

CMS Management Presentation



CAHYA MATA SARAWAK

Wednesday, 25 July 2018

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Bursa Malaysia since 1989
(Stock Code: 2852)



FTSE4Good

Constituent of MSCI Malaysia
Small Cap Index



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Y Bhg Dato Isaac Lugun

Group Chief Executive Officer - Corporate

- ❑ Joined CMS in 1996 & appointed in various capacities including GM-Corporate Affairs, Head of Samalaju Development Division & CEO of Samalaju Industries
- ❑ Non executive directorship positions include OM Materials (Sarawak), Malaysian Phosphate Additives (Sarawak), SACOFA.
- ❑ Bachelor of Law (LLB) (Honours) Degree, University of Malaya, Malaysia



Tuan Syed Hizam Alsagoff

Group Chief Financial Officer

- ❑ Joined CMS in 2005, appointed GM, Group Finance & Treasury at end 2005, Group CFO in September 2009.
- ❑ Non executive directorship positions include KKB Engineering Berhad.
- ❑ Bachelor of Science with Finance major and Economics minor, San José State University, California.



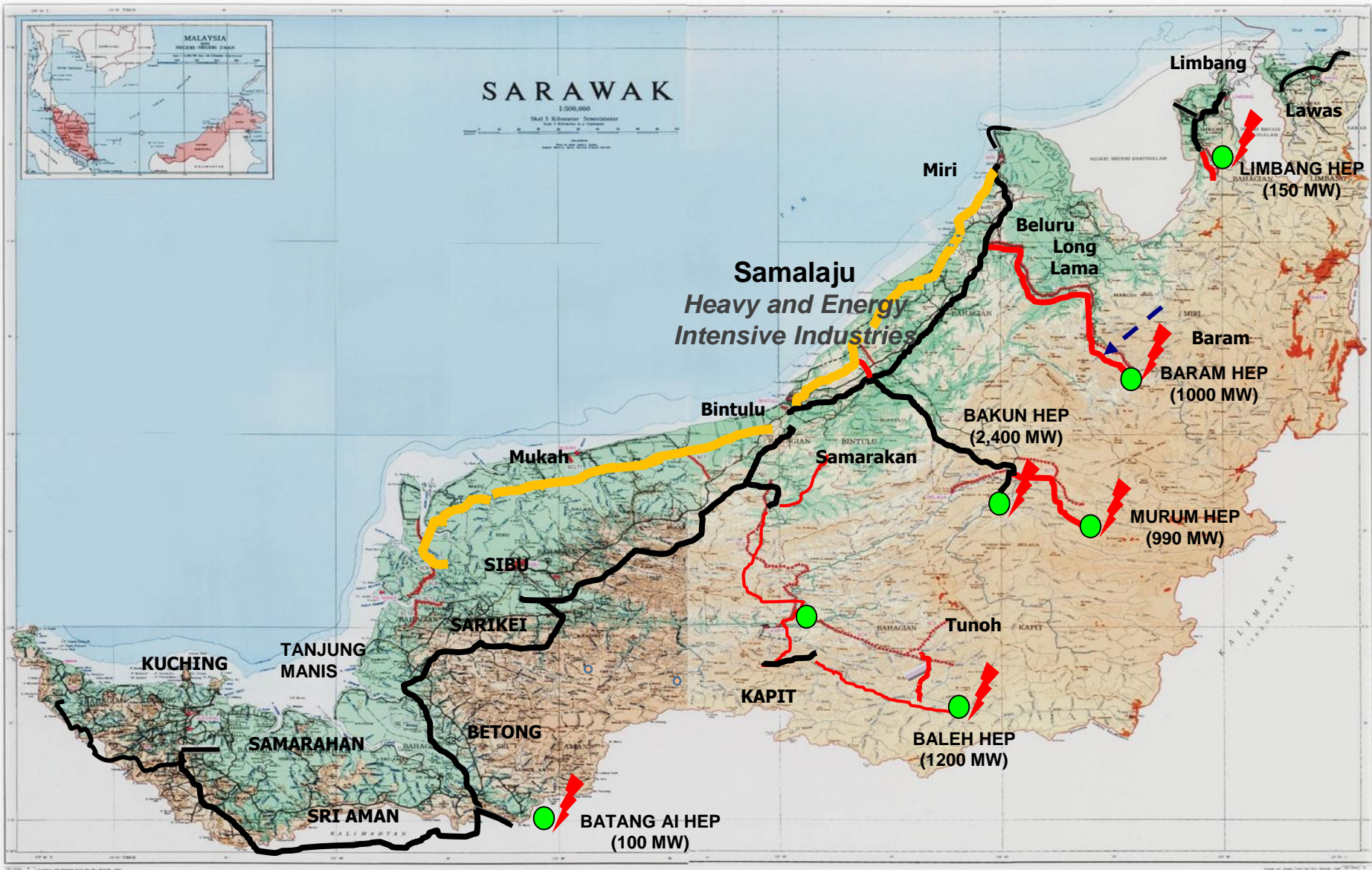
Section I.	Sarawak – A Compelling Business & Investment Destination
Section II.	CMS Overview
Section III.	Business Overview
Section IV.	Financial Highlights
Section V.	Strong Sustainability & Governance Agenda
Section VI.	Group Strategies & Going Forward



