional provisions. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed in Note 2.3(c), certain comparatives have been restated.

b. Summary of effects of adopting new and revised FRSS on the current year's financial statements

The following table provides the extent to which the line items in the balance sheet for the year ended 31 December 2007 is higher or lower than it would have been had the previous policies been applied in the current year. The adoption of the new and revised FRSS has no effect on profit or loss.

Effects on balance sheets as at 31 December 2007

| | (Decrease)/increase FRS 117 Note 2.3(a) RM'000 |
|-------------------------------|---|
| | |
| Description of changes | |
| Group | |
| Property, plant and equipment | (40,391) |
| Prepaid land lease payments | 40,391 |
| | |

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2. Significant accounting policies (contd.)

2.3 Changes in accounting policies and effects arising from adoption of new and revised FRSs (contd.)

c. Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs:

| | Previously stated RM'000 | (Decrease)/ increase FRS 117 Note 2.3(a) RM'000 | Restated RM'000 |
|-------------------------------|--------------------------------|---|--------------------|
| | | | |
| Description of changes | | | |
| At 31 December 2006 | | | |
| Group | | | |
| Property, plant and equipment | 1,013,718 | (130,925) | 882,793 |
| Prepaid land lease payments | — | 130,925 | 130,925 |
| | | | |

2.4 Significant accounting estimates and judgements

a. Critical judgements made in applying accounting policies

The following are the 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 cash-generating units ("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 2007 was RM61,709,000 (2006: RM1,037,145,000). Further details are disclosed in Note 19.

ii. Provision for doubtful debts

Included in trade receivables is an amount of RM5,466,968 which is in dispute. The matter has been referred to an arbitrator and the arbitration process may stretch beyond 2008. The Directors have effected a provision for doubtful debts amounting to RM2,500,000 on prudent grounds.

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, interest income from central cash management accounts, rental income and fees for administrative and other support services provided to the Group.

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

| | Group | | Company | |
|--------------------------------------|----------------|------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| Sales of goods | 384,379 | 367,780 | – | – |
| Contract revenue | 331,663 | 318,769 | – | – |
| Sales of land | 2,092 | (2,859) | – | – |
| Stockbroking services | 23,253 | 16,156 | – | – |
| Sales of properties | 19,980 | 21,683 | – | – |
| Trading and services | 85,093 | 71,762 | 1,983 | 732 |
| Dividend income | – | – | 91,807 | 56,372 |
| Interest income | 44,351 | 766 | 8,686 | 7,325 |
| Rental income | 1,048 | – | 500 | – |
| Project management and marketing fee | 36 | 36 | – | – |
| | 891,895 | 794,093 | 102,976 | 64,429 |

4. Cost of sales

| | | | | |
|--|---------|---------|--------|--------|
| Cost of inventories sold | 358,791 | 349,819 | – | – |
| Construction contract costs | 354,467 | 282,515 | – | – |
| Cost of land disposed | 1,932 | (1,869) | – | – |
| Cost of services rendered | 13,983 | 7,037 | – | – |
| Interest expense and commitment fee (Note 6) | 64 | 29 | 11,017 | 13,276 |
| Property development costs (Note 16(b)) | 17,998 | 19,344 | – | – |
| | 747,235 | 656,875 | 11,017 | 13,276 |

5. Impairment losses/written off

| | | | | |
|-------------------------------------|---------|-------|---|---|
| Charged for the financial year | | | | |
| – goodwill | 44,502 | 4,011 | – | – |
| – securities AFS | 800 | – | – | – |
| – investment in associate (Note 21) | 67,000 | – | – | – |
| | 112,302 | 4,011 | – | – |

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6. Finance costs

| | Group | | Company | |
|---|----------------|------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| Interest expense on: | | | | |
| Bank overdrafts | 6 | 64 | 4 | 47 |
| Bank borrowings | 3,879 | 7,762 | – | – |
| Bankers' acceptances | 258 | 674 | – | – |
| Central cash management accounts | – | – | 8,757 | 10,136 |
| Hire-purchase and finance lease liabilities | 41 | 45 | – | – |
| CMS Income Securities (Note 34) | 23,434 | 17,360 | 23,434 | 17,360 |
| Revolving credits | 3,198 | 6,144 | 94 | 1,106 |
| Term loans | 5,993 | 9,742 | 4,508 | 8,772 |
| Time loans | – | 77 | – | – |
| Others | 3,296 | 3,151 | – | – |
| Total interest expense (Note 7) | 40,105 | 45,019 | 36,797 | 37,421 |
| Add: Other charges | | | | |
| Bank charges and commitment fee | 190 | 111 | 123 | 107 |
| Facility fee | 108 | 211 | 108 | 211 |
| Amortisation of transaction costs | 265 | 265 | 265 | 265 |
| | 563 | 587 | 496 | 583 |
| | 40,668 | 45,606 | 37,293 | 38,004 |
| Less: Amounts charged to cost of sales (Note 4) | | | | |
| Interest expense | – | – | 10,894 | 13,170 |
| Commitment fee | 64 | 29 | 123 | 106 |
| | 64 | 29 | 11,017 | 13,276 |
| | 40,604 | 45,577 | 26,276 | 24,728 |

7. (Loss)/profit before tax

Continuing operations

The following amounts have been included in arriving at (loss)/profit before tax:

| | | | | |
|---|--------|--------|--------|-------|
| Employee benefits expense (Note 8) | 82,672 | 66,328 | 10,747 | 7,654 |
| Non-Executive Directors' remuneration (Note 9) | 4,067 | 6,706 | 1,927 | 1,734 |
| Amortisation of prepaid land lease payments (Note 15) | 827 | 1,304 | – | – |
| Auditors' remuneration: | 979 | 455 | 101 | 73 |
| Statutory audit | | | | |
| – current year | 332 | 310 | 45 | 41 |
| – under provision in prior year | 23 | 5 | – | 6 |
| Other services | 624 | 140 | 56 | 26 |

7. (Loss)/profit before tax (contd.)

| | Group | | Company | |
|---|----------------|------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| Amortisation/(reversal) of intangible assets (Note 18) | 1,542 | (639) | – | – |
| Bad debts written off, net of recoveries | 231 | 20 | – | – |
| Depreciation on investment properties (Note 17) | 117 | 41 | 550 | – |
| Depreciation on property, plant and equipment | 16,888 | 13,713 | 743 | 729 |
| Gain on disposal of investment properties | – | (500) | – | – |
| Gain on disposal of property, plant and equipment | (117) | (229) | (4) | (28) |
| Gain on disposal of investment | (359) | – | – | – |
| Gross dividend income | – | – | (91,807) | (56,371) |
| Hire of plant and machinery | 8,086 | 5,116 | – | – |
| Impairment losses/written off (Note 5) | 112,302 | 4,011 | – | – |
| Interest expense (Note 6) | 40,105 | 45,019 | 36,797 | 37,421 |
| Interest income | (45,306) | (1,452) | (8,686) | (7,325) |
| Loss on disposal of intangible assets | 499 | – | – | – |
| Operating leases: | 6,714 | 6,835 | 962 | 1,002 |
| – minimum lease payments for land and buildings | 4,111 | 4,232 | 962 | 1,002 |
| – minimum lease payments for wharf | 2,603 | 2,603 | – | – |
| Property, plant and equipment written off | 59 | 72 | 12 | 3 |
| Provision for bad and doubtful debts, net of recoveries | 418 | 2,608 | – | – |
| Provision against advance to subsidiary | – | – | 27,950 | – |
| Rental income | (958) | (1,004) | – | – |
| Write down of inventories | 12 | 612 | – | – |

8. Employee benefits expense

| | | | | |
|---|--------|---------|--------|-------|
| Salaries, wages and bonus | 74,416 | 59,822 | 9,598 | 6,823 |
| Contributions to defined contribution plan | 7,986 | 6,757 | 1,106 | 797 |
| Social security contributions | 451 | 644 | 43 | 34 |
| Other benefits | 411 | 275 | – | – |
| | 83,264 | 67,498 | 10,747 | 7,654 |
| Less: Amount capitalised in development expenditure (Note 18) | (592) | (1,170) | – | – |
| Total employee benefits expense | 82,672 | 66,328 | 10,747 | 7,654 |

Included in employee benefits expense of the Group and of the Company are Executive Directors' remuneration amounting to RM5,051,000 (2006: RM2,702,000) and RM1,878,000 (2006: RM509,000) respectively, as further disclosed in Note 9.

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9. Directors' remuneration

| | Group | | Company | |
|--|----------------|------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| Executive Directors' remuneration (Note 8): | | | | |
| Other emoluments | 5,051 | 2,702 | 1,878 | 509 |
| Non-Executive Directors' remuneration (Note 7): | | | | |
| Fees | 2,111 | 3,670 | 552 | 532 |
| Other emoluments | 1,956 | 3,036 | 1,375 | 1,202 |
| | 4,067 | 6,706 | 1,927 | 1,734 |
| Total Directors' remuneration | 9,118 | 9,408 | 3,805 | 2,243 |
| Estimated money value of benefits-in-kind | 358 | 199 | 234 | 98 |
| Total Directors' remuneration including benefits-in-kind (Note 39(e)) | 9,476 | 9,607 | 4,039 | 2,341 |
| The details of remuneration of the by Directors of the Company during the financial year are as follows: | | | | |
| Executive: | | | | |
| Salaries and other emoluments | 1,682 | 468 | 1,677 | 454 |
| Defined contribution plans | 201 | 54 | 201 | 54 |
| Estimated money value of benefits-in-kind | 158 | 40 | 158 | 40 |
| | 2,041 | 562 | 2,036 | 548 |
| Non-Executive: | | | | |
| Salaries and other emoluments | 1,292 | 1,357 | 1,245 | 1,087 |
| Fees | 1,206 | 1,029 | 552 | 532 |
| Defined contribution plans | 130 | 116 | 130 | 116 |
| Estimated money value of benefits-in-kind | 90 | 72 | 76 | 58 |
| | 2,718 | 2,574 | 2,003 | 1,793 |
| | 4,759 | 3,136 | 4,039 | 2,341 |

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 | |
|---------------------------------|---------------------|------|
| | 2007 | 2006 |
| Executive Directors: | | |
| RM250,001 to RM300,000 | – | 1 |
| RM300,001 to RM350,000 | – | 1 |
| RM950,001 to RM1,000,000 | 1 | – |
| RM1,000,001 to RM1,050,000 | 1 | – |
| Non-Executive Directors: | | |
| RM50,001 to RM100,000 | 3 | 2 |
| RM100,001 to RM150,000 | – | 3 |
| RM150,001 to RM200,000 | 2 | 1 |
| RM200,001 to RM250,000 | 1 | – |
| RM250,001 to RM300,000 | – | 1 |
| RM300,001 to RM350,000 | 1 | – |
| RM700,001 to RM750,000 | – | 1 |
| RM800,001 to RM850,000 | 2 | – |
| RM850,001 to RM900,000 | – | 1 |

10. Income tax expense

| | Group | | Company | |
|---|----------------|------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| Continuing operations | | | | |
| Current income tax: | | | | |
| Malaysian income tax | 38,246 | 26,061 | 20,200 | 9,500 |
| (Over)/under provided in prior years: | | | | |
| Malaysian income tax | (2,723) | 3,878 | (2) | 230 |
| | 35,523 | 29,939 | 20,198 | 9,730 |
| Deferred tax: | | | | |
| Relating to origination and reversal of temporary differences | (267) | 1,306 | (20) | 220 |
| Relating to changes in tax rates | (822) | (800) | (14) | (20) |
| (Over)/under provided in prior years | (582) | (424) | 5 | – |
| | (1,671) | 82 | (29) | 200 |
| Real property gains tax | – | 23 | – | – |
| Total income tax expense | 33,852 | 30,044 | 20,169 | 9,930 |

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% in subsequent years. The computation of deferred tax as at 31 December 2007 has reflected these changes.

A reconciliation of income tax expense applicable to (loss)/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:

| | Group | |
|---|----------------|------------------------------|
| | 2007 RM'000 | 2006 RM'000 (Restated) |
| (Loss)/profit before tax | (36,728) | 32,428 |
| Taxation at Malaysian statutory tax rate of 27% (2006: 28%) | (9,917) | 9,080 |
| Income subject to tax rate of 20% (2006: 20%) | (299) | (351) |
| Effect of changes in tax rates | (822) | (800) |
| Effect of share of results of associates | (9,295) | (1,859) |
| Realisation of cost provision | – | (4,144) |
| Expenses not deductible for tax purposes | 55,033 | 19,623 |
| Income not subject to tax | (2,799) | (1,338) |
| Utilisation of previously unrecognised tax losses and unabsorbed capital allowances | (70) | – |
| Deferred tax assets not recognised during the year | 4,321 | 3,301 |
| Deferred tax assets recognised on previously unabsorbed capital allowances | (21) | (1,078) |
| (Over)/under provision of tax expense in prior years | (2,723) | 3,878 |
| Over provision of deferred tax in prior years | (582) | (424) |
| Real property gains tax | – | 23 |
| Taxation on interest income derived from discontinued operations | 1,036 | 4,126 |
| Others | (10) | 7 |
| Income tax expense for the year | 33,852 | 30,044 |

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10. Income tax expense (contd.)

| | Company | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Profit before tax | 17,948 | 8,849 |
| Taxation at Malaysian statutory tax rate of 27% (2006: 28%) | 4,846 | 2,478 |
| Effect of changes in tax rates | (14) | (20) |
| Expenses not deductible for tax purposes | 15,334 | 8,312 |
| Deferred tax assets recognised on previously unabsorbed capital allowances | – | (1,070) |
| (Over)/under provision of income tax in prior years | (2) | 230 |
| Under provision of deferred tax in prior years | 5 | – |
| Income tax expense for the year | 20,169 | 9,930 |

Tax savings during the financial year arising from:

| | Group | | Company | |
|--|----------------|------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| Utilisation of current year tax losses | – | 59 | – | – |

11. Discontinued operations and disposal group classified as held for sale

a. 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 during the year. The sale of the land and buildings is subject to approval from relevant authorities. As at 31 December 2007, certain assets of CMS Steel have been presented on the consolidated balance sheet as assets held for sale and results from CMS Steel are presented separately in the income statements as discontinued operations.

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

| | Group | |
|----------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Revenue | – | 40,453 |
| Other income | 3,251 | 1,385 |
| Expenses | (798) | (42,740) |
| Profit/(loss) before tax | 2,453 | (902) |
| Income tax expense | (88) | – |
| Profit/(loss) for the year | 2,365 | (902) |

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

a. CMS Steel Berhad ("CMS Steel") (contd.)

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

| | Group | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Employee benefits expense | 287 | 51 |
| Auditors' remuneration | | |
| Statutory audit | | |
| – current year | 11 | 15 |
| – under provision in prior year | 1 | 1 |
| Other services | 113 | – |
| Amortisation of prepaid land lease payments | – | 31 |
| Depreciation of property, plant and equipment | – | 142 |
| Directors' fees | – | 46 |
| Interest expense | 515 | 2,085 |
| (Gain)/loss on disposal of property, plant and equipment | (3,217) | 28 |
| Property, plant and equipment written off | 33 | – |
| Provision for doubtful debts no longer required | (48) | (21) |
| Rental expense | 7 | 3 |
| Interest income | – | (180) |

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

| | | |
|----------------------|----------|----------|
| Operating cash flows | 4,749 | 46,335 |
| Investing cash flows | 36,652 | (101) |
| Financing cash flows | (14,000) | (79,256) |
| Total cash flows | 27,401 | (33,022) |

The assets and liabilities of CMS Steel classified as held for sale on the consolidated balance sheet as at 31 December 2007 are as follows:

| | Group carrying amounts as at 31 December 2007 RM'000 |
|------------------------------------|---|
| Assets | |
| Property, plant and equipment | 13,687 |
| Prepaid land lease payments | 6,410 |
| Assets classified as held for sale | 20,097 |

b. Rashid Hussain Berhad

On 8 March 2007, UBG Berhad ("UBG") announced that it had received and accepted, subject to shareholders and regulatory approvals, Employees Provident Fund Board's ("EPF") revised offer dated 7 March 2007 ("Proposed Disposal") involving all the securities held by UBG in RHB as follows:

- 238,127,000 ordinary shares of RM1 each in RHB at RM1.80 per share;
- 449,206,479 units of 2002/2012 0.5% RHB ICULS-A at RM1.94 per unit;
- 403,471,898 units of 2002/2012 3% RHB ICULS-B at RM1.94 per unit; and
- 92,461,730 units of RHB Call Warrants 2003/2007 at RM1.84 per unit.

The total cash consideration for the securities was RM2,252,954,235.

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11. Discontinued operation and disposal group classified as held for sale (contd.)

b. Rashid Hussain Berhad (contd.)