CAHYA MATA SARAWAK

I. Sarawak – A Compelling Business & Investment Destination

I. Sarawak – A Compelling Business & Investment Destination





1. About Sarawak

- a. The largest State in Malaysia
- b. Business-friendly policies, political stability, modern infrastructure and competitive prices for land, power and water
- c. Diverse communities of Malays, Ibans, Chinese, Bidayuh, Melanau, Orang Ulu, Indians & other indigenous groups live harmoniously together in Sarawak
- d. Only State in Malaysia that promotes and recognises the use of English alongside Bahasa Malaysia
- e. A robust State Administrative System
- f. Only State in Malaysia with credit rating and solid cash reserves of approx. RM30 billion

Agency	Rating	Indicative
Standard & Poor's	A-	Stable Outlook
Moody's Investors Services	A3	Stable Outlook
RAM Rating Services	AAA	Strong Outlook
Malaysia Rating Corp.	AAA	Strong Outlook



- g. Development bias budget:
 - i. 2018 State Budget: RM5.75 billion (70%) allocated for development & RM2.48 billion (30%) allocated for Operational Expenditure (OPEX). The State committed RM 1 billion for telco-infrastructure
 - ii. 2018 Federal Budget: RM5.9 billion allocated for infrastructure development including Pan Borneo Highway and rural electrification and RM500 million for telco-infrastructure
- h. Successive waves of economic development in Sarawak
 - i. Traditionally, agriculture and resources exploitation including timber
 - ii. Oil & Gas industries started in Sarawak initially in Miri and later at Kidurong Industrial Park Bintulu (MLNG, SMDS & ABF)
 - iii. SamaJaya High Tech Park in Kuching caters to high-tech industries which includes multinational corporations such as X-FAB Sarawak, Hitachi Global Storage Technologies, Taiyo Yuden, Toko Electronics Sarawak, OMG Electronic Chemicals and Xi'an LONGi Silicon Materials Corp

Current key economic drivers

- iv. **Through SCORE (Sarawak Corridor of Renewable Energy) Sarawak is developing its huge hydro energy potential and is attracting investment in energy intensive industries**
- v. **The Pan Borneo Highway project is opening up a new frontier of economic opportunities**
- vi. **Current Government's drive to fully embrace the Digital Economy**

Sarawak is poised to be a developed and industrialised State by 2030!



2. Endowed with high renewable hydro energy potential

- a. Sarawak by virtue of its high rainfall, large rivers and favourable topography has a huge potential of 28,000 MW for hydroelectric power, the highest in South East Asia
- b. The State currently generates 4,600 MW of power out of which 3,490 MW is generated by Hydroelectric Dams namely Bakun – 2,400 MW, Murum – 990 MW and Batang Ai – 100 MW with the new Baleh Dam – 1200 MW being developed
- c. The hydro energy resource is being developed under the Sarawak Corridor of Renewable Energy (SCORE) initiative. All the hydro power are transmitted to the Samalaju Industrial Park which is already attracting energy intensive industries
- d. Samalaju Industrial Park is a competitive business & investment proposition:
 - i. Competitive power price giving a clear edge over global competitors
 - ii. Competitive land price and low water tariff
 - iii. Strategic location of Samalaju on the world trading routes
 - iv. Samalaju Port, the only dedicated bulk port in South East Asia, caters to the industries in Samalaju. It commenced full operations in June 2017 with a total capacity of 18 million MT cargo through-put per annum