A conditional sale and purchase agreement dated 3 April 2007 was entered into between UBG and EPF for purposes of the Proposed Disposal ("SPA"). All the conditions precedent as set out in the SPA were met on 15 May 2007 and the proposed disposal completed on 22 May 2007. Therefore, RHB ceased to be a subsidiary of UBG on 22 May 2007.

The effect of the sale of RHB on the financial position of the Group as at 31 December 2007 was as follows:

| | Up to disposal date RM'000 | For the Financial Year ended 31 December 2006 RM'000 |
|---|-------------------------------------|---|
| Group | | |
| Income Statements | | |
| Interest income | 1,602,523 | 4,324,057 |
| Interest expense | (1,003,472) | (2,645,840) |
| Net interest income | 599,051 | 1,678,217 |
| Other income | (15,973) | 816,453 |
| Income from Islamic Banking Business | 74,021 | 236,099 |
| Net income | 657,099 | 2,730,769 |
| Other expenses | (459,982) | (1,357,931) |
| Operating profit before allowances | 197,117 | 1,372,838 |
| Allowance for losses on loans and financing | (317,668) | (709,398) |
| Impairment losses | (37,221) | (66,404) |
| Share of results of associates | 15 | (308) |
| (Loss)/profit before INCPS dividends, income tax expense and Zakat | (157,757) | 596,728 |
| INCPS dividends | (36,312) | (110,447) |
| (Loss)/profit after INCPS dividends and before income tax expense and Zakat | (194,069) | 486,281 |
| Income tax expense | (67,917) | (232,248) |
| (Loss)/profit for the financial period from discontinued operations | (261,986) | 254,033 |
| Net gain on disposal of investment in RHB | 1,229,867 | |
| Impairment of goodwill | 967,881 | |
| | (144,800) | |
| | 823,081 | |

11. Discontinued operation and disposal group classified as held for sale (contd.)

b. Rashid Hussain Berhad (contd.)

| | As at disposal date RM'000 | As at 31 December 2006 RM'000 |
|---|-------------------------------------|--|
| Cash and short term funds | 12,700,026 | 10,681,535 |
| Securities purchased under resale agreements | 3,756,680 | 2,691,541 |
| Deposits and placements with banks and other financial institutions | 4,466,754 | 5,596,849 |
| Securities held-for-trading | 5,310,091 | 5,160,642 |
| Securities available-for-sale | 11,171,695 | 6,269,840 |
| Securities held-to-maturity | 7,654,801 | 13,022,152 |
| Loans, advances and financing | 53,854,441 | 53,392,886 |
| Clients' and brokers' balances | 355,802 | 177,027 |
| Other assets | 877,970 | 862,792 |
| Statutory deposits | 1,768,950 | 1,905,043 |
| Tax recoverable | 107,089 | 104,855 |
| Deferred tax assets | 259,422 | 254,801 |
| Investments in associates | 15,301 | 15,446 |
| Real property assets | 392,000 | 392,000 |
| Property, plant and equipment (Note 14) | 686,633 | 704,764 |
| Prepaid land lease payments (Note 15) | 100,245 | — |
| Deposits from customers | (61,283,959) | (57,473,584) |
| Deposits and placements of banks and other financial institutions | (12,594,634) | (11,577,118) |
| Obligations on securities sold under repurchase agreements | (12,058,652) | (14,975,669) |
| Bills and acceptances payable | (3,938,298) | (3,778,758) |
| Clients' and brokers' balances | (416,018) | (251,372) |
| Other liabilities | (2,616,581) | (2,184,077) |
| Recourse obligation on loans sold to Cagamas Berhad | (2,633,057) | (2,879,284) |
| Current tax payable | (108,879) | (92,105) |
| Deferred tax liabilities | (14,108) | (16,526) |
| Borrowings | (3,885,273) | (3,821,605) |
| Subordinated obligations | (1,477,070) | (1,493,158) |
| Irredeemable Convertible Unsecured Loan Stocks | (171,384) | (197,844) |
| INCPS | (1,104,469) | (1,104,469) |
| Identifiable net assets | 1,175,518 | 1,386,604 |
| Less: Minority interests | (973,560) | (1,128,333) |
| Identifiable net assets disposed | 201,958 | 258,271 |
| Add: Goodwill (Note 19) | 808,264 | 847,843 |
| | 1,010,222 | 1,106,114 |
| Net disposal proceeds | (2,240,089) | |
| Gain on disposal before and after tax | (1,229,867) | |

RM'000

The cash flow on disposal of RHB is determined as follows:

| | |
|---|--------------|
| Total proceeds from disposal of RHB | 2,252,954 |
| Expenses directly attributable to the disposal | (12,865) |
| Net disposal proceeds | 2,240,089 |
| Cash and cash equivalents of subsidiary disposed of | (12,699,274) |
| Net cash outflow on disposal of RHB | (10,459,185) |

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11. Discontinued operation and disposal group classified as held for sale (contd.)

c. Outcome of arbitration hearing in relation to disposal of Utama Merchant Bank Berhad ("UMBB")

On 12 April 2007, the learned arbitrator, in the arbitration proceedings between UBG and Malaysian Industrial Development Finance Berhad ("MIDF") in relation to a dispute that arose under the Share Sale Agreement with MIDF dated 6 May 2004 for the sale of 189,772,222 ordinary shares of RM1 each comprising 85.1% of the issued capital of UMBB, made the award in favour of UBG.

Consequently, on 18 April 2007, the sum of RM30,718,000 previously disclosed as Contingent Asset (refer to Note 38(c)) and the accrued interest thereon (less applicable charges if any) was released to UBG following the publication of the award.

The effect of the above outcome on the financial position of the Group is that the amount of RM30,718,000 is reported in the income statement as a gain on disposal of UMBB and as a net cash inflow from investing activities in the cash flow statement.

12. Earnings per share

Basic earnings per share amounts are calculated by dividing (loss)/profit 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.

| | 2007 RM'000 | 2006 RM'000 (Restated) |
|--|----------------|------------------------------|
| Loss from continuing operations attributable to ordinary equity holders of the Company | (66,813) | (2,128) |
| Profit from discontinued operations attributable to ordinary equity holders of the Company | 454,979 | 8,993 |
| Profit attributable to ordinary equity holders of the Company | 388,166 | 6,865 |
| Weighted average number of ordinary shares in issue | 329,446 | 329,446 |
| | 2007 sen | 2006 sen (Restated) |
| Basic earnings per share for: | | |
| Loss from continuing operations | (20.28) | (0.65) |
| Profit from discontinued operations | 138.10 | 2.73 |
| Profit for the year | 117.82 | 2.08 |

13. Dividends

| | Dividends in respect of year | | | Net dividends recognised in year | |
|---|------------------------------|----------------|----------------|----------------------------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2005 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Recognised during the year: | | | | | |
| First and final dividend for 2005: | | | | | |
| 5% less 28% taxation, on 329,445,840 ordinary shares (3.60 sen per ordinary share) | — | — | 11,860 | — | 11,860 |
| First and final dividend for 2006: | | | | | |
| 5% less 27% taxation, on 329,445,840 ordinary shares (3.65 sen per ordinary share) | — | 12,025 | — | 12,025 | — |
| Proposed for approval at AGM (not recognised as at 31 December): | | | | | |
| First and final dividend for 2007: | | | | | |
| 5% less 26% taxation, on 329,445,840 ordinary shares (3.70 sen per ordinary share) | 12,189 | — | — | — | — |
| Special dividend for 2007: | | | | | |
| 10% less 26% taxation, on 329,445,840 ordinary shares (7.40 sen per ordinary share) | 24,379 | — | — | — | — |
| | 36,568 | 12,025 | 11,860 | 12,025 | 11,860 |

13. Dividends (contd.)

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2007 of 5% less 26% taxation and a special dividend of 10% less 26% taxation on 329,445,840 ordinary shares, amounting to a dividend payable of RM36,568,490 (11.10 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2008.

14. Property, plant and equipment

| | Land and buildings* RM'000 | Plant and machinery RM'000 | Office equipment and motor vehicles RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|-------------------------------------|----------------------------------|--|---|-----------------|
| Group | | | | | |
| 2007 | | | | | |
| Cost | | | | | |
| At 1 January 2007 | 617,690 | 299,708 | 1,207,874 | 15,584 | 2,140,856 |
| Additions | 2,868 | 1,079 | 29,151 | 4,607 | 37,705 |
| Disposals | (2,045) | (45) | (3,131) | — | (5,221) |
| Written off | — | (12,922) | (6,554) | — | (19,476) |
| Reclassification | 11,455 | — | 5 | (11,460) | — |
| Transferred to investment properties (Note 17) | (3,938) | — | — | — | (3,938) |
| Transferred to prepaid land lease payments (Note 15) | (730) | — | — | (3,864) | (4,594) |
| Arising from acquisition of subsidiary | 67,820 | 274,541 | 3,321 | — | 345,682 |
| Arising from disposal of subsidiary (Note 11(b)) | (562,277) | — | (1,144,868) | — | (1,707,145) |
| Exchange differences | (1,158) | — | (963) | — | (2,121) |
| At 31 December 2007 | 129,685 | 562,361 | 84,835 | 4,867 | 781,748 |
| Accumulated depreciation and impairment | | | | | |
| At 1 January 2007 | 108,374 | 190,694 | 958,995 | — | 1,258,063 |
| Depreciation charge for the year: | 5,189 | 9,575 | 36,241 | — | 51,005 |
| Recognised in profit or loss | 5,189 | 9,045 | 35,919 | — | 50,153 |
| Capitalised in construction costs (Note 25) | — | 530 | 322 | — | 852 |
| Disposals | — | (41) | (2,571) | — | (2,612) |
| Written off | — | (12,915) | (6,467) | — | (19,382) |
| Transferred to prepaid land lease payments (Note 15) | (75) | — | — | — | (75) |
| Transferred to investment properties (Note 17) | (784) | — | — | — | (784) |
| Arising from acquisition of subsidiary | 22,861 | 140,151 | 2,531 | — | 165,543 |
| Arising from disposal of subsidiary (Note 11(b)) | (95,832) | — | (924,680) | — | (1,020,512) |
| Exchange differences | (280) | — | (734) | — | (1,014) |
| At 31 December 2007 | 39,453 | 327,464 | 63,315 | — | 430,232 |
| Net carrying amount | | | | | |
| At 31 December 2007 | 90,232 | 234,897 | 21,520 | 4,867 | 351,516 |

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14. Property, plant and equipment (contd.)

| | Land and buildings* RM'000 (Restated) | Plant and machinery RM'000 | Office equipment and motor vehicles RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|---|----------------------------------|--|---|-----------------|
| Group | | | | | |
| 2006 | | | | | |
| Cost | | | | | |
| At 1 January 2006 (restated) | 702,530 | 416,331 | 1,155,384 | 8,525 | 2,282,770 |
| Additions | 2,753 | 4,537 | 73,667 | 23,099 | 104,056 |
| Disposals | (10,002) | (1) | (6,822) | – | (16,825) |
| Written off | – | (71) | (27,567) | – | (27,638) |
| Reclassification | (22,013) | 15,090 | 22,963 | (16,040) | – |
| Reclassified as held for sale | (56,151) | (136,178) | (11,989) | – | (204,318) |
| Exchange differences | 573 | – | 2,238 | – | 2,811 |
| At 31 December 2006 | 617,690 | 299,708 | 1,207,874 | 15,584 | 2,140,856 |
| Accumulated depreciation and impairment | | | | | |
| At 1 January 2006 | | | | | |
| As previously stated | 135,436 | 296,193 | 900,574 | – | 1,332,203 |
| Effects of adopting FRS 140 | (54) | – | – | – | (54) |
| At 1 January 2006 (restated) | 135,382 | 296,193 | 900,574 | – | 1,332,149 |
| Depreciation charge for the year: | 12,934 | 7,696 | 96,301 | – | 116,931 |
| Recognised in profit or loss | 12,934 | 7,116 | 95,928 | – | 115,978 |
| Capitalised in construction costs (Note 25) | – | 580 | 373 | – | 953 |
| Disposals | (2,673) | – | (6,343) | – | (9,016) |
| Written off | – | (71) | (26,917) | – | (26,988) |
| Impairment loss recognised in profit or loss | 2,478 | – | – | – | 2,478 |
| Impairment reversed in profit or loss | (174) | – | – | – | (174) |
| Reclassification | (88) | (5) | 93 | – | – |
| Reclassified as held for sale | (39,587) | (113,119) | (5,264) | – | (157,970) |
| Exchange differences | 102 | – | 551 | – | 653 |
| At 31 December 2006 | 108,374 | 190,694 | 958,995 | – | 1,258,063 |
| Net carrying amount | | | | | |
| At 31 December 2006 | 509,316 | 109,014 | 248,879 | 15,584 | 882,793 |

14. Property, plant and equipment (contd.)

* Land and buildings of the Group:

| | Freehold land RM'000 | Buildings, jetty, roads and drainage RM'000 | Total RM'000 |
|--|----------------------------|---|-----------------|
| 2007 | | | |
| Cost | | | |
| At 1 January 2007 | 122,241 | 495,449 | 617,690 |
| Additions | – | 2,868 | 2,868 |
| Disposals | – | (2,045) | (2,045) |
| Reclassification | – | 11,455 | 11,455 |
| Transferred to prepaid land lease payments | – | (730) | (730) |
| Arising from disposal of subsidiary | (121,953) | (440,324) | (562,277) |
| Arising from acquisition of subsidiary | – | 67,820 | 67,820 |
| Transferred to investment property | – | (3,938) | (3,938) |
| Exchange differences | (33) | (1,125) | (1,158) |
| At 31 December 2007 | 255 | 129,430 | 129,685 |
| Accumulated depreciation and impairment | | | |
| At 1 January 2007 | 1,136 | 107,238 | 108,374 |
| Depreciation charge for the year | – | 5,189 | 5,189 |
| Transferred to investment properties | – | (784) | (784) |
| Transferred to prepaid land lease payments | – | (75) | (75) |
| Arising from disposal of subsidiary | (1,136) | (94,696) | (95,832) |
| Arising from acquisition of subsidiary | – | 22,861 | 22,861 |
| Exchange differences | – | (280) | (280) |
| At 31 December 2007 | – | 39,453 | 39,453 |
| Net carrying amount | | | |
| At 31 December 2007 | 255 | 89,977 | 90,232 |

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14. Property, plant and equipment (contd.)

* Land and buildings of the Group: (contd.)

| | Freehold land RM'000 | Buildings, jetty, roads and drainage RM'000 | Total RM'000 |
|--|----------------------------|---|-----------------|
| 2006 | | | |
| Cost | | | |
| At 1 January 2006 | 122,824 | 579,706 | 702,530 |
| Additions | — | 2,753 | 2,753 |
| Disposals | (602) | (9,400) | (10,002) |
| Reclassification | — | (22,013) | (22,013) |
| Reclassified as held for sale | — | (56,151) | (56,151) |
| Exchange differences | 19 | 554 | 573 |
| At 31 December 2006 | 122,241 | 495,449 | 617,690 |
| Accumulated depreciation and impairment | | | |
| At 1 January 2006 | — | 135,436 | 135,436 |
| As previously stated | — | (54) | (54) |
| Effects of adopting FRS 140 | — | — | — |
| At 1 January 2006 (restated) | — | 135,382 | 135,382 |
| Depreciation charge for the year | — | 12,934 | 12,934 |
| Disposals | — | (2,673) | (2,673) |
| Impairment loss recognised in profit or loss | 1,136 | 1,342 | 2,478 |
| Impairment reversed in profit or loss | — | (174) | (174) |
| Reclassification | — | (88) | (88) |
| Reclassified as held for sale | — | (39,587) | (39,587) |
| Exchange differences | — | 102 | 102 |
| At 31 December 2006 | 1,136 | 107,238 | 108,374 |
| Net carrying amount | | | |
| At 31 December 2006 | 121,105 | 388,211 | 509,316 |

14. Property, plant and equipment (contd.)

| | Motor vehicles RM'000 | Office equipment RM'000 | Capital work-in- progress RM'000 | Total RM'000 |
|--|-----------------------------|-------------------------------|---|-----------------|
| Company | | | | |
| 2007 | | | | |
| Cost | | | | |
| At 1 January 2007 | 4,823 | 6,536 | 14,766 | 26,125 |
| Additions | 439 | 400 | 8,182 | 9,021 |
| Disposals/written off | – | (464) | – | (464) |
| Transferred to investment properties (Note 17) | – | – | (22,948) | (22,948) |
| At 31 December 2007 | 5,262 | 6,472 | – | 11,734 |
| Accumulated depreciation | | | | |
| At 1 January 2007 | 2,746 | 4,715 | – | 7,461 |
| Depreciation charge for the year (Note 7) | 245 | 498 | – | 743 |
| Disposals/written off | – | (449) | – | (449) |
| At 31 December 2007 | 2,991 | 4,764 | – | 7,755 |
| Net carrying amount | | | | |
| At 31 December 2007 | 2,271 | 1,708 | – | 3,979 |
| 2006 | | | | |
| Cost | | | | |
| At 1 January 2006 | 4,879 | 6,049 | – | 10,928 |
| Additions | 38 | 551 | 14,766 | 15,355 |
| Disposals/written off | (94) | (64) | – | (158) |
| At 31 December 2006 | 4,823 | 6,536 | 14,766 | 26,125 |
| Accumulated depreciation | | | | |
| At 1 January 2006 | 2,623 | 4,262 | – | 6,885 |
| Depreciation charge for the year (Note 7) | 217 | 512 | – | 729 |
| Disposals/written off | (94) | (59) | – | (153) |
| At 31 December 2006 | 2,746 | 4,715 | – | 7,461 |
| Net carrying amount | | | | |
| At 31 December 2006 | 2,077 | 1,821 | 14,766 | 18,664 |

i. The carrying amount of temporarily idle plant and machinery of the Group amounted to RM756,024 (2006: RM1,580,778).