I. Sarawak – A Compelling Business & Investment Destination



- e. To date 5 world-class energy intensive plants are already operating at Samalaju Industrial Park:

Project	Product	Commencement of Operation	Annual Capacity	Investment Value (USD)
OCI Co. Ltd	Polysilicon	Jun 2013 (Tokuyama) Jun 2017 (OCI)	Full Capacity: 20,000 MT	2.5 billion
Press Metal	Aluminium	Sep 2012	Full Capacity: 760,000 MT	2 billion
AML (Pertama Ferroalloy)	Manganese Ferroalloy	June 2016	Full Capacity: 434,000 MT	325 million
OM Materials (Sarawak)^	Ferrosilicon Alloys & Manganese Alloys	Partially Commissioned: 2H 2014 Full production: Nov 2017 (except for 1 furnace)	Ferrosilicon Alloys: 192,500 MT Manganese Alloys: 200,000 MT – 300,000 MT	458 million
Sakura Ferroalloys	Ferro manganese & Silicon Manganese	May 2016	Ferro Manganese: 100, 000 MT Silicon Manganese: 60, 000 MT	328 million
MPA (Sarawak)^*	Phosphate Products & Coke	Commission: 2020 Full production: 2021	Phosphate Products: 500,000 MT Ammonia: 100,000 MT Coke: 900,000 MT	545 million

^ CMS has 25% stake in OM Materials (Sarawak) and 44.25% stake in MPA (Sarawak)

* Negotiation for project financing contract is underway and production is expected to commence from 2H 2019 onwards



3. PAN BORNEO HIGHWAY PROJECT – The largest infrastructure project to be implemented in Sarawak

- a. 1,060 km - Telok Melano to Merapok with an estimated total project cost of RM16 billion
- b. Project commenced 2015 and completed in phases up to 2022
- c. Project implemented in 11 packages involving all major construction companies in Sarawak with strong Bumiputera participation
- d. High economic multiplier impact
- e. Supports and complements the SCORE initiative

4. Current State Government is pushing to fully embrace the Digital Economy with a combined Federal and State allocation RM1.5 billion in 2017 for the development of telco-infrastructure



CAHYA MATA SARAWAK

II. CMS Overview



STAKEHOLDERS

Shareholders, Staff, Customers & Community

VISION

To be the **PRIDE** of Sarawak & Beyond

MISSION

- P** Producing Quality, On Spec & On Time
- R** Respect & Integrity
- I** Improving, Innovating & Investing in People
- D** Delivering Sustainable Growth
- E** Environmentally Conscious, Safe & Conducive Workplace

II.B Company Snapshot



Sarawak's largest company in infrastructure development

- ❑ Incorporated in 1974 and the 1st Sarawakian company to list on KLSE in 1989.
- ❑ CMS has diverse portfolio of businesses and is well positioned in all key economic growth areas in Sarawak: Infrastructure, Energy Intensive Industries, Pan Borneo Highway and Digital Economy
- ❑ One of Sarawak's largest listed company, with over 2,600 employees plus 1,700 in its 3 associate companies.
- ❑ Constituent of the globally recognised FTSE4Good Bursa Malaysia Index due to it's focus on ESG practices

Key Statistics

Market metrics as at 23 July 2018

Issued Shares:	1074.38 m
Share Price:	RM2.92
Market Cap:	RM3,1374.20m
Historical PER:	14.3 x
PBV ratio:	1.32 x

	Substantial shareholders (as of 23 July 2018)	Shareholding ('000)	%
1.	Majaharta Sdn Bhd	134,775	12.54
2.	Employees Provident Fund	117,139	10.90
3.	Lejla Taib	111,000	10.33
4.	Lembaga Tabung Haji	103,849	9.67
5.	Dato Sri Sulaiman AB Rahman Taib	92,375	8.60
6.	Sarawak Economic Development Corporation	60,896	5.67

Notes:

- i. Foreign shareholding: c. 15%
- ii. Public float: c. 35%

II.C Experienced Management with Proven Track Record



Centre



Datuk Syed Ahmad Alwee Alsree, Group Executive Director (14 years in CMS).