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

| | Group | |
|-------------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Plant and machinery | 3,486 | 2,132 |
| Office equipment and motor vehicles | 1,242 | 2,417 |
| | 4,728 | 4,549 |

Details of the terms and conditions of the hire-purchase and finance lease arrangements are disclosed in Note 36(iii).

iii. Property, plant and equipment of the Group with net carrying amount of RM178,894,000 (2006: RM178,658,000) are charged as collateral for the Group's borrowings.

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15. Prepaid land lease payments

| | Group | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| At 1 January | 130,925 | 140,478 |
| Additions | 3,730 | – |
| Amortisation for the year (Note 7) | (827) | (1,304) |
| Arising from acquisition of subsidiary (Note 20(a)) | 3,569 | – |
| Arising from disposal of subsidiary (Note 11(b)) | (100,245) | – |
| Disposal | – | (4,617) |
| Exchange differences | – | 951 |
| Impairment reversed in profit or loss | – | 1,827 |
| Transferred to investment properties (Note 17) | (1,280) | – |
| Transferred from property, plant and equipment (Note 14) | 4,519 | – |
| Transferred to land held for sale | – | (6,410) |
| At 31 December | 40,391 | 130,925 |
| Analysed as: | | |
| Long term leasehold land | 21,892 | 118,256 |
| Short term leasehold land | 18,499 | 12,669 |
| At 31 December | 40,391 | 130,925 |

Leasehold land with an aggregate carrying value of RM 3,560,000 (2006: Nil) is pledged as security for borrowings (Note 33).

Certain parcels of leasehold land were revalued in 1996 by professional independent valuers on the open market basis to reflect fair value.

16. Land held for property development and property development costs

a. Land held for property development

| | Leasehold land RM'000 | Development expenditure RM'000 | Total RM'000 |
|--|-----------------------------|--------------------------------------|-----------------|
| Group | | | |
| 2007 | | | |
| Cost | | | |
| At 1 January 2007 | 35,279 | 4,583 | 39,862 |
| Additions | – | 404 | 404 |
| Disposals | (92) | (29) | (121) |
| Carrying amount at 31 December 2007 | 35,187 | 4,958 | 40,145 |
| 2006 | | | |
| Cost | | | |
| At 1 January 2006 | 35,122 | 4,147 | 39,269 |
| Additions | 157 | 436 | 593 |
| Carrying amount at 31 December 2006 | 35,279 | 4,583 | 39,862 |

The landed properties of the Group have been pledged to secure bank overdraft and revolving credit facilities for certain subsidiaries.

16. Land held for property development and property development costs (contd.)

b. Property development costs

| | Leasehold land RM'000 | Development expenditure RM'000 | Total RM'000 |
|---|-----------------------------|--------------------------------------|-----------------|
| Group | | | |
| 2007 | | | |
| Cumulative property development costs | | | |
| At 1 January 2007 | 85,261 | 211,798 | 297,059 |
| Costs incurred during the year | – | 6,936 | 6,936 |
| Disposals | (1,802) | – | (1,802) |
| Unsold units transferred to inventories (Note 24) | (40) | (9,618) | (9,658) |
| At 31 December 2007 | 83,419 | 209,116 | 292,535 |
| Cumulative costs recognised in profit or loss | | | |
| At 1 January 2007 | (479) | (150,755) | (151,234) |
| Recognised during the year (Note 4) | (29) | (17,969) | (17,998) |
| At 31 December 2007 | (508) | (168,724) | (169,232) |
| Property development costs at 31 December 2007 | 82,911 | 40,392 | 123,303 |
| 2006 | | | |
| Cumulative property development costs | | | |
| At 1 January 2006 | 85,231 | 193,196 | 278,427 |
| Costs incurred during the year | 30 | 18,602 | 18,632 |
| At 31 December 2006 | 85,261 | 211,798 | 297,059 |
| Cumulative costs recognised in profit or loss | | | |
| At 1 January 2006 | (437) | (131,453) | (131,890) |
| Recognised during the year (Note 4) | (42) | (19,302) | (19,344) |
| At 31 December 2006 | (479) | (150,755) | (151,234) |
| Property development costs at 31 December 2006 | 84,782 | 61,043 | 145,825 |

The title to certain landed properties of the Group with a cost of RM1,074,000 (2006: RM1,074,000) is registered in the name of a third party in trust for a subsidiary. The subsidiary concerned, however, retains full beneficial interest and in all respects remains as the proprietor of the said property by virtue of a Power of Attorney granted to the subsidiary to, inter alia, develop, manage, sell and dispose of the subject property.

17. Investment properties

| | Long-term leasehold land RM'000 | Buildings RM'000 | Total RM'000 |
|--|--|---------------------|-----------------|
| Group | | | |
| 2007 | | | |
| Cost | | | |
| At 1 January 2007 | 2,170 | – | 2,170 |
| Transferred from property, plant and equipment (Note 14) | – | 3,938 | 3,938 |
| Transferred from prepaid land lease payments (Note 15) | 1,288 | – | 1,288 |
| At 31 December 2007 | 3,458 | 3,938 | 7,396 |

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17. Investment properties (contd.)

| | Long-term leasehold land RM'000 | Buildings RM'000 | Total RM'000 |
|--|--|---|-----------------|
| Group (contd.) | | | |
| Accumulated depreciation | | | |
| At 1 January 2007 | 159 | – | 159 |
| Transferred from property, plant and equipment (Note 14) | – | 784 | 784 |
| Transferred from prepaid land lease payments (Note 15) | 8 | – | 8 |
| Depreciation charge for the year (Note 7) | 38 | 79 | 117 |
| At 31 December 2007 | 205 | 863 | 1,068 |
| Net carrying amount | | | |
| At 31 December 2007 | 3,253 | 3,075 | 6,328 |
| 2006 | | | |
| Cost | | | |
| At 1 January 2006 | – | – | – |
| As previously stated | 2,165 | 653 | 2,818 |
| Effects of adopting FRS 140 | 2,165 | 653 | 2,818 |
| Additions | 5 | – | 5 |
| Disposals | – | (653) | (653) |
| At 31 December 2006 | 2,170 | – | 2,170 |
| Accumulated depreciation | | | |
| At 1 January 2006 | 123 | 54 | 177 |
| Depreciation charge for the year (Note 7) | 36 | 5 | 41 |
| Disposals | – | (59) | (59) |
| At 31 December 2006 | 159 | – | 159 |
| Net carrying amount | | | |
| At 31 December 2006 | 2,011 | – | 2,011 |
| | | Leasehold Land and Building RM'000 | |
| Company | | | |
| 2007 | | | |
| Cost | | | |
| At 1 January 2007 | | | – |
| Transferred from property, plant and equipment (Note 14) | | | 22,948 |
| At 31 December 2007 | | | 22,948 |
| Accumulated depreciation | | | |
| At 1 January 2007 | | | – |
| Depreciation charge for the year (Note 7) | | | 550 |
| Disposals | | | – |
| At 31 December 2007 | | | 550 |
| Net carrying amount | | | |
| At 31 December 2007 | | | 22,398 |

17. Investment properties (contd.)

The fair values of the Group and the Company's investment properties are RM12,713,000 (2006: RM2,500,000) and RM22,948,000 (2006: Nil), respectively.

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

18. Intangible assets

| | Computer software RM'000 | Development expenditure RM'000 | Quarry license RM'000 | Total RM'000 |
|--|--------------------------------|--------------------------------------|-----------------------------|-----------------|
| Group | | | | |
| 2007 | | | | |
| Cost | | | | |
| At 1 January 2007 | 957 | 13,858 | – | 14,815 |
| Additions | 118 | 1,023 | – | 1,141 |
| Disposals | – | (832) | – | (832) |
| Arising from acquisition of subsidiary (Note 20) | – | – | 516 | 516 |
| At 31 December 2007 | 1,075 | 14,049 | 516 | 15,640 |
| Accumulated amortisation | | | | |
| At 1 January 2007 | 702 | 3,806 | – | 4,508 |
| Amortisation (Note 7) | 134 | 1,402 | 6 | 1,542 |
| Disposals | – | (333) | – | (333) |
| At 31 December 2007 | 836 | 4,875 | 6 | 5,717 |
| Net carrying amount | | | | |
| At 31 December 2007 | 239 | 9,174 | 510 | 9,923 |
| 2006 | | | | |
| Cost | | | | |
| At 1 January 2006 | 1,076 | 12,593 | – | 13,669 |
| Additions | – | 1,302 | – | 1,302 |
| Written off | (156) | – | – | (156) |
| Reclassification | 37 | (37) | – | – |
| At 31 December 2006 | 957 | 13,858 | – | 14,815 |
| Accumulated amortisation | | | | |
| At 1 January 2006 | 744 | 4,560 | – | 5,304 |
| Amortisation/(reversal) (Note 7) | 115 | (754) | – | (639) |
| Written off | (157) | – | – | (157) |
| At 31 December 2006 | 702 | 3,806 | – | 4,508 |
| Net carrying amount | | | | |
| At 31 December 2006 | 255 | 10,052 | – | 10,307 |

Development expenditure includes the following charges for the year:

| | Group | |
|------------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Office rental | 72 | 53 |
| Consultancy costs | 67 | 71 |
| Employee benefits expense (Note 8) | 592 | 1,170 |

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19. Goodwill

| | Group | |
|---|------------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| At 1 January | 1,037,145 | 193,313 |
| Effect of adopting FRS127 | – | 857,714 |
| | 1,037,145 | 1,051,027 |
| Arising from acquisition of a subsidiary (Note 20) | 61,709 | – |
| Arising from disposal of a subsidiary (Note 11(b)) | (808,264) | – |
| Realisation of goodwill upon conversion of RHB ICULS A and B | (39,579) | (9,189) |
| Goodwill written off/impairment | (189,302) | (4,011) |
| Realisation of goodwill upon exercise of call warrants 2003/2007 | – | (682) |
| At 31 December | 61,709 | 1,037,145 |
| The carrying amount of goodwill allocated to the Group's CGU is as follows: | | |
| Manufacturing | 61,709 | – |
| Banking | – | 992,643 |
| Construction and road maintenance | – | 14,075 |
| Construction materials | – | 16,788 |
| Services | – | 13,639 |
| | 61,709 | 1,037,145 |

20. Investments in subsidiaries

| | Company | |
|-------------------------------------|------------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Unquoted shares at cost | 1,184,418 | 1,184,418 |
| Less: Accumulated impairment losses | (127,520) | (127,520) |
| | 1,056,898 | 1,056,898 |

20. Investments in subsidiaries (contd.)

Details of the subsidiaries are as follows:

| Details of the subsidiaries are as follows: | | | Proportion of ownership interest | |
|--|----------------------------|--|----------------------------------|--------|
| Name of subsidiaries | Country of incorporation | Principal activities | 2007 % | 2006 % |
| Direct subsidiaries of the Company | | | | |
| CMS Capital Sdn. Bhd. | Malaysia | Investment holding | 93.5 | 93.5 |
| CMS Cement Sdn. Bhd. | Malaysia | Manufacture and sale of cement | 100.0 | 100.0 |
| CMS Digital Sdn. Bhd. | Malaysia | Software development, IT solutions and ICT related services | 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 | 51.0 | 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 (i) | Malaysia | Manufacture and sale of steel bars and wire rods | 80.0 | 80.0 |
| 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 | Dormant | 100.0 | – |
| Subsidiaries of CMS Capital Sdn. Bhd. | | | | |
| CMS Asset Management Sdn. Bhd. (formerly known as CMS Dresdner Asset Management Sdn. Bhd.) | Malaysia | Asset management | 51.0 | 51.0 |
| CMS Mezzanine Sdn. Bhd. | Malaysia | Corporate financing | 100.0 | 100.0 |
| CMS Trust Management Berhad | Malaysia | Management of unit trust funds | 51.0 | 51.0 |
| CMS Opus Private Equity Sdn. Bhd. | Malaysia | Management of private equity investments | 51.0 | 51.0 |
| Subsidiaries of CMS Cement Sdn. Bhd. | | | | |
| CMS Concrete Products Sdn. Bhd. | Malaysia | Manufacture and sale of concrete products | 100.0 | 100.0 |
| CMS Clinker Sdn. Bhd. (formerly known as Sarawak Clinker Sdn. Bhd.) * | Malaysia | Manufacturing and trading of cement clinker | 100.0 | – |
| Subsidiary of CMS Infra Trading Sdn. Bhd. | | | | |
| CMS Sumber Sdn. Bhd. (ii) | Malaysia | General trading | 51.0 | 51.0 |
| Subsidiaries of CMS I-Systems Berhad | | | | |
| I-Systems Network Sdn. Bhd. | Malaysia | Software development and internet related services | 90.0 | 90.0 |
| Interventure Capital Sdn. Bhd. | Malaysia | Provision of management and consulting services | 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 |

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20. Investments in subsidiaries (contd.)

| Name of subsidiaries | Country of incorporation | Principal activities | Proportion of ownership interest | |
|--|--------------------------|---|----------------------------------|--------|
| | | | 2007 % | 2006 % |
| Subsidiaries of CMS Property Development Sdn. Bhd. | | | | |
| CMS Property Management Sdn. Bhd | Malaysia | Project management and consultancy Property holding, property development and construction | 51.0 | 51.0 |
| CMS Land Sdn. Bhd. | Malaysia | | 51.0 | 51.0 |
| CMS Hotels Sdn. Bhd. | Malaysia | Dormant | 100.0 | 100.0 |
| Subsidiaries of CMS Resources Sdn. Bhd. | | | | |
| PPES Concrete Product Sdn. Bhd. | Malaysia | Manufacture and sale of concrete products | 100.0 | 100.0 |
| CMS Penkuari Sdn. Bhd. (iii) | 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 |
| Subsidiary of CMS Steel Berhad | | | | |
| CMS Wires Sdn. Bhd. | Malaysia | Manufacture and sale of wire mesh and related products | 69.0 | 69.0 |
| Subsidiaries of CMS Works Sdn. Bhd. | | | | |
| PPES Works (Sarawak) Sdn. Bhd. | Malaysia | Civil engineering contractor | 51.0 | 51.0 |
| CMS Works International (China) Ltd. | Malaysia | Dormant | 100.0 | 100.0 |
| Subsidiary of Concordance Holdings Sdn. Bhd. | | | | |
| UBG Berhad (formerly known as Utama Banking Group Berhad)* (iv) | Malaysia | Investment holding | 51.8 | 51.8 |
| Subsidiary of Similajau Industries Sdn. Bhd. | | | | |
| Similajau Aluminium Industries Sdn. Bhd. | Malaysia | Dormant | 100.0 | – |
| Subsidiaries of PPES Works (Sarawak) Sdn. Bhd. | | | | |
| CMS Pavement Tech Sdn. Bhd. | Malaysia | Road construction and maintenance | 100.0 | 100.0 |
| CMS Roads Sdn. Bhd. | Malaysia | Road assessment, maintenance and management | 81.0 | 81.0 |
| Subsidiaries of UBG Berhad | | | | |
| UBG Enterprise Berhad * | Malaysia | Dormant | 100.0 | 100.0 |
| Rashid Hussain Berhad * (i) | Malaysia | Investment holding, banking, property management and financial services business | – | 32.6 |
| Subsidiary of Similajau Aluminium Industries Sdn. Bhd. | | | | |
| Sarawak Aluminium Company Sdn. Bhd. | Malaysia | Dormant | 100.0 | – |

* audited by firms other than Ernst & Young.

(i) Classified as discontinued operations.

(ii) The subsidiary is in the process of being liquidated.

(iii) The remaining 40% is held by CMS Premix Sdn. Bhd.

(iv) Certain of the shares in UBG Berhad have been pledged to a bank for banking facilities granted to the Company.