Dato Isaac Lugun, Group Chief Executive Officer – Corporate (22 years in CMS).



Tuan Syed Hizam Alsagoff, Group Chief Financial Officer (13 years in CMS).



Goh Chii Bing, Group Chief Executive Officer - Operations (26 years in CMS)

Key Business Divisions



Lim Jit Yaw, CEO of the Construction & Road Maintenance Division (12 years in CMS)



Suhadi bin Sulaiman, Acting CEO of Cement Division (13 years in CMS)



Vincent Kueh Hoi Chuang, ED/CEO of the Property Development Division (6 years in CMS)



Chong Swee Sin, CEO of Construction Materials & Trading Division (27 years in CMS).



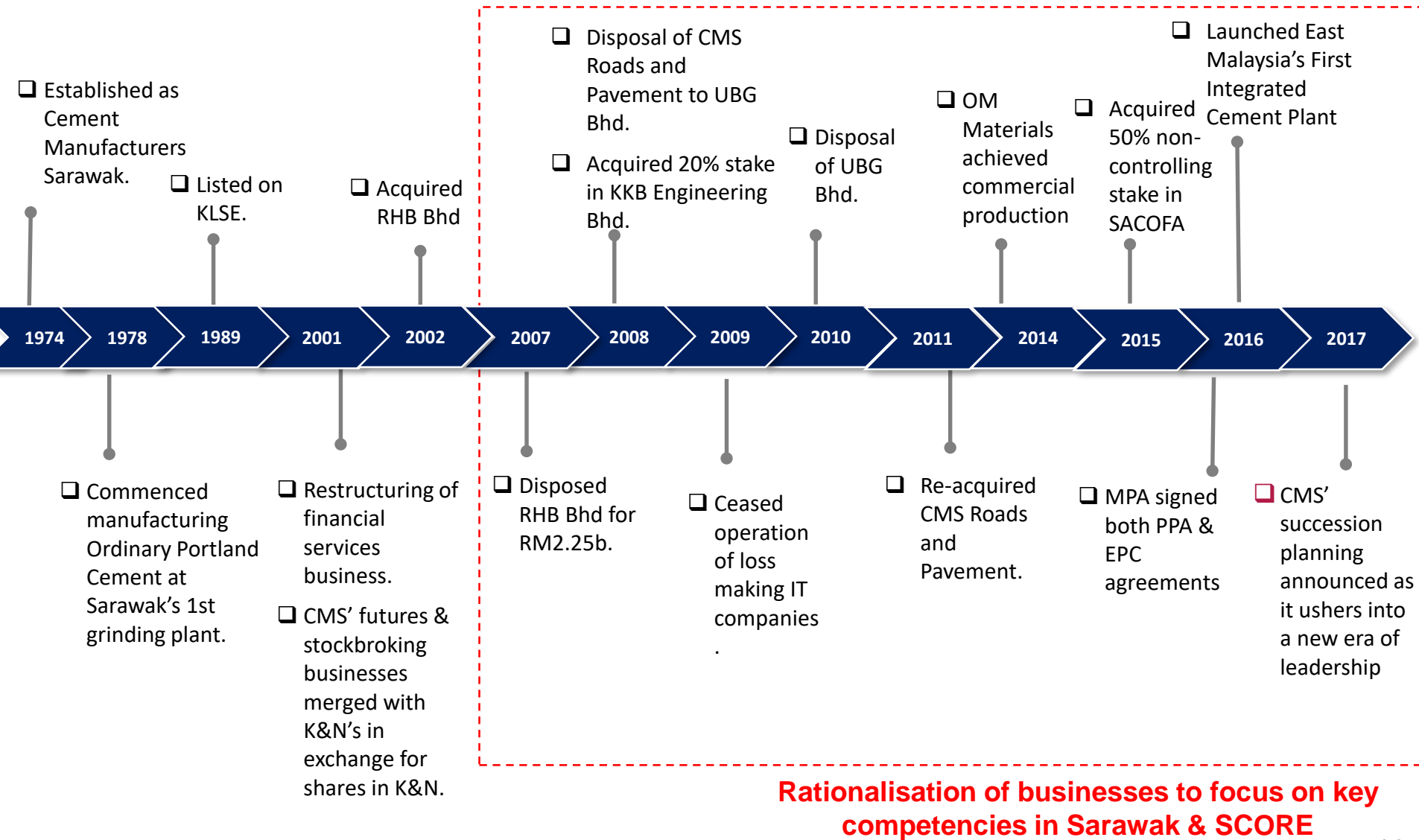
Goh Chii Yew, CEO of Samalaju Property Division (17 years in CMS).