20. Investments in subsidiaries (contd.)

a. Acquisition of subsidiary

On 30 November 2007, the Group acquired 100% equity interest in CMS Clinker Sdn. Bhd. The cost of acquisition comprised the following:

| | RM'000 |
|---|---------|
| Purchase consideration satisfied by cash | 131,701 |
| Costs attributable to the acquisition, paid in cash | 829 |
| Total cost of acquisition | 132,530 |

The acquired subsidiary has contributed the following results to the Group:

| | 2007 RM'000 |
|-------------------|----------------|
| Loss for the year | 1,817 |

If the acquisition had occurred on 1 January 2007, the Group's continuing operations' loss for the year would have been RM76,438,000.

The assets and liabilities arising from the acquisition were as follows:

| | Fair value/ carrying amount recognised on acquisition RM'000 |
|---|--|
| Property, plant and equipment | 180,139 |
| Prepaid land lease payments (Note 15) | 3,569 |
| Intangible assets (Note 18) | 516 |
| Inventories | 16,565 |
| Trade and other receivables | 8,750 |
| Cash and bank balances | 24,551 |
| | 234,090 |
| Trade and other payables | (12,232) |
| Provision for resettlement costs | (400) |
| Borrowings | (150,637) |
| | (163,269) |
| Fair value of net assets | 70,821 |
| Goodwill on acquisition (Note 19) | 61,709 |
| Total cost of acquisition | 132,530 |
| Purchase consideration satisfied by cash | 131,701 |
| Costs attributable to the acquisition, paid in cash | 829 |
| Total cash outflow of the Company | 132,530 |
| Cash and cash equivalents of subsidiary acquired | (24,551) |
| Net cash outflow of the Group | 107,979 |

b. Disposal of subsidiary

RHB ceased to be a subsidiary on 22 May 2007 pursuant to the Group's disposal of its entire investment in RHB. Information relating to the disposal is set out in Note 11(b).

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21. Investments in associates

| | Group | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Quoted shares in Malaysia, at cost | 282,170 | 282,170 |
| Less: Accumulated impairment losses (Note 5) | (67,000) | – |
| | 215,170 | 282,170 |
| Unquoted shares, at cost | 5 | 16,175 |
| Redeemable preference shares, at cost | 12,000 | 4,000 |
| | 227,175 | 302,345 |
| Share of post-acquisition reserves | 22,861 | (10,562) |
| | 250,036 | 291,783 |
| Market value of quoted shares | 143,385 | 115,015 |

Details of the associates are as follows:

Details of the associates are as follows:

| Name of associates | Country of incorporation | Principal activities | Proportion of ownership interest | |
|------------------------------------|--------------------------|--|----------------------------------|-----------|
| | | | 2007 % | 2006 % |
| Held through subsidiaries: | | | | |
| K&N Kenanga Holdings Berhad | Malaysia | Investment holding, stockbroking and financial services business | 25.1 | 25.1 |
| COPE-KPF Opportunities 1 Sdn. Bhd. | Malaysia | Investment holding | 49.9 | 49.9 |
| CMS Faradale Development Sdn. Bhd. | Malaysia | Property development | 49.0 | – |

The summarised financial information of the associates is as follows:

| | 2007 RM'000 | 2006 RM'000 |
|---------------------|----------------|----------------|
| Total assets | 2,853,510 | 1,623,175 |
| Total liabilities | 1,926,925 | 860,429 |
| Results | | |
| Revenue | 352,291 | 140,746 |
| Profit for the year | 139,596 | 27,102 |

At 31 December 2007, the net carrying amount of goodwill of an associate included within the Group's carrying amount of investment in associates is RM22,447,000 (2006: RM89,447,000).

22. Investments in jointly controlled entities

| | Group | |
|------------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Unquoted shares, at cost | 2,455 | 2,455 |
| Share of post-acquisition reserves | 6,185 | 6,413 |
| | 8,640 | 8,868 |

Details of the jointly controlled entities are as follows:

| Name of jointly controlled entities | Country of incorporation | Principal activities | Proportion of ownership interest | |
|---|--------------------------|--|----------------------------------|-----------|
| | | | 2007 % | 2006 % |
| PPES Works (Sarawak) Sdn. Bhd./ Naim Cendera Sdn. Bhd. JV | Malaysia | Construction of buildings | 55 | 55 |
| PPES Works (Sarawak) Sdn. Bhd./ Advance Praise Sdn. Bhd. JV | Malaysia | Green waste management and composting | 51 | 51 |
| Chiyoda Malaysia Sdn. Bhd./ PPES Works (Sarawak) Sdn. Bhd. JV | Malaysia | Provision of design, construction and engineering services for various packages of the Independent Oil Terminal Project | 40 | 40 |
| CMS Energy Sdn. Bhd./ Special Triumph Sdn. Bhd./ Poscon Corporation JV | Malaysia | Sub-contract packages of the Independent Oil Terminal Project | 51 | 51 |
| CMS Energy Sdn. Bhd./ Special Triumph Sdn. Bhd./ Posco Machinery & Engineering Co. Ltd. JV | Malaysia | Package 8 (Design and Execution of the Hydraulic Steel Structure Package) of the Bakun Hydroelectric Project Package CW2 Main Civil Works | 51 | 51 |

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

| | Group | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Assets and liabilities | | |
| Current assets | 21,497 | 24,188 |
| Non-current assets | 229 | 163 |
| Total assets | 21,726 | 24,351 |
| Current liabilities | 13,086 | 15,483 |
| Results | | |
| Revenue | 38,360 | 66,719 |
| Expenses, including finance costs and income tax expense | 33,959 | 60,827 |

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23. Deferred tax assets/(liabilities)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| At 1 January | 215,109 | 221,671 | (200) | – |
| Recognised in profit or loss | 9,196 | 4,613 | 29 | (200) |
| Recognised in equity | (385) | (11,279) | – | – |
| Exchange differences | (101) | 104 | – | – |
| Disposal of RHB | (245,314) | – | – | – |
| At 31 December | (21,495) | 215,109 | (171) | (200) |
| Presented after appropriate offsetting as follows: | | | | |
| Deferred tax assets | 663 | 254,801 | – | – |
| Deferred tax liabilities | (22,158) | (39,692) | (171) | (200) |
| At 31 December | (21,495) | 215,109 | (171) | (200) |

Deferred tax assets of the Group:

| | Provision for liabilities RM'000 | Provision for doubtful debts RM'000 | Unutilised tax losses and unabsorbed capital allowances RM'000 | Leasing business RM'000 | General allowances on loans, advances and financing RM'000 | Other temporary differences RM'000 | Total RM'000 |
|--------------------------------------|---|--|---|-------------------------------|---|---|-----------------|
| At 1 January 2007 | 537 | 284 | 4,745 | 16,516 | 244,839 | (12,120) | 254,801 |
| Recognised in profit or loss | 307 | (193) | 4 | 1,732 | 2,533 | (1,172) | 3,211 |
| Exchange differences | – | – | (101) | – | – | – | (101) |
| Disposal of RHB | (526) | – | (4,443) | (18,248) | (247,372) | (8,562) | (279,151) |
| Other movements in respect of RHB | – | – | – | – | – | 21,903 | 21,903 |
| At 31 December 2007 | 318 | 91 | 205 | – | – | 49 | 663 |
| At 1 January 2006 | 529 | 167 | 9,439 | 7,964 | 245,994 | (16,435) | 247,658 |
| Recognised in profit or loss | 8 | 117 | (4,799) | 8,552 | (1,155) | (1,999) | 724 |
| Exchange differences | – | – | 105 | – | – | (1) | 104 |
| Other movements in respect of RHB | – | – | – | – | – | 6,315 | 6,315 |
| At 31 December 2006 | 537 | 284 | 4,745 | 16,516 | 244,839 | (12,120) | 254,801 |

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

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

Deferred tax liabilities of the Group:

| | Revaluation of leasehold land and building RM'000 | Accelerated capital allowances RM'000 | Intangible assets RM'000 | Securities available for-sale RM'000 | Total RM'000 |
|-----------------------------------|---|--|--------------------------------|---|-----------------|
| At 1 January 2007 | (267) | (27,689) | (36) | (11,700) | (39,692) |
| Recognised in profit or loss | – | 5,985 | – | – | 5,985 |
| Recognised in equity | – | – | – | (385) | (385) |
| Disposal of RHB | – | 21,752 | – | 12,085 | 33,837 |
| Other movements in respect of RHB | – | (21,903) | – | – | (21,903) |
| At 31 December 2007 | (267) | (21,855) | (36) | – | (22,158) |
| At 1 January 2006 | (284) | (25,280) | – | (423) | (25,987) |
| Recognised in profit or loss | 17 | 3,906 | (36) | (11,277) | (7,390) |
| Other movements in respect of RHB | – | (6,315) | – | – | (6,315) |
| At 31 December 2006 | (267) | (27,689) | (36) | (11,700) | (39,692) |

Deferred tax liability of the Company:

| | Accelerated capital allowances | |
|------------------------------|--------------------------------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| At 1 January | (200) | – |
| Recognised in profit or loss | 29 | (200) |
| At 31 December | (171) | (200) |

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

| | Group | | Company | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Unutilised tax losses | 71,515 | 3,268,357 | – | – |
| Unabsorbed capital allowances | 128,512 | 44,246 | – | 114 |
| Provisions | 828 | 1,590 | – | – |
| | 200,855 | 3,314,193 | – | 114 |

As at 31 December 2007, 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 for offsetting against future profits of the Group and the Company is subject to the provisions of the Income Tax Act, 1967.

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24. Inventories

| | Group | |
|---------------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Cost | | |
| Raw materials | 14,152 | 9,238 |
| Finished goods | 9,641 | 8,343 |
| General stores | 33,629 | 20,068 |
| Work-in-progress | 47 | 15 |
| Goods-in-transit | 981 | 10 |
| Properties held for sale (Note 16(b)) | 9,658 | — |
| | 68,108 | 37,674 |
| Net realisable value | | |
| General stores | 2,099 | 1,642 |
| Finished goods | 3,129 | 1,915 |
| | 5,228 | 3,557 |
| | 73,336 | 41,231 |

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

| | | |
|--|------------------|------------------|
| Construction contract costs incurred to-date | 1,248,728 | 1,172,967 |
| Attributable profits less recognised losses | 54,261 | 107,297 |
| | 1,302,989 | 1,280,264 |
| Less: Progress billings | (1,331,673) | (1,277,717) |
| | (28,684) | 2,547 |
| Amount due from customers on contracts | 19,633 | 12,585 |
| Amount due to customers on contracts | (48,317) | (10,038) |
| | (28,684) | 2,547 |
| The costs incurred to-date on construction contracts include the following charges made during the financial year: | | |
| Depreciation of property, plant and equipment (Note 14) | 852 | 953 |
| Hire of equipment | 877 | 2,764 |
| Rental expense for buildings | 129 | 333 |

26. Short term investments

| | Group | |
|---|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Quoted securities in Malaysia, at cost: | | |
| Ordinary shares | – | 1,295 |
| Less: Accumulated impairment losses | – | (1,110) |
| | – | 185 |
| Unit trusts | 5,432 | 578 |
| | 5,432 | 763 |
| Market value: | | |
| Ordinary shares | – | 583 |
| Unit trusts | 5,481 | 588 |

27. Amount due from/(to) subsidiaries

| | Company | |
|--|------------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Central cash management accounts (i) | 45,981 | 95,304 |
| Amount due from subsidiaries (ii) | 135,034 | 428,224 |
| | 181,015 | 523,528 |
| Less: Provision against advances to subsidiaries | (60,803) | (32,853) |
| | 120,212 | 490,675 |
| Central cash management accounts (i) | (153,455) | (261,025) |
| Amount due to subsidiaries (ii) | (319,470) | (14,737) |
| | (472,925) | (275,762) |

i. All balances deposited with the Company are repayable on demand and earn interest at the rate of 2.8% to 6.5% (2006: 4.0% to 7.5%) per annum. All balances due to the Company are also repayable on demand and are charged at the rate of 7.5% (2006: 7.0% to 7.5%) per annum.

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

28. Trade and other receivables

| | Group | | Company | |
|------------------------------------|-----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Trade receivables | | | | |
| Third parties | 206,951 | 194,582 | – | – |
| Less: Provision for doubtful debts | (13,754) | (14,782) | – | – |
| | 193,197 | 179,800 | – | – |
| Associate | 40 | – | – | – |
| Retention sum | 27,054 | 24,045 | – | – |
| | 220,291 | 203,845 | – | – |
| Trade receivables, net | | | | |

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28. Trade and other receivables (contd.)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Other receivables | | | | |
| Other receivables | 18,824 | 392,266 | 4,877 | 2,853 |
| Less: Provision for doubtful debts | (694) | (4,824) | – | – |
| | 18,130 | 387,442 | 4,877 | 2,853 |
| Proceeds receivable on issue of CMS Income Securities | – | 51,375 | – | 51,375 |
| Amount due from BNM | – | 1,379 | – | – |
| Amount due from joint venture | 2,608 | 5,133 | – | – |
| Other deposits | 2,140 | 3,022 | 228 | 256 |
| Prepayments | 3,448 | 3,927 | 457 | 415 |
| Interest receivable | 460 | 223,867 | – | – |
| Tax recoverable | 17,254 | 127,584 | 10,872 | 18,020 |
| Other receivables, net | 44,040 | 803,729 | 16,434 | 72,919 |
| | 264,331 | 1,007,574 | 16,434 | 72,919 |

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 is generally for a period of one month, extending up to four months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department 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% (2006: 12%) per annum is charged on overdue balances on a case-by-case basis.

29. Cash and cash equivalents

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Cash in hand and at bank | 35,407 | 5,136 | 123 | 940 |
| Short term deposits with financial institutions | 1,479,887 | 8,620 | 626,067 | 87,666 |
| Cash and bank balances of RHB | – | 10,694,454 | – | – |
| Cash and bank balances | 1,515,294 | 10,708,210 | 626,190 | 88,606 |

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

For the purpose of the cash flow statements, cash and cash equivalents comprise the following as at the balance sheet date:

| | Group | | Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Cash and bank balances | 1,515,294 | 10,708,210 | 626,190 | 88,606 |
| Bank overdrafts (Note 33) | (25) | (159) | – | (3) |
| | 1,515,269 | 10,708,051 | 626,190 | 88,603 |

30. Share capital and share premium

| | Number of ordinary shares of RM1 each | Share capital (Issued and fully paid) '000 | Share capital (Issued and fully paid) RM'000 | Share premium RM'000 | Total share capital and share premium RM'000 |
|--|--|---|---|----------------------------|--|
| At 1 January 2006/2007 and 31 December 2006/2007 | | 329,446 | 329,446 | 427,513 | 756,959 |

| | Number of Ordinary Shares of RM1 Each | | Amount | |
|------------------------------|--|--------------|----------------|----------------|
| | 2007 '000 | 2006 '000 | 2007 RM'000 | 2006 RM'000 |
| Authorised | | | | |
| 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.

31. Other reserves

| | Capital reserves RM'000 | Reserve funds RM'000 | AFS reserves RM'000 | Translation reserves RM'000 | Merger deficit RM'000 | Total RM'000 |
|--|-------------------------------|----------------------------|---------------------------|-----------------------------------|-----------------------------|-----------------|
| Group | | | | | | |
| At 1 January 2007 | 85,506 | 49,244 | 3,231 | (3,604) | (12,000) | 122,377 |
| Conversion of ICULS by minority interests | – | (4,038) | (175) | 58 | – | (4,155) |
| Currency translation differences | – | – | – | (1,163) | – | (1,163) |
| Exercise of call warrants 2003/2007 | – | (2,148) | (44) | 10 | – | (2,182) |
| Unrealised net gain or revaluation of securities AFS | – | – | 2,351 | – | – | 2,351 |
| Net transfer to income statement on disposal or impairment | – | – | 118 | – | – | 118 |
| Deferred tax | – | – | (4) | – | – | (4) |
| Realised upon disposal of RHB | – | (43,058) | (5,477) | 4,698 | – | (43,837) |
| At 31 December 2007 | 85,506 | – | – | (1) | (12,000) | 73,505 |

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31. Other reserves (contd.)

| | Capital reserves RM'000 | Reserve funds RM'000 | AFS reserves RM'000 | Translation reserves RM'000 | Merger deficit RM'000 | Total RM'000 |
|---|-------------------------------|----------------------------|---------------------------|-----------------------------------|-----------------------------|-----------------|
| At 1 January 2006 | | | | | | |
| As previously stated | 85,776 | 29,868 | (4,149) | – | (12,000) | 99,495 |
| Effects of adopting FRS 127 | – | – | 3,691 | (2,443) | – | 1,248 |
| At 1 January 2006 (restated) | 85,776 | 29,868 | (458) | (2,443) | (12,000) | 100,743 |
| Effects of adopting FRS 3 | (53) | – | – | – | – | (53) |
| Conversion of ICULS by minority interests | – | (1,091) | (27) | 5 | – | (1,113) |
| Currency translation differences | – | – | – | (1,167) | – | (1,167) |
| Exercise of call warrants 2003/2007 | – | (271) | (6) | 1 | – | (276) |
| Unrealised net gain or revaluation of securities AFS | – | – | 6,771 | – | – | 6,771 |
| Net transfer to profit or loss on disposal or impairment | – | – | (1,676) | – | – | (1,676) |
| Deferred tax | – | – | (1,373) | – | – | (1,373) |
| Transfer in respect of disposal of land | (217) | – | – | – | – | (217) |
| Transfer in respect of statutory requirements | – | 20,738 | – | – | – | 20,738 |
| At 31 December 2006 | 85,506 | 49,244 | 3,231 | (3,604) | (12,000) | 122,377 |

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

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 shareholdings as defined under the Finance Act 2007.

The Company has tax exempt profits available for distribution of approximately RM104 million (2006: RM104 million) as at 31 December 2007, subject to agreement of the Inland Revenue Board.

As at 31 December 2007, the Company has sufficient credit in the 108 balance and tax exempt profits to pay franked dividends out of its entire retained earnings.

33. Borrowings

| | Group | | Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Secured: | | | | |
| Bank overdrafts (Note 29) | – | 3 | – | 3 |
| Bankers' acceptances | – | 15,000 | – | – |
| Revolving credits | 77,950 | 220,950 | – | 20,000 |
| Term loans | – | 90,000 | – | 90,000 |
| Borrowings of RHB | – | 2,509,793 | – | – |
| | 77,950 | 2,835,746 | – | 110,003 |

33. Borrowings (contd.)

| | Group | | Company | |
|---------------------------------|----------------|------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Unsecured: | | | | |
| Bank overdrafts (Note 29) | 25 | 156 | — | — |
| Bankers' acceptances | 7,534 | 1,296 | — | — |
| Revolving credits | 52,000 | 71,200 | — | — |
| Term loans | 161,531 | 16,502 | — | — |
| Borrowings of RHB | — | 1,311,812 | — | — |
| CMS Income Securities (Note 34) | 379,263 | 338,007 | 379,263 | 338,007 |
| | 600,353 | 1,738,973 | 379,263 | 338,007 |
| Total borrowings | | | | |
| Bank overdrafts (Note 29) | 25 | 159 | — | 3 |
| Bankers' acceptances | 7,534 | 16,296 | — | — |
| Revolving credits | 129,950 | 292,150 | — | 20,000 |
| Term loans | 161,531 | 106,502 | — | 90,000 |
| Borrowings of RHB | — | 3,821,605 | — | — |
| CMS Income Securities (Note 34) | 379,263 | 338,007 | 379,263 | 338,007 |
| | 678,303 | 4,574,719 | 379,263 | 448,010 |
| Analysed as: | | | | |
| Non-current liabilities | 326,996 | 2,659,148 | 320,340 | 365,909 |
| Current liabilities | 351,307 | 1,915,571 | 58,923 | 82,101 |
| | 678,303 | 4,574,719 | 379,263 | 448,010 |

The bank overdrafts, revolving credits and term loans of the Company are secured by way of a pledge against shares of a subsidiary.

The bank overdrafts, revolving credits and term loans of the Company bear interest at rates ranging from 5.50% to 7.75% (2006: 5.10% to 8.40%) per annum.

The bank overdrafts, bankers' acceptances, revolving credits and term loans of the subsidiaries are secured by fixed and floating charges over assets of certain subsidiaries and a legal charge over landed properties of a subsidiary.

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:

- 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
- 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:

- 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 sum available for subscription RM'000 | Tenor (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 |
| | 399,600 | |

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34. CMS Income Securities (contd.)

- a. The salient terms of the Bonds are as follows: (contd.)
 - 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;
 - 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 nominal sum available for subscription RM'000 | Tenor (years) |
|--------|---|------------------|
| A | 30 | 1 |
| B | 50 | 2 |
| C | 70 | 3 |
| D | 80 | 4 |
| E | 85 | 5 |
| F | 85 | 6 |
| | | |
| | 400 | |
| | | |

- 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.

34. CMS Income Securities (contd.)

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

During the financial year, RM90,712,598 were on sold to third parties. There were no outstanding CMSIS to be sold as at 31 December 2007.

| | Group/Company | |
|--|-----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| | | |
| The CMSIS are accounted for in the balance sheets as follows: | | |
| Proceeds from issue of CMSIS | 442,403 | 351,690 |
| Less: Unamortised transaction costs | (1,326) | (1,592) |
| | 441,077 | 350,098 |
| | | |
| Interest expense recognised in profit or loss: | | |
| At 1 January | 17,360 | – |
| Recognised during the year (Note 6) | 23,434 | 17,360 |
| | 40,794 | 17,360 |
| | | |
| Preferential dividends on the NCRPS paid: | | |
| At 1 January | (29,451) | – |
| Paid during the year | (43,157) | (29,451) |
| | (72,608) | (29,451) |
| | | |
| Bonds principal repayment and NCRPS redemption: | | |
| At 1 January | – | – |
| Paid during the year | (30,000) | – |
| | (30,000) | – |
| | | |
| At 31 December | (30,000) | – |
| | | |
| Amount included in borrowings (Note 33) | 379,263 | 338,007 |
| | | |
| The effective interest rate on the CMSIS is 6.08% (2006: 6.30%) per annum. | | |
| The CMSIS are repayable over the following periods: | | |
| | | |
| Not later than 1 year | 58,923 | 42,098 |
| Later than 1 year and not later than 2 years | 71,490 | 54,527 |
| Later than 2 years and not later than 5 years | 250,176 | 224,173 |
| Later than 5 years | – | 18,801 |
| | 380,589 | 339,599 |
| Less: Unamortised transaction costs | (1,326) | (1,592) |
| | 379,263 | 338,007 |
| | | |

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

| | Group/Company | | Amount | |
|--|--------------------------------|------|------------|------------|
| | Number of NCRPS of RM1 each | | | |
| | 2007 | 2006 | 2007 RM | 2006 RM |
| Nominal value – issued and fully paid | | | | |
| At 1 January | 400 | 400 | 400 | 400 |
| Redeemed during the year | (30) | – | (30) | – |
| At 31 December | 370 | 400 | 370 | 400 |
| Authorised | | | | |
| At 1 January and 31 December | 400 | 400 | 400 | 400 |

| | Group/Company | |
|------------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Share premium | | |
| At 1 January | 400 | 400 |
| Redemption during the year | (30) | – |
| At 31 December | 370 | 400 |
| Amount included in CMSIS (Note 34) | 370 | 400 |

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

36. Trade and other payables

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Trade payables | | | | |
| Third parties (i) | 149,615 | 137,776 | 6 | 6 |
| Retention sums on contracts | 22,155 | 21,369 | – | – |
| Progress billings in respect of property development costs | 102 | 193 | – | – |
| | 171,872 | 159,338 | 6 | 6 |
| Other payables | | | | |
| Other payables | 26,627 | 530,328 | 4,957 | 621 |
| Interest payable | – | 503,142 | – | 131 |
| Prepaid instalments | – | 61,889 | – | – |
| Accruals | 45,470 | 308,074 | 662 | 659 |
| Deposits payable | 3,460 | 102,778 | – | – |
| Deferred income | 1,861 | 2,093 | – | – |
| Provision for liabilities (ii) | 543 | 180 | – | – |
| Amount due to BNM | – | 296,129 | – | – |
| General insurance fund | – | 136,821 | – | – |
| Amount due to Danaharta | – | 1,725 | – | – |
| Hire-purchase payables (iii) | 4,291 | 4,674 | – | – |
| | 82,252 | 1,947,833 | 5,619 | 1,411 |
| | 254,124 | 2,107,171 | 5,625 | 1,417 |

36. Trade and other payables (contd.)

- 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 termination benefits and resettlement costs.
- iii. Hire-purchase payables

| | Group | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Minimum lease payments | | |
| – not later than one year | 1,472 | 1,632 |
| – later than one year and not later than two years | 1,398 | 1,380 |
| – later than two years and not later than five years | 1,999 | 2,256 |
| | 4,869 | 5,268 |
| Future finance charges on hire-purchase | (578) | (594) |
| Present value of hire-purchase | 4,291 | 4,674 |
| Current | 1,213 | 1,365 |
| Non-current | 3,078 | 3,309 |
| | 4,291 | 4,674 |
| Present value of hire-purchase payables | | |
| – not later than one year | 1,213 | 1,365 |
| – later than one year and not later than two years | 1,279 | 1,207 |
| – later than two years and not later than five years | 1,799 | 2,102 |
| | 4,291 | 4,674 |

The hire-purchases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The effective interest rates of hire-purchase payables at balance sheet date range from 2.30% to 6.54% (2006: 3.72% to 6.54%) per annum.

37. Operating lease arrangements

The Group as lessee

The Group has entered into non-cancellable 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 non-cancellable 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 non-cancellable subleases, are as follows:

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37. Operating lease arrangements (contd.)

The Group as lessee (contd.)

| | Group | |
|--|----------------|------------------------------|
| | 2007 RM'000 | 2006 RM'000 (Restated) |
| Future minimum rental payments | | |
| – not later than 1 year | 677 | 591 |
| – later than 1 year and not later than 5 years | 38 | 432 |
| | 715 | 1,023 |

The lease payments recognised in profit or loss during the financial year are disclosed in Note 7.

38. Commitments and contingencies

| | Group | | Company | |
|---|----------------|------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 (Restated) | 2007 RM'000 | 2006 RM'000 |
| a. Capital commitments | | | | |
| Authorised capital expenditure not provided for in the financial statements: | | | | |
| Approved and contracted for: | | | | |
| Property, plant and equipment | 6,120 | 32,982 | 2,098 | 5,906 |
| Approved and not contracted for: | | | | |
| Property, plant and equipment | 30,464 | 47,327 | 1,008 | 4,725 |
| Others | 8,000 | 16,000 | – | – |
| | 38,464 | 63,327 | 1,008 | 4,725 |
| | 44,584 | 96,309 | 3,106 | 10,631 |
| b. Contingent liabilities | | | | |
| Unsecured guarantees in respect of banking facilities granted to subsidiaries | – | – | 11,531 | 24,002 |
| Share of contingent liabilities of associates | 220,817 | 232,341 | – | – |
| Contingent liability | 13,718 | – | – | – |
| | 234,535 | 232,341 | 11,531 | 24,002 |

- 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.
- 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.
- UBG has received a claim by correspondence from Merrill Lynch Pte Ltd ("MLS") for the sum of USD6,642,454 (which represents its primary claim) and out-of-pocket expenses amounting to USD63,626 in relation to fees and out-of-pocket expenses in respect of the alleged provision by it of financial advisory to UBG pursuant to the financial services agreement dated 27 June 2006 entered into between UBG and MLS.

38. Commitments and contingencies (contd.)

b. Contingent liabilities (contd.)

- iii. UBG's position is that MLS is only entitled to be paid fees amounting to USD2.5 million and out-of-pocket expenses that are verified to be properly incurred (which represent present liabilities for which UBG has made provisions in its financial statements). UBG regards any other liability consequent upon MLS's primary claim as a contingent one at this time. Notwithstanding the above, the directors are of the view that such a contingent liability, even if it subsequently becomes enforceable, would not have a material impact on the financial position or business of the Group.

c. Contingent asset

| | Group | |
|------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Contingent asset | – | 30,718 |

In 2006, the Group had a contingent asset of RM30,718,000 arising from the Supplemental Share Sale Agreement signed between UBG and Malaysian Industrial Development Finance Berhad ("MIDF") dated 22 December 2004 to resolve the completion of the sale of the Company's 189,772,222 ordinary shares of RM1.00 each comprising 85.1% equity interest in Utama Merchant Bank Berhad ("UMBB") to MIDF under the Share Sale Agreement dated 6 May 2004. Refer to Note 11(c) to the financial statements for details.

d. 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 RM4,268,307 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.

e. Commitments and contingencies of RHB

| | Group | |
|--------------------------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Commitments and contingencies of RHB | – | 56,939,867 |

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 | |
|--------------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Income | | |
| Interest income | 1,140 | 7,027 |
| Internal audit fee | 194 | 263 |
| Secretarial fee | 89 | 79 |
| Rental Income | 500 | – |
| IT Support fee | 839 | – |
| Management fee | 172 | 67 |
| Procurement fee | 668 | 324 |
| Human Resource fee | 22 | – |
| Expenditure | | |
| Interest expense | 8,757 | 10,136 |

Information regarding outstanding balances with subsidiaries as at 31 December 2007 is disclosed in Note 27.

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39. Related party disclosures (contd.)

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

- 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 | |
|--|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Expenditure | | | | |
| Telecommunication equipment and services | 14 | 24 | 7 | 3 |
| Office upkeep and rental | 1,441 | 1,439 | 1,207 | 1,207 |
| Professional fees | 184 | 951 | – | – |

- 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 | |
|--|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Income | | |
| Management fees | 1,500 | 875 |
| Expenditure | | |
| Purchase of wire rods | 5,560 | 4,603 |
| Purchase of reinforced concrete products | – | 127 |

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

| | Group | |
|---|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 |
| Income | | |
| Sale of stones, premix and RC piles | 3,433 | 1,430 |
| Provision of cement stabilisation works | 1,007 | – |
| Expenditure | | |
| Rental of machinery | 338 | – |

- e. Compensation of key management personnel

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Short-term employee benefits | 11,108 | 10,332 | 5,380 | 3,279 |
| Post-employment benefit: Defined contribution plan | 836 | 503 | 367 | 289 |
| | 11,944 | 10,835 | 5,747 | 3,568 |

39. Related party disclosures (contd.)

e. Compensation of key management personnel (contd.)

Included in total key management personnel are:

| | Group | | Company | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2007 RM'000 | 2006 RM'000 | 2007 RM'000 | 2006 RM'000 |
| Directors' remuneration (Note 9) | 9,476 | 9,607 | 4,039 | 2,341 |

40. Financial instruments

a. Financial risk management objectives and policies

The Company and its non-banking subsidiaries' ("the Group") 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 2007. 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 % | Within 1 year RM'000 | 1 – 2 years RM'000 | 2 – 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|--|------------|----------------------------|--------------------------|--------------------------|-----------------------------------|-----------------|
| Group | | | | | | |
| At 31 December 2007 | | | | | | |
| Fixed rate | | | | | | |
| Term loans (Note 33) | 4.70 | (150,000) | – | – | – | (150,000) |
| CMS Income Securities (Note 34) | 6.08 | (58,923) | (71,490) | (250,176) | – | (380,589) |
| Hire-purchase payables (Note 36(iii)) | 4.21 | (1,213) | (1,279) | (1,799) | – | (4,291) |
| Floating rate | | | | | | |
| Deposits with financial institutions (Note 29) | 3.51 | 1,479,887 | – | – | – | 1,479,887 |
| Bank overdrafts (Note 33) | 7.75 | (25) | – | – | – | (25) |
| Bankers' acceptances (Note 33) | 3.60 | (7,534) | – | – | – | (7,534) |
| Revolving credits (Note 33) | 5.94 | (129,950) | – | – | – | (129,950) |
| Term loans (Note 33) | 5.56 | (4,875) | (4,875) | (1,781) | – | (11,531) |
| At 31 December 2006 | | | | | | |
| Fixed rate | | | | | | |
| CMS Income Securities (Note 34) | 6.30 | (42,098) | (54,527) | (224,173) | (18,801) | (339,599) |
| Hire-purchase payables (Note 36(iii)) | 4.80 | (1,365) | (1,207) | (2,102) | – | (4,674) |
| Floating rate | | | | | | |
| Deposits with financial institutions (Note 29) | 3.02 | 8,620 | – | – | – | 8,620 |
| Bank overdrafts (Note 33) | 7.26 | (159) | – | – | – | (159) |
| Revolving credits (Note 33) | 6.47 | (292,150) | – | – | – | (292,150) |
| Bankers' acceptances (Note 33) | 3.61 | (16,296) | – | – | – | (16,296) |
| Term loans (Note 33) | 5.52 | (24,875) | (74,875) | (6,752) | – | (106,502) |

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40. Financial instruments (contd.)

b. Interest rate risk (contd.)

| | WAEIR % | Within 1 year RM'000 | 1 – 2 years RM'000 | 2 – 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|--|------------|----------------------------|--------------------------|--------------------------|-----------------------------------|-----------------|
| Company | | | | | | |
| At 31 December 2007 | | | | | | |
| Fixed rate | | | | | | |
| Amount due from subsidiaries (Note 27) | 5.14 | 45,981 | – | – | – | 45,981 |
| Amount due to subsidiaries (Note 27) | 3.20 | (153,455) | – | – | – | (153,455) |
| CMS Income Securities (Note 34) | 6.08 | (58,923) | (71,490) | (250,176) | – | (380,589) |
| Floating rate | | | | | | |
| Deposits with financial institutions (Note 29) | 3.51 | 626,067 | – | – | – | 626,067 |
| At 31 December 2006 | | | | | | |
| Fixed rate | | | | | | |
| Amount due from subsidiaries (Note 27) | 7.46 | 95,304 | – | – | – | 95,304 |
| Amount due to subsidiaries (Note 27) | 4.28 | (261,025) | – | – | – | (261,025) |
| CMS Income Securities (Note 34) | 6.30 | (42,098) | (54,527) | (224,173) | (18,801) | (339,599) |
| Floating rate | | | | | | |
| Deposits with financial institutions (Note 29) | 2.91 | 87,666 | – | – | – | 87,666 |
| Bank overdrafts (Note 33) | 7.75 | (3) | – | – | – | (3) |
| Revolving credits (Note 33) | 5.90 | (20,000) | – | – | – | (20,000) |
| Term loans (Note 33) | 5.54 | (20,000) | (70,000) | – | – | (90,000) |

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 and its non-banking subsidiaries at the balance sheet date approximated their fair values except for the following:

| | Group/Company Carrying amount RM'000 | Fair value RM'000 |
|----------------------------|---|-------------------------|
| At 31 December 2007 | | |
| CMS Income Securities | 380,589 | 325,131 |
| At 31 December 2006 | | |
| CMS Income Securities | 339,599 | 341,066 |

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. **Stockbroking and other financial services** – stockbroking, asset and fund management and other financial services;
- v. **Property development** – property holding and development and project & management;
- vi. **Others** – general trading, education and other services; and
- vii. **Discontinued operations** – manufacturing of steel, banking and other financial services.