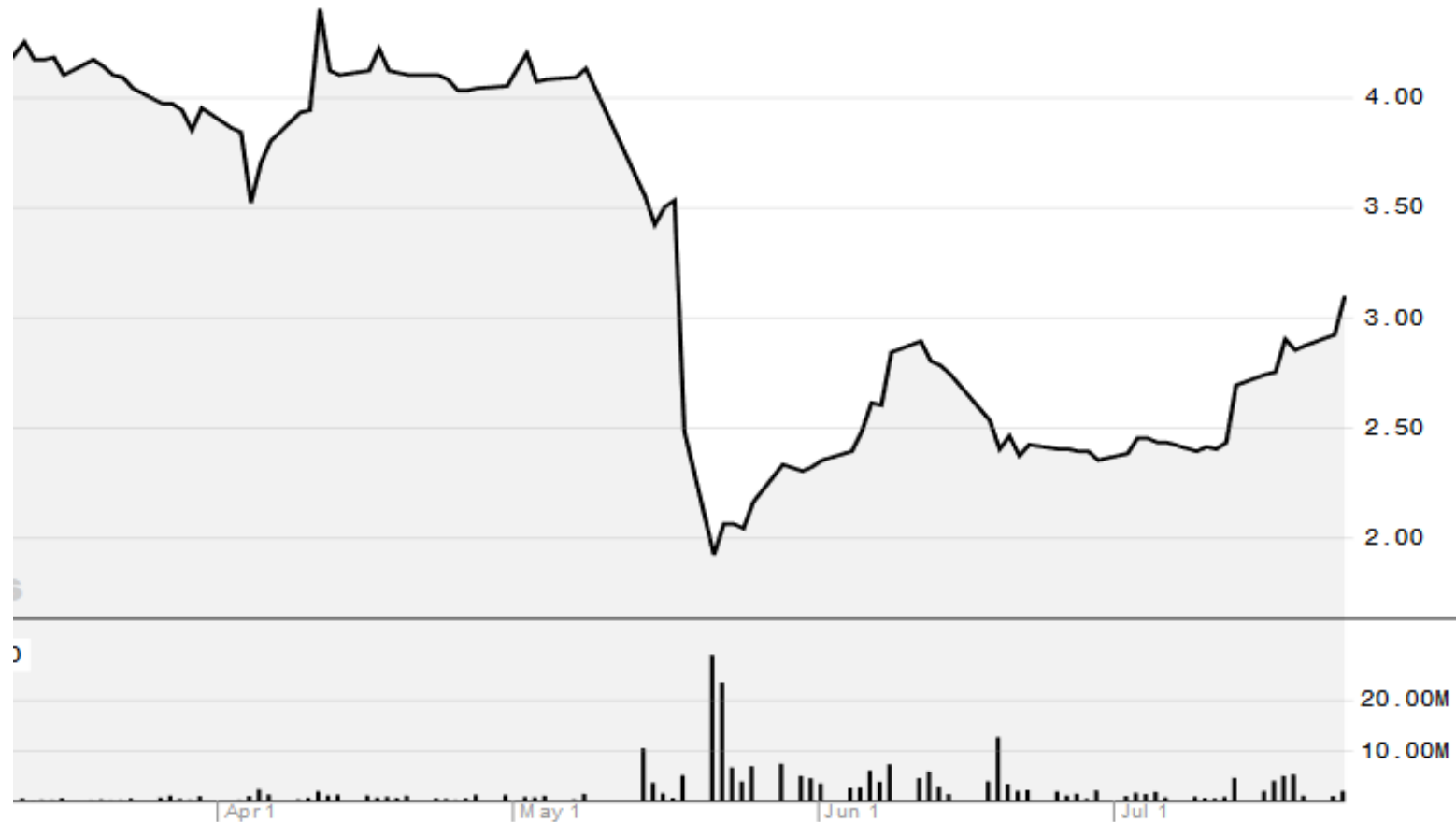
Mohd Zaid Zaini, Head of ICT Division (4 years in CMS)