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 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.

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41. Segment information (contd.)

| | Continuing operations | | | | | | |
|--|------------------------|--------------|------------------------|--------------------|----------------------|----------|------------------|
| | Stockbroking and other | | | Total | | | |
| | Manufacturing | Construction | Construction materials | financial services | Property development | Others | Total operations |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 31 December 2007 | | | | | | | |
| Revenue | | | | | | | |
| Total revenue | 339,124 | 338,083 | 92,983 | 23,253 | 23,195 | 146,992 | 963,630 |
| Inter-segment sales | (20,994) | (6,357) | (26,716) | — | (120) | (17,548) | (71,735) |
| | 318,130 | 331,726 | 66,267 | 23,253 | 23,075 | 129,444 | 891,895 |
| Sales to external customers | | | | | | | 1,660,571 |
| | | | | | | | 2,552,466 |
| Results | | | | | | | |
| Segment operating profit/(loss) | 73,363 | (43,011) | (4,555) | (63,221) | (875) | 20,833 | (17,466) |
| Unallocated corporate expenses | | | | | | | (17,899) |
| Finance costs | | | | | | | (40,604) |
| Share of profit/(loss) of associates | — | — | — | 34,425 | (42) | — | 34,383 |
| Share of profit of jointly controlled entities | — | 4,293 | — | — | — | 565 | 4,858 |
| | | | | | | | (36,728) |
| (Loss)/profit before tax | | | | | | | (33,852) |
| Income tax expense | | | | | | | (68,005) |
| | | | | | | | (70,580) |
| Net (loss)/profit for the year | | | | | | | 856,164 |
| | | | | | | | 785,584 |

41. Segment information (contd.)

← Continuing operations
Stockbroking and other

| | Manufacturing RM'000 | Construction RM'000 | Construction materials RM'000 | Property development RM'000 | Others RM'000 | Eliminations RM'000 | Total RM'000 | Discontinued operations RM'000 | Total operations RM'000 |
|--|-------------------------|------------------------|-------------------------------------|-----------------------------------|------------------|------------------------|------------------|--------------------------------------|-------------------------------|
| 31 December 2007 | | | | | | | | | |
| Assets | | | | | | | | | |
| Segment assets | 479,069 | 385,629 | 88,478 | 53,710 | 216,645 | 872,798 | 1,800,649 | 20,097 | 1,820,746 |
| Investments in associates | - | 513 | - | 249,523 | - | - | 250,036 | - | 250,036 |
| Investments in jointly controlled entities | - | 8,640 | - | - | - | - | 8,640 | - | 8,640 |
| Unallocated assets | - | - | - | - | - | - | 711,355 | - | 711,355 |
| Total assets | 479,069 | 394,782 | 88,478 | 303,233 | 216,645 | 872,798 | 2,770,680 | 20,097 | 2,790,777 |
| Liabilities | | | | | | | | | |
| Segment liabilities | 314,124 | 282,723 | 31,826 | 29,606 | 180,077 | 45,936 | 628,840 | - | 628,840 |
| Unallocated liabilities | - | - | - | - | - | - | 385,045 | - | 385,045 |
| Total liabilities | 314,124 | 282,723 | 31,826 | 29,606 | 180,077 | 45,936 | 1,013,885 | - | 1,013,885 |
| Other segment information | | | | | | | | | |
| Capital expenditure | 3,314 | 6,525 | 2,314 | 576 | 22 | 6,384 | 19,135 | 18,570 | 37,705 |
| Depreciation | 10,009 | 3,848 | 1,472 | 376 | 99 | 1,936 | 17,740 | 33,265 | 51,005 |
| Amortisation of prepaid land lease payments | 526 | 21 | 119 | - | - | 161 | 827 | - | 827 |
| Amortisation of intangible assets | - | - | - | - | - | 1,542 | 1,542 | - | 1,542 |
| Impairment losses recognised in profit or loss | 457 | 11,090 | 21,302 | 67,000 | - | 12,453 | 112,302 | 144,800 | 257,102 |

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41. Segment information (contd.)

| | Continuing operations | | | | | | |
|---|---|--------------|------------------------|----------------------|----------|-------------------------|------------------|
| | Stockbroking and other financial services | | | Property development | | Discontinued operations | |
| | Manufacturing | Construction | Construction materials | Property development | Others | Total | Total operations |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 31 December 2006 (Restated) | | | | | | | |
| Revenue | | | | | | | |
| Total revenue | 320,989 | 336,640 | 94,073 | 19,260 | 96,021 | 883,139 | 6,300,201 |
| Inter-segment sales | (13,092) | (17,804) | (34,190) | (468) | (23,492) | (89,046) | (89,557) |
| Sales to external customers | 307,897 | 318,836 | 59,883 | 18,792 | 72,529 | 794,093 | 6,210,644 |
| Results | | | | | | | |
| Segment operating profit/(loss) | 63,696 | 32,163 | 7,061 | (760) | (12,306) | 93,704 | 581,168 |
| Unallocated corporate expenses | | | | | | (26,745) | (26,745) |
| Finance costs | | | | | | (45,577) | (47,662) |
| Share of profit of associates | - | - | - | - | - | 6,638 | 6,638 |
| Share of profit/(loss) of jointly controlled entities | - | 5,222 | - | - | (814) | 4,408 | 4,408 |
| Profit before tax | | | | | | 32,428 | 517,807 |
| Income tax expense | | | | | | (30,044) | (262,292) |
| Net profit for the year | | | | | | 2,384 | 253,131 |
| | | | | | | | 255,515 |

41. Segment information (contd.)

| | Continuing operations | | | | | | | | | |
|--|---|----------------|------------------------|--------------------|----------------|----------------------|--------------|--------------------|-------------------------|--------------------|
| | Stockbroking and other financial services | | | | | Property development | | | | |
| | Manufacturing | Construction | Construction materials | Banking | Insurance | Others | Eliminations | Total | Discontinued operations | Total operations |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 31 December 2006 | | | | | | | | | | |
| Assets | | | | | | | | | | |
| Segment assets | 281,396 | 491,038 | 165,762 | 100,819,783 | 382,484 | 448,550 | (413,589) | 103,000,385 | 58,011 | 103,058,396 |
| Investments in associates | – | – | – | 15,446 | 276,337 | – | – | 291,783 | – | 291,783 |
| Investments in jointly controlled entities | – | 8,868 | – | – | – | – | – | 8,868 | – | 8,868 |
| Unallocated assets | – | – | – | – | – | – | – | 51,246 | – | 51,246 |
| Total assets | 281,396 | 499,906 | 165,762 | 100,835,229 | 658,821 | 448,550 | – | 103,352,282 | 58,011 | 103,410,293 |
| Liabilities | | | | | | | | | | |
| Segment liabilities | 101,730 | 319,109 | 32,860 | 99,207,207 | 161,242 | 343,090 | (324,272) | 100,284,983 | 14,000 | 100,298,983 |
| Unallocated liabilities | – | – | – | – | – | – | – | 449,599 | – | 449,599 |
| Total liabilities | 101,730 | 319,109 | 32,860 | 99,207,207 | 161,242 | 343,090 | – | 100,734,582 | 14,000 | 100,748,582 |
| Other segment information (Restated) | | | | | | | | | | |
| Capital expenditure | 9,640 | 6,291 | 341 | – | 215 | 47 | 14,113 | 30,647 | 73,409 | 104,056 |
| Depreciation | 8,210 | 3,770 | 1,291 | – | 412 | 206 | 1,723 | 15,612 | 101,319 | 116,931 |
| Amortisation of prepaid land lease payments | 578 | 21 | 243 | – | – | 57 | – | 899 | 405 | 1,304 |
| Reversal of intangible assets | – | – | – | – | – | – | (639) | (639) | – | (639) |
| Impairment losses recognised in profit or loss | – | 1,008 | 2,081 | – | – | – | 922 | 4,011 | 66,404 | 70,415 |
| Other significant non-cash expenses | – | – | – | – | – | – | – | – | 950,111 | *950,111 |

* Included in other non-cash expenses other than depreciation are allowances for losses on loans and financing, interest suspended and accretion of discount less amortisation of premium.

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42. Significant events

In addition to the significant events disclosed elsewhere in this report, other significant events are disclosed in Note 11 and 43 to the financial statements.

i. Heads of Agreement

On 7 August 2007, the Company announced that Similajau Aluminium Industries Sdn. Bhd., a wholly-owned subsidiary of Similajau Industries Sdn. Bhd., which in turn is a wholly-owned subsidiary of the Company, entered into a Heads of Agreement ("HOA") with Rio Tinto Aluminium (Malaysia) Sdn. Bhd. ("RTA"), a wholly-owned subsidiary of Rio Tinto Aluminium Limited, a company registered in Australia.

The parties intend to participate together in the proposed design, engineering, construction, commissioning and operation in Sarawak of a world-class aluminium smelter, including any expansions thereof and such other things as may be agreed as necessary or expedient for this purpose ("Project"). Similajau Aluminium Industries Sdn. Bhd. will have a participating interest in the Project of 40% whilst the balance participating interest of 60% will be held by RTA.

The HOA records the agreement of the parties on the key terms of their participation and the basis upon which they will work together on the proposed Project. Further details relating to the parties' participation in the Project will be set out in a more comprehensive agreement(s) to be entered into in due course, for which further announcements will be made at the relevant time.

On 15 November 2007, the Company announced that, as provided under the HOA, the Pre-feasibility Study comprising the Engineering Study and Port Study are progressing well with the final reports of both studies expected to be issued in coming months. Work on the Detailed Environmental Impact Assessment is also progressing on schedule. The Company and RTA are continuing negotiations on the power purchase agreement.

ii. Proposed acquisition of CMS Clinker Sdn. Bhd. (formerly known as Sarawak Clinker Sdn. Bhd.) ("CMS Clinker")

On 30 August 2007, CMS Cement Sdn. Bhd. ("CMSC"), a wholly-owned subsidiary of the Company, entered into a Share Purchase Agreement ("SPA") with Maybach Investment Co and Mirzan bin Mahathir (collectively referred to as the ("Vendors")) for the proposed acquisition of 146,337,729 ordinary shares of RM1 each ("Vendors' Shares"), representing 100% of the equity interest in CMS Clinker, from the Vendors for a total cash consideration of RM110 million as may be adjusted in accordance with the provisions in the SPA ("Proposed Acquisition").

The proposed acquisition was completed on 30 November 2007 at an adjusted Purchase Consideration of RM131,700,335.

iii. Proposed disposal of land to KKB Engineering Berhad ("KKB")

On 7 November 2007, the Company announced that CMS Steel Berhad ("CMS Steel"), an 80% owned subsidiary of the Company, entered into a Conditional Sale and Purchase Agreement ("CSPA") with KKB for the disposal by CMS Steel to KKB of a piece of provisional leasehold land, together with buildings erected thereon for a disposal consideration of RM32 million to be satisfied by KKB via the issuance of 16 million new KKB shares at an issue price of RM2 per KKB share ("Consideration Shares") to the Company, subject to the terms and conditions under the CSPA.

In connection with the proposed disposal, CMS Steel had entered into a separate deed of settlement with the Company whereby the Company agreed to accept the allotment and issuance of the Consideration Shares as part settlement of the outstanding debt owed by CMS Steel to the Company.

This proposed disposal is conditional upon the following:

- a. satisfactory due diligence audit by CMS Steel and KKB;
- b. the approval of the Securities Commission ("SC");
- c. the approval of Bursa Securities for the listing and quotation of the Consideration Shares on the Main Board of Bursa Securities;
- d. the shareholders of CMS Steel and KKB;
- e. CMS Steel and KKB having received consents from respective financiers to the transaction; and
- f. any other relevant authorities.

42. Significant events (contd.)

iv. Proposed acquisition of 22 million ordinary shares in CMS Steel

On 22 November 2007, the Company, entered into a Share Sale Agreement ("SSA") with Amsteel Corporation Berhad ("Amsteel") for the proposed acquisition of 22 million ordinary shares of RM1 each, representing the remaining 20% equity interest of CMS Steel, from Amsteel for a total consideration of RM1.

The SSA is conditional upon the approval of the Ministry of Trade and Ministry, Malaysia (if required), the shareholders (if required) and the Board of Directors of Amsteel, the shareholders (if required) and the Board of Directors of the Company, the Security Trustee (if required) and other relevant authority (if required).

v. Disposal of RHB to EPF and Capital Repayment by UBG

The Disposal of RHB to EPF as disclosed in Note 11(b) was completed on 22 May 2007.

On 31 October 2007, UBG completed a capital repayment of RM1,365,519,892 and share consolidation exercise which resulted in its issued and paid-up share capital reduced from RM682,759,946 comprising 682,759,946 of RM1 each to RM68,275,995 comprising 273,103,978 ordinary shares of RM0.25 each.

43. Subsequent events

i. Proposed disposal of CMS Roads Sdn. Bhd. ("CMS Roads") and CMS Pavement Tech Sdn. Bhd. ("CMS Pavement") to UBG

On 1 February 2008, the Company announced that PPES Works (Sarawak) Sdn. Bhd. ("PPES"), a 51% owned subsidiary, had entered into the following agreements with UBG, in relation to the proposed disposals of 81% equity interest in CMS Roads and 100% equity interest in CMS Pavement (Hereinafter, the Proposed CMS Roads Disposal and the Proposed CMS Pavement Disposal are collectively referred to as the "Proposed Disposals"):

- a. A conditional share sale agreement together with Sarawak Economic Development Board ("SEDC") for the proposed disposal of PPES' and SEDC's entire respective equity interest in CMS Roads ("CMS Roads SSA"); and
- b. A conditional share sale agreement for the proposed disposal of PPES' entire equity interest in CMS Pavement ("CMS Pavement SSA").

The Proposed Disposals are in conjunction with UBG's efforts to regularise its status as an Affected Lister Issuer pursuant to Practice Note 17/2005 ("PN 17") of the Listing Requirements of Bursa Securities which was duly announced on 22 May 2007. The Proposed Disposals form part of UBG's proposed regularisation scheme that also includes the proposed acquisitions of equity interests in Putrajaya Perdana Berhad ("PPB") and Loh & Loh Corporation Berhad ("LLCB") for cash from Swan Symphony Sdn. Bhd. ("SSSB") and Binary Bestari Sdn. Bhd. ("BBSB"), and a proposed restricted issue of new shares of UBG to Majestic Masterpiece Sdn. Bhd. ("MMSB") ("Proposed Restricted Issue").

In conjunction with the abovementioned proposed restricted issue by UBG, the Company has entered into a shareholders' agreement with MMSB ("Shareholders' Agreement").

The proposed disposal of CMS Roads entails the disposal of 810,000 ordinary shares of RM1 each representing 81% equity interest of CMS Roads by PPES to UBG at a total purchase consideration of RM99.63 million, which will be satisfied by the issuance of 39,852,000 new ordinary shares of RM0.25 each in UBG ("UBG Share(s)") to PPES at an issue price of RM2.50 per UBG Share.

The salient terms of the CMS Roads SSA are as follows:

- i. subject to the fulfillment of the conditions precedent, PPES, as one of the legal and beneficial owners of the CMS Roads shares hereby agree to sell to UBG the CMS Roads shares free from all liens, charges and encumbrances and with all rights attaching thereto on the date falling ten (10) business days from the day of the last of the conditions precedent being fulfilled ("Completion Date for the CMS Roads SSA");
- ii. the purchase price payable by UBG shall be satisfied by the issuance of 39,852,000 new UBG Shares at the price of RM2.50 per UBG Share to PPES;
- iii. the purchase price in the form of shares shall be issued to PPES on the Completion Date for the CMS Roads SSA; and

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43. Subsequent events (contd.)

i. **Proposed disposal of CMS Roads Sdn. Bhd. ("CMS Roads") and CMS Pavement Tech Sdn. Bhd. ("CMS Pavement") to UBG (contd.)**

- iv. the CMS Roads SSA shall be conditional upon fulfillment of the following conditions within four (4) months from the date of the CMS Roads SSA:
 - a. approval from the SC being obtained for the Proposed CMS Roads Disposal and the issuance of the consideration shares;
 - b. approval from the Equity Compliance Unit ("ECU") of the SC being obtained for the Proposed CMS Roads Disposal;
 - c. all consents and regulatory approvals required under any and all applicable laws being obtained;
 - d. approval in-principle for the listing of the consideration shares being obtained from Bursa Securities;
 - e. completion of such due diligence as UBG may opt to undertake in respect of CMS Roads and such due diligence being satisfactory to UBG; and
 - f. approval of the relevant shareholders to be obtained.

The proposed disposal of CMS Pavement entails the disposal of 5,000,000 ordinary shares of RM1 each representing 100% equity interest of CMS Pavement by PPES to UBG at a total purchase consideration of RM12 million, which will be satisfied by the issuance of 4,800,000 new UBG Shares at an issue price of RM2.50 per UBG Share.

The salient terms of the CMS Pavement SSA are as follows:

- i. subject to the fulfillment of the conditions precedent, PPES as legal and beneficial owner of the CMS Pavement shares hereby agree to sell to UBG the CMS Pavement shares free from all liens, charges and encumbrances and with all rights attaching thereto on the date falling ten (10) business days from the day the last of the conditions precedent being fulfilled ("Completion Date for the CMS Pavement SSA");
- ii. the purchase price payable by UBG shall be satisfied entirely by the issuance of 4,800,000 new UBG Shares at the price of RM2.50 per UBG Share to PPES;
- iii. the purchase price in the form of shares shall be issued to PPES on the Completion Date for the CMS Pavement SSA; and
- iv. the CMS Pavement SSA shall be conditional upon fulfillment of the following conditions within four (4) months from the date of the CMS Pavement SSA:
 - a. approval from the SC being obtained for the Proposed CMS Pavement Disposal and the issuance of the consideration shares;
 - b. approval from the ECU of the SC being obtained for the Proposed CMS Pavement Disposal;
 - c. all consents and regulatory approvals required under any and all applicable laws being obtained;
 - d. approval in-principle for the listing of the consideration shares being obtained from Bursa Securities;
 - e. completion of such due diligence as UBG may opt to undertake in respect of CMS Pavement and such due diligence being satisfactory to UBG; and
 - f. approval of the shareholders of PPES and UBG to be obtained.

43. Subsequent events (contd.)

i. **Proposed disposal of CMS Roads Sdn. Bhd. ("CMS Roads") and CMS Pavement Tech Sdn. Bhd. ("CMS Pavement") to UBG (contd.)**

The salient terms of the Shareholders' Agreement are as follows:

- i. The Company acknowledges that in the event that a mandatory general offer in respect of the UBG shares is triggered as a result of the proposed injection by MMSB of PPB's and LLCB's shares into UBG, it will not accept any offer which may be required to be made by MMSB for the Company's shares in UBG;
- ii. The Company and MMSB accordingly agree to conduct themselves in such manner as to ensure that they do not do any act or thing or enter into any agreement, arrangement or understanding or co-operate to act jointly or severally for the purpose of exercising control over UBG;
- iii. To the extent that MMSB's shareholding is greater than 35% of the total share capital of the Company, MMSB shall, following the closing of the offer period for the mandatory general offer of the Company that is triggered as a result of the Proposed Restricted Issue and for a period of twelve (12) months after the notification date of the Shareholders' Agreement becoming effective ("Commencement Date"), to reduce its shareholding in the Company to 35% by disposing the portion of its Shares exceeding 35% of the issued share capital of the Company;
- iv. The Company undertakes to MMSB that it shall not, otherwise than as contemplated under the Shareholders' Agreement, acquire any UBG shares resulting in it holding 40% or more of the issued share capital of UBG; and
- v. The Company and MMSB mutually agree that in the event a party intends to dispose of its shareholding in UBG, it must be offered to the other party first before disposing the shares to a third party and both parties shall for a period of 36 months from the Commencement Date maintain shareholdings of at least 30%.

The Shareholders Agreement between MMSB and the Company is subject to the following conditions precedent:

- a. the completion of the proposed acquisition of PPB and the proposed acquisition of LLCB; and
- b. the completion of the proposed restricted issue by UBG to MMSB.

ii. **Proposed Regularisation Scheme (PN17) by UBG**

Following the completion of the disposal of UBG's entire investment in Rashid Hussain Berhad on 22 May 2007, UBG ceased to have significant business operations. Accordingly, UBG is an Affected Listed Issuer pursuant to PN17 and Paragraph 8.14C of the Listing Requirements of the Bursa Securities. Bursa Securities has on 17 January 2008 approved UBG's application for an extension of time of one month to submit a regularisation plan by 21 February 2008.

Aseambankers Malaysia Berhad, main advisors for UBG had on 31 January 2008 announced that UBG had entered into agreements in relation to its regularisation plan to uplift UBG's PN17 status listed on Bursa Securities and the Proposed Regularisation Plan involves the following:

- a. a conditional share sale agreement with PPES and SEDC, to acquire 1 million ordinary shares of RM1 each in CMS Roads representing the entire issued and paid-up share capital of CMS Roads for a purchase consideration of RM123 million, to be satisfied by the issuance of 39,852,000 new UBG shares to PPES at an issue price of RM2.50 per UBG Share and a cash consideration of RM23.37 million to SEDC ("Proposed CMS Roads Acquisition");
- b. a conditional share sale agreement with PPES to acquire 5,000,000 ordinary shares of RM1 each in CMS Pavement representing the entire issued and paid-up capital of CMS Pavement for a purchase consideration of RM12 million, to be satisfied by the issuance of 4,800,000 million new UBG Shares to PPES at an issue price of RM2.50 per UBG share ("Proposed CMS Pavement Acquisition");

(Agreements (a) and (b) above are inter-conditional upon each other).

- c. a conditional share sale agreement with SSSB to acquire 68,604,274 existing ordinary shares of RM0.50 each in PPB representing 49.21% equity interest in PPB from SSSB for a purchase consideration of approximately RM332.7 million to be satisfied entirely in cash ("Proposed PPB Acquisition"); and
- d. a conditional share sale agreement with BBSB to acquire 25,540,431 existing ordinary shares of RM1 each in LLCB representing 37.56% equity interest in LLCB from BBSB for a purchase consideration of approximately RM123.9 million to be satisfied entirely in cash ("Proposed LLCB Acquisition");

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43. Subsequent events (contd.)

ii. **Proposed Regularisation Scheme (PN17) by UBG (contd.)**

- e. Proposed issuance of 182,640,800 new ordinary shares of RM0.25 each in UBG ("UBG Shares") to MMSB at the issue price of RM2.50 per new UBG Share; and
- f. Mandatory general offer by UBG for the remaining shares in PPB and LLCB not already held by UBG upon completion of the Proposed PPB Acquisition and Proposed LLCB Acquisition at the offer price of RM4.85 per PPB share and LLCB share.

(Agreements (c), (d), (e) and (f) above are inter-conditional upon each other).

The Proposed Regularisation Plan is subject to (inter-alia) the approval of the SC, approval-in-principle of Bursa Securities for listing of new UBG's shares to be issued, shareholders approval, and other relevant approvals where applicable.

On 15 February 2008, Bursa Securities approved UBG's application for an extension of time up to 21 March 2008 to submit its regularisation plan to the relevant authorities. The submission was made on 21 March 2008.

iii. **Proposed acquisition of 22 million ordinary shares in CMS Steel**

The proposed acquisition of 22 million ordinary shares of RM1 each in CMS Steel from Amsteel was completed on 29 February 2008.

Pursuant thereto, CMS Steel is now a wholly-owned subsidiary of the Company.

44. Comparative figures

The presentation and classification of items in the current year's financial statements have been consistent with the previous financial year except that certain comparative figures have been reclassified to conform with the current year's presentation.

Analysis of Shareholdings

as at 18 March 2008

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| | |
|-----------------------------------|--|
| Authorised Share Capital: | 1,000,000,000 ordinary shares of RM1.00 per share 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 370 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. Tuan Haji Mahmud Abu Bekir Taib | 29,400,085 | 8.92 | — | — |
| 2. YB Dato Sri Sulaiman Abdul Rahman Taib | 29,465,085 | 8.94 | — | — |
| 3. General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Hj Zainuddin | 20,000 | 0.006 | — | — |
| 4. Datu Michael Ting Kuok Ngie @ Ting Kok Ngie | — | — | 19,000 ² | 0.005 |

Distribution of Shareholdings

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Ordinary Shares Held | % of Issued Capital |
|--|---------------------|-------------------|-----------------------------|---------------------|
| 1 to 99 | 40 | 0.58 | 1,136 | 0.00 |
| 100 to 1,000 | 1,881 | 27.43 | 1,814,900 | 0.55 |
| 1,001 to 10,000 | 3,961 | 57.77 | 16,700,772 | 5.07 |
| 10,001 to 100,000 | 865 | 12.62 | 25,393,600 | 7.71 |
| 100,001 to less than 5% of issued shares | 105 | 1.53 | 123,779,800 | 37.57 |
| 5% and above of issued shares | 5 | 0.07 | 161,755,632 | 49.10 |
| Total | 6,857 | 100.00 | 329,445,840 | 100.00 |

Category of Shareholders

| Category | No. of Shareholders | % of Shareholders | No. of Ordinary Shares Held | % of Issued Capital |
|--|---------------------|-------------------|-----------------------------|---------------------|
| Individuals | 5,636 | 82.19 | 140,595,106 | 42.68 |
| Banks/Finance companies | 15 | 0.22 | 13,019,700 | 3.95 |
| Investment Trusts/Foundation/Charities | 0 | 0 | 0 | 0 |
| Industrial and Commercial Companies | 115 | 1.68 | 51,765,702 | 15.71 |
| Government Agencies/Institutions | 2 | 0.03 | 26,988,860 | 8.19 |
| Nominee Companies | 1,089 | 15.88 | 97,076,472 | 29.47 |
| Total | 6,857 | 100.00 | 329,445,840 | 100.00 |

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. Sarawak Economic Development Corporation | 26,965,360 | 8.19 |
| 5. Tuan Haji Mahmud Abu Bekir Taib | 23,400,085 | 7.10 |
| 6. Employees Provident Fund Board | 12,793,400 | 3.88 |
| 7. DB (Malaysia) Nominee (Asing) Sdn Bhd Exempt AN for Deutsche Bank AG Singapore (PWM Asing) | 11,819,100 | 3.59 |

Analysis of Shareholdings

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| Name of Shareholder | No. of Ordinary Shares Held | % of Issued Capital |
|--|-----------------------------|---------------------|
| 8. Pui Cheng Wui | 9,140,705 | 2.77 |
| 9. HSBC Nominees (Asing) Sdn Bhd Exempt AN for HSBC Private Bank (Suisse) S.A. (Singapore Tst Accl) | 6,033,000 | 1.83 |
| 10. Malaysia Nominees (Asing) Sdn Bhd Pretoria Limited | 6,000,000 | 1.82 |
| 11. Malaysia Nominees (Asing) Sdn Bhd Kimber Cove Corporation | 6,000,000 | 1.82 |
| 12. UOBM Nominees (Asing) Sdn Bhd Galliano Holdings Limited | 6,000,000 | 1.82 |
| 13. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Mahmud Abu Bekir Taib | 6,000,000 | 1.82 |
| 14. UOBM Nominees (Asing) Sdn Bhd Roundsun Assets Limited | 5,646,200 | 1.71 |
| 15. UOBM Nominees (Asing) Sdn Bhd Tamanga Profits Limited | 5,600,000 | 1.70 |
| 16. Malaysia Nominees (Asing) Sdn Bhd Honeywell Assets Limited | 5,500,000 | 1.67 |
| 17. Malaysia Nominees (Asing) Sdn Bhd Fullstead Finance Corporation | 5,287,695 | 1.61 |
| 18. Malaysia Nominees (Asing) Sdn Bhd Bakerville Profits Limited | 5,146,200 | 1.56 |
| 19. Malaysia Nominees (Asing) Sdn Bhd Fullearn Assets Inc | 4,400,000 | 1.34 |
| 20. TM Asia Life Malaysia Berhad As beneficial owner | 1,874,800 | 0.57 |
| 21. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund | 1,401,400 | 0.43 |
| 22. Mayban Nominees (Tempatan) Sdn Bhd Pledged securities account for Li Cheng Thong @ Lee Chen Thung | 1,160,000 | 0.35 |
| 23. Jimmy Thomas @ James Abraham Thomas | 1,062,900 | 0.32 |
| 24. UOBM Nominees (Asing) Sdn Bhd Exempt AN for Societe Generale Bank & Trust, Singapore Branch (Cust Asset) | 1,030,000 | 0.31 |
| 25. Malaysian Trustees Berhad Pacifimas Asset Management Sdn Bhd for Great Eastern Life Assurance (Malaysia) Berhad | 910,000 | 0.27 |
| 26. RHB Nominees (Tempatan) Sdn Bhd RHB Investment Management Sdn Bhd for Perbadanan Nasional Berhad | 902,000 | 0.27 |
| 27. Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series | 823,600 | 0.25 |
| 28. Mayban Nominees (Asing) Sdn Bhd Pledged securities account for San Tuan Sam | 756,200 | 0.23 |
| 29. Hanifah Hajar Taib | 705,000 | 0.21 |
| 30. Ting Pik King | 660,000 | 0.20 |
| Total | 268,407,832 | 81.47 |

Substantial Shareholders as per Register of Substantial Shareholders, excluding nominee companies

| Name of Substantial Shareholders | Direct Shareholding | Indirect Shareholding | % of Capital Capital |
|---|---------------------|-------------------------|----------------------|
| 1. Hanifah Hajar Taib | 705,000 | 44,925,102 ¹ | 13.85 |
| 2. Tuan Syed Ahmad Alwee Alsree | – | 45,630,102 ² | 13.85 |
| 3. Majaharta Sdn Bhd | 44,925,102 | – | 13.64 |
| 4. Jamilah Hamidah Taib | – | 44,925,102 ¹ | 13.64 |
| 5. Lejla Taib | 37,000,000 | – | 11.23 |
| 6. YB Dato Sri Sulaiman Abdul Rahman Taib | 29,465,085 | – | 8.94 |
| 7. Tuan Haji Mahmud Abu Bekir Taib | 29,400,085 | – | 8.92 |
| 8. Sarawak Economic Development Corporation | 26,965,360 | – | 8.19 |

¹ Deemed interest pursuant to Section 6A of the Companies Act, 1965

² Deemed interest pursuant to Section 134 (12) (c) of the Companies Act, 1965

List of Properties

as at 31 December 2007

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| Location | Date of acquisition/ revaluation | Description | Usage | Tenure | Remaining lease period (expiry date) | Land Area/ Built up Area (hectare/m2) | Age of buildings | Net book value (RM) |
|--|-------------------------------------|------------------------|------------------------------|-----------|---|---|------------------|------------------------|
| Lot 5895, Section 64 Sungai Tabuan Pending Industrial Estate Kuching | 1996 | Land & cement mill | Office & factory | Leasehold | 29 years (2036) | 6.25/ 15,223 | 30 years* | 20,469,197 |
| * The age of the new office extension and canteen is 10 years | | | | | | | | |
| Lot 766, Block 20 Kemena Land District Bintulu | 1997 | Land & cement mill | Office & factory | Leasehold | 55 years (2062) | 6.88/ 68,797 | 11 years | 18,053,178 |
| Lot 767, Block 20 Kemena Land District Bintulu | 1997 | Land | Vacant Land | Leasehold | 55 years (2062) | 10.125/ N/A | – | 7,335,197 |
| Lot 571, Block 4 Sentah Segu Land District Kuching | 2007 | Land & Clinker Mill | Office & factory | Leasehold | 35.5 years (2042) | 24.15/ 53,877 | 10 years | 48,403,072 |
| Lot 528, Block 4 Sentah Segu Land District Kuching | 1996 | Land | Vacant Land | Leasehold | 4.5 years (2011) | 0.11/ N/A | – | 2,346 |
| Lot 872, Block 4 Sentah Segu Land District Kuching | 1996 | Land | Vacant Land | Leasehold | 5.8 years (2012) | 0.128/ N/A | – | 5,877 |
| Lot 415, Block 32 Kemena Land District Bintulu | 1996 | Industrial land | Held for rental income | Leasehold | 37 years (2044) | 2.228/ N/A | – | 2,003,791 |
| Lot 34 & 35, Section 15 Kuching Town Land District Nanas Road, Kuching | 1994 | 4 storey shophouse | Held for rental income | Leasehold | 808 years (2815) | 0.41/ 1,400 | 11 years | 4,353,989 |
| Lot 90, Block 11 Lambir Land District KM17, Miri-Bintulu Road, Miri | 1994 | Mixed zone land | Premix operation | Leasehold | 47 years (2054) | 2.73/ N/A | – | 55,042 |
| Lot 444, Block 11 Seduan Land District 8th Mile Sibu Ulu Oya Road, Sibu | 1994 | Mixed zone land | Premix operation | Leasehold | 48 years (2055) | 2.76/ N/A | – | 146,519 |
| Lot 71, Block 17 Kuching Central Land District Kuching | 1996 | Mixed zone land | Quarry operation | Leasehold | 49 years (2056) | 18.94/ N/A | – | 2,046,865 |
| Lot 294, Block 17 Kuching Central Land District Kuching | 1996 | Mixed zone land | Quarry operation | Leasehold | 49 years (2056) | 2.75/ N/A | – | 494,576 |
| Lot 212, Block 17 Kuching Central Land District Kuching | 1996 | Mixed zone land | Office & factory | Leasehold | 49 years (2056) | 5.04/ 900 | 10 years | 1,213,011 |

List of Properties as at 31 December 2007

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| Location | Date of acquisition/ revaluation | Description | Usage | Tenure | Remaining lease period (expiry date) | Land Area/ Built up Area (hectare/m2) | Age of buildings | Net book value (RM) |
|---|-------------------------------------|---------------------------|---------------------------|-----------|---|---|------------------|------------------------|
| Lot 353, Block 17 Kuching Central Land District Kuching | 1996 | Mixed zone land | Premix operation | Leasehold | 49 years (2056) | 2.24/ N/A | – | 376,038 |
| Lot 338, 340 – 345 Block 10, Sentah-Segu Land District Kuching | 1996 | Mixed zone land | Quarry operation | Leasehold | 31 years (2038) | 3.07/ N/A | – | 915,900 |
| Lot 302-304, 354-357 362 and 363, Block 17 Kuching Central Land District Kuching | 1999 | Mixed zone land | Quarry operation | Leasehold | 817 years (2824) | 4.27/ N/A | – | 3,460,285 |
| Lot 342-343, Block 17 Kuching Central Land District Kuching | 1999 | Mixed zone land | Quarry operation | Leasehold | 17 years (2024) | 0.74/ N/A | – | 220,104 |
| Lot 134, Section 64 Kuching Town Land District Kuching | 1998 | Mixed zone land | Jetty and land | Leasehold | 51 years (2058) | 0.43/ N/A | 10 years | 1,469,296 |
| Lot 2128, Sublot 2 Kuching Town Land District Kuching | 1998 | 3-Storey shophouse | Office | Leasehold | 53 years (2060) | 0.012/ 334.45 | 10 years | 417,153 |
| Lot 2116, Sublot 2 Kuching Town Land District Kuching | 2003 | 3-Storey corner shophouse | Office | Leasehold | 53 years (2060) | 0.012/ 327.6 | 10 years | 510,675 |
| 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 | 30 years (2037) | 0.53/ N/A | – | 86,585 |
| Lot 488, Block 5 Muara Tebas Land District Sejingkat, Kuching | 1996 | Mixed zone land | Vacant land | Leasehold | 19 years (2026) | 2.70/ N/A | – | 349,598 |
| Lot 1319, Block 7 Muara Tebas Land District Sejingkat, Kuching | 1997 | Mixed zone land | Land held for development | Leasehold | 89 years (2096) | 26.4/ N/A | – | 22,262,020 |
| Lot 1321, Block 7 Muara Tebas Land District Sejingkat, Kuching | 1997 | Mixed zone land | Land held for development | Leasehold | 89 years (2096) | 73.4/ N/A | – | 60,092,543 |
| Lot 622, Section 66 Kuching Town Land District Kuching | 1998 | Mixed zone land | Land held for development | Leasehold | 51 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 | 51 years (2058) | 14.508/ N/A | – | 16,857,347 |

| Location | Date of acquisition/ revaluation | Description | Usage | Tenure | Remaining lease period (expiry date) | Land Area/ Built up Area (hectare/m2) | Age of buildings | Net book value (RM) |
|---|-------------------------------------|----------------------|--|-----------|---|---|------------------|------------------------|
| Lot 777, Block 5 Muara Tebas Land District Sejingkat, Kuching | 1998 | Land & steel mill | Office & factory | Leasehold | 50 years (2057) | 27.60/ 39,220 | 9 years | 20,097,159 |
| Lot 2082, Section 66 Kuching Town Land District Kuching | 1996 | Land & factory | Office & factory | Leasehold | 38 years (2045) | 0.85/ 3,936 | 24 years | 2,714,741 |
| Parcel 42, Block 71 Kuching Central Land District Kuching | – | ** | Quarry operation | – | – | N/A / 1,262 | 15 years | 299,134 |
| G.N. No.100 Sebuyau Kota Semarahan Division Kuching | – | ** | Jetty | – | – | N/A | 8 years | 363,136 |
| Lot 846, Block 9 Salak Land District Kuching | 1999 | Mixed zone land | Land held for township development | Leasehold | 91 years (2098) | 1,544.61/ N/A | – | 11,999,937 |
| Lot 3284, 3541, 3765 3986-3990, 3992-3994 Block 9, Salak Land District Kuching | 1999 | Mixed zone land | Land held for township development | Leasehold | 91 years (2098) | 65.85/ N/A | – | 556,983 |
| Lot 1, Block 13 Salak Land District Kuching | 1999 | Mixed zone land | Land held for township development | Leasehold | 91 years (2098) | 349.70/ N/A | – | 2,710,680 |
| Lot 449, Block 15 Salak Land District Kuching | 2007 | Mixed zone land | Land & school | Leasehold | 60 years | 7.49/ 5,321.85 | 1 year | 20,878,400 |

** Land owned by third party

Revaluation Policy

The Group does not adopt a policy of regular revaluation.

Group Directory

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Cahaya Mata Sarawak Berhad (21076-T)

Level 6 Wisma Mahmud

Jalan Sg. Sarawak, 93100 Kuching

T +60 82 238 888

F +60 82 333 828

Construction Materials

CMS Cement Sdn Bhd (321916-K)

Lot 5895, Jalan Kilang Simen
Pending Industrial Estate
93450 Kuching

T +60 82 332 111

F +60 82 484 049

CMS Clinker Sdn Bhd (49256-V)

Lot 571, Block 4, Sentah Segu LD
Jalan Mambong
(Off Jalan Puncak Borneo)
93250 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 82 618 718

F +60 82 614 406

PPES Concrete Product Sdn Bhd (150276-P)

Lot 212, Block 17, KCLD
Jalan Old Airport
93250 Kuching

T +60 82 618 718

F +60 82 614 406

CMS Wires Sdn Bhd (23092-U)

Lot 87, Lorong Tenaga
Bintawa Industrial Estate
93450 Kuching

T +60 82 334 772

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
93250 Kuching

T +60 82 611 987

F +60 82 615 598

CMS Penkuari Sdn Bhd (27895-T)

9 1/2th Mile, Kuching-Serian Road
93350 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

Construction & Road Maintenance

PPES Works (Sarawak) Sdn Bhd (209892-K)

1st – 4th Floor
Lot 619-623, Section 62, KTLD
Jalan Padungan
93100 Kuching

T +60 82 340 588

F +60 82 340 695

CMS Roads Sdn Bhd (287718-K)

1st – 2nd Floor
Lot 58-59, Section 63, KTLD
Jalan Padungan
93100 Kuching

T +60 82 340 840

F +60 82 230 758

CMS Pavement Tech Sdn Bhd (340934-W)

2nd Floor, Lot 58-59
Section 63, KTLD
Jalan Padungan
93100 Kuching

T +60 82 340 841

F +60 82 340 842

Property Development

- Projek Bandar Samariang Sdn Bhd (443828-P)
- CMS Property Development Sdn Bhd (321917-U)
- CMS Property Management Sdn Bhd (326616-U)
- CMS Land Sdn Bhd (410797-H)

The contact for the above companies is at:

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)

The contact for the above companies is at:

Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching

T +60 82 238 888

F +60 82 333 828

Services

- CMS Education Sdn Bhd (392555-A)
 - CMS Energy Sdn Bhd (343095-A)
 - CMS Digital Sdn Bhd (535906-V)
 - CMS Global (BVI) Ltd (672792)
- The contact for the above companies is at:
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 238 888
F +60 82 333 828
- CMS Infra Trading Sdn Bhd (196635-M)
No. 2128, Sublot 2
Jalan Utama, Pending
93450 Kuching
T +60 82 348 950
F +60 82 348 952
- 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

Financial Services

- Concordance Holdings Sdn Bhd (73782-U)
 - CMS Capital Sdn Bhd (120674-T)
 - UBG Enterprise Berhad (95567-W)
- The contact for the above companies is at:
Level 6, Wisma Mahmud
Jalan Sg. Sarawak
93100 Kuching
T +60 82 238 888
F +60 82 333 828
- UBG Berhad (240931-X)
(formerly known as Utama Banking Group Berhad)
Level 33 Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur
T +60 3 2078 9133
F +60 3 2072 5511
- CMS Trust Management Berhad (353563-P)
Level 1, Wisma Mahmud
Jalan Sg. Sarawak
93100 Kuching
T +60 82 343 022
F +60 82 343 006
- CMS Asset Management Sdn Bhd (296881-M)
Level 39 Menara Standard Chartered
Jalan Sultan Ismail
50250 Kuala Lumpur
T +60 3 2142 6888
F +60 3 2142 6887
- CMS Opus Private Equity Sdn Bhd (694013-H)
Suite 1308, Level 13
Menara HLA
No. 3 Jalan Kia Peng
50450 Kuala Lumpur
T +60 3 2166 2088
F +60 3 2166 1022

Similajau Development

- Sarawak Aluminium Company Sdn Bhd (783974-K)
 - Similajau Aluminium Industries Sdn Bhd (782329-P)
 - Similajau Industries Sdn Bhd (783430-V)
- The contact for the above companies is at:
Level 6, Wisma Mahmud
Jalan Sungai Sarawak
93100 Kuching
T +60 82 238 888
F +60 82 333 828

Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the Thirty-third Annual General Meeting of the Company will be held at Ballroom III, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak on Tuesday, 20 May 2008 at 2:00 p.m. for the following purposes:

1. To receive the Audited Accounts for the year ended 31 December 2007 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 26% income tax and a special dividend of 10 sen per share less 26% income tax for the year ended 31 December 2007.
(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 A M Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail
(Ordinary Resolution 3)
 - b. Tuan Haji Mahmud Abu Bekir Taib
(Ordinary Resolution 4)
 - c. General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Zainuddin
(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' remuneration for the year ended 31 December 2007.
(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 Resolution:

8. Proposed Amendments to the Articles of Association of the Company

"THAT the Articles of Association of Cahya Mata Sarawak Berhad be and are hereby amended in the manner as set out in Appendix I dispatched together with the CMS 2007 Annual Report".
(Special Resolution)

Notice Of Dividend Payment

NOTICE IS HEREBY GIVEN that the first and final dividend of 5 sen per share less 26% income tax and a special dividend of 10 sen per share less 26% income tax for the financial year ended 31 December 2007, if approved at the above Annual General Meeting, will be paid on 18 July 2008 to Depositors whose names appear in the Record of Depositors on 30 June 2008.

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 2008 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
28 April 2008

Notes:

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. A corporation must complete the form of proxy under its common seal or under the hand of a duly authorised officer or attorney. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.

A Form of Proxy is enclosed herewith and should be completed and deposited at the Registered Office of the Company at Level 6, Wisma Mahmud, Jalan Sungai Sarawak, 93100 Kuching, Sarawak not less than 48 hours before the time fixed for the meeting.

Explanatory Notes On Special Business:

1. The proposed Special Resolution, if passed, will bring the Articles of Association of the Company in line with the recent amendments of the Listing Requirements of Bursa Malaysia Securities Berhad as well as for better clarity and enhancement. Detailed information on the Proposed Amendments to the Articles of Association of the Company is set out in Appendix I dispatched together with the CMS 2007 Annual Report

Statement accompanying the Notice of Annual General Meeting

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Further details of Directors seeking re-election/re-appointment at the Annual General Meeting

| Name | Y A M Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail | Tuan Haji Mahmud Abu Bekir Taib |
|---|---|---|
| Age | 56 | 44 |
| Nationality | Malaysian | Malaysian |
| Designation | Group Chairman/Independent Non-Executive Director | Deputy Group Chairman/Non-Executive Director |
| Date first Appointed on the Board | 10 May 2006 | 23 January 1995 |
| Working Experience and Occupation | As per profile in page 025 | As per profile in page 025 |
| Directorships in other public companies | DRB-HICOM Berhad EON Capital Berhad HICOM Berhad HICOM Holdings Berhad Nestle (M) Berhad Uni. Asia Life Assurance Berhad Uni. Asia General Insurance Berhad | UBG Berhad (formerly known as Utama Banking Group Berhad) |
| Securities holdings in the Company and its subsidiaries | None | CMS – 29,400,085 ordinary shares (direct interest) |
| Family relationship with any Director and/or major shareholder of the Company | None | He is the brother of YB Dato Sri Sulaiman Abdul Rahman Taib (a director and major shareholder of CMS), Hanifah Hajar Taib and Jamilah Hamidah Taib (major shareholders of CMS). He is also a son of Lejla Taib (a major shareholder of CMS) and brother-in-law of Tuan Syed Ahmad Alwee Alsree (Deputy Group Managing Director of CMS). Tuan Haji Mahmud is also a director of Majaharta Sdn Bhd (a major shareholder of CMS) |
| Conflict of interest with the Company | None | None |
| List of convictions for offences within the past 10 years | None | None |
| No of the Company's Board meetings attended in the financial year | 9/9 (100%) | 9/9 (100%) |

Statement accompanying the Notice of Annual General Meeting

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Further details of Directors seeking re-election/re-appointment at the Annual General Meeting

| Name | General (Retired) Tan Sri Dato' Seri Mohd Zahidi Bin Zainuddin | Dato Sri Liang Kim Bang |
|---|--|---|
| Age | 60 | 71 |
| Nationality | Malaysian | Malaysian |
| Designation | Independent, Non-Executive Director | Senior Independent, Non-Executive Director |
| Date first Appointed on the Board | 8 July 2005 | 26 June 1986 |
| Working Experience and Occupation | As per profile in page 027 | As per profile in page 026 |
| Directorships in other public companies | Affin Holdings Berhad Asiatic Development Berhad Bandar Raya Developments Berhad Bintulu Port Holdings Berhad CMS I-Systems Berhad Resorts World Berhad Wah Seong Corporation Berhad Defence Technologies Berhad Yayasan Sultan Azlan Shah | CMS Trust Management Berhad UBG Berhad (formerly known as Utama Banking Group Berhad) ("UBG") MISC Berhad PPB Group Berhad |
| Securities holdings in the Company and its subsidiaries | None | UBG – 201,600 shares (direct interest) |
| Family relationship with any Director and/or major shareholder of the Company | None | None |
| Conflict of interest with the Company | None | None |
| List of convictions for offences within the past 10 years | None | None |
| No of the Company's Board meetings attended in the financial year | 8/9 (89%) | 7/9 (78%) |

Form of Proxy



CAHYA MATA SARAWAK

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-Third Annual General Meeting of the Company to be held at Ballroom II & III, Lobby Floor, Hilton Kuching, Jalan Tunku Abdul Rahman, 93100 Kuching, Sarawak on Tuesday, 20 May 2008 at 2:00 p.m. and at any adjournment thereof.

| No. | Ordinary Resolutions | For | Against |
|-----|---|-----|---------|
| 1 | Receive the Audited Accounts and Reports of the Directors and Auditors thereon | | |
| 2 | Declaration of First and Final Dividend and Special Dividend | | |
| 3 | Re-election of Y A M Tan Sri Dato' Seri Syed Zainol Anwar Ibni Syed Putra Jamalullail as Director | | |
| 4 | Re-election of Tuan Haji Mahmud Abu Bekir Taib as Director | | |
| 5 | Re-election of General (Retired) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin as Director | | |
| 6 | Re-appointment of Dato Sri Liang Kim Bang as Director | | |
| 7 | Approval of Directors' remuneration for the year ended 31 December 2007 | | |
| 8 | Re-appointment of Auditors | | |
| No. | Special Resolution | For | Against |
| 1 | Proposed Amendments to the Articles of Association of the Company | | |

Date: 2008

Signature:

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. A corporation must complete this form of proxy under its common seal or under the hand of a duly authorised officer or attorney. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
2. 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 48 hours before the time fixed for the meeting.
3. Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.

Stamp

The Company Secretary

Cahaya Mata Sarawak Berhad

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

1. Fold here

2. Fold here

3. Fold here