II.D Corporate Milestones



II.E Share Price Performance



	High	Low
2014	RM 4.72	RM 1.47
2015	RM 6.00	RM 3.87
2016	RM 5.36	RM 3.17
2017	RM 4.70	RM 3.30
2018	RM 4.42	RM 1.74



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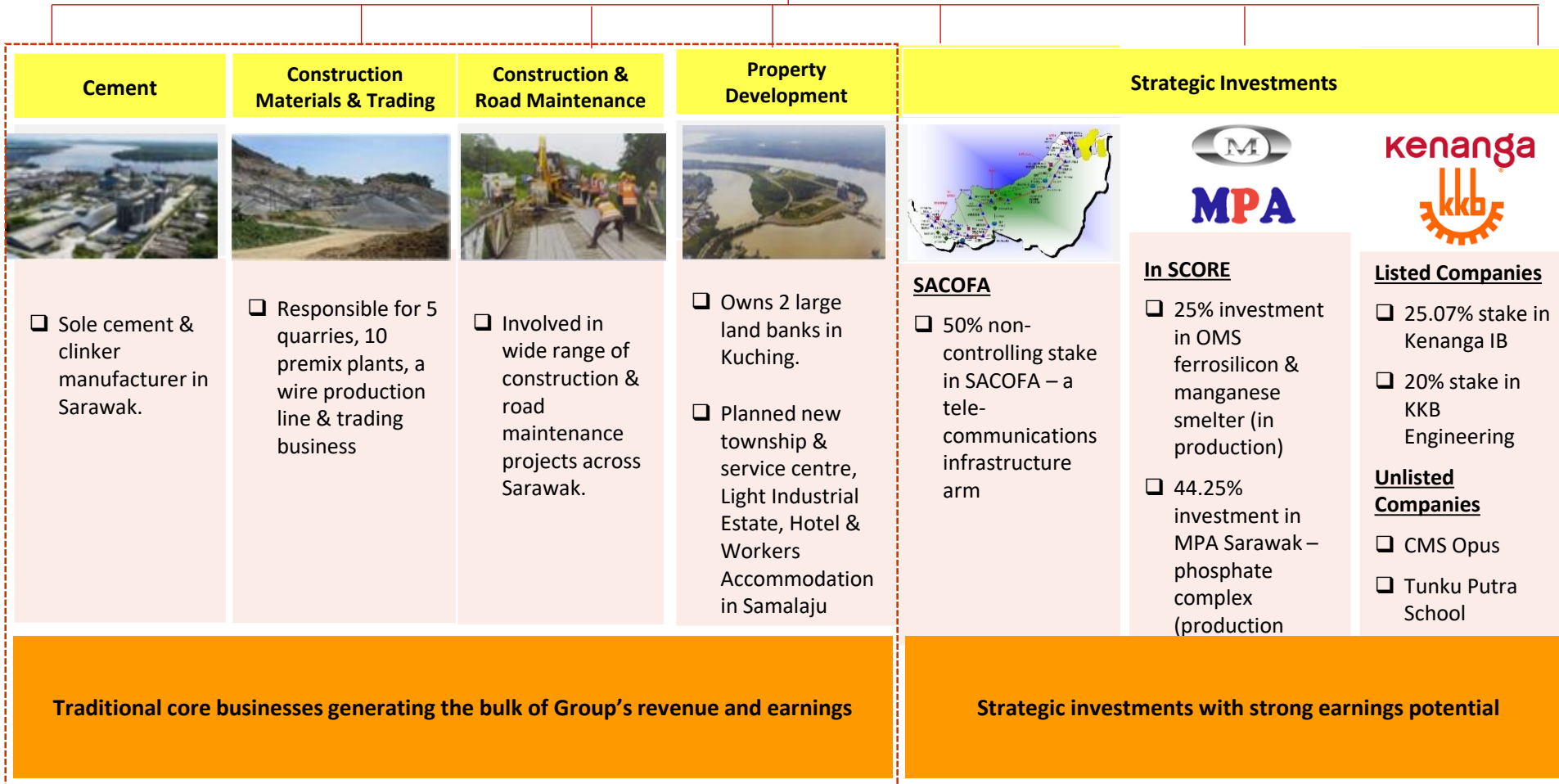
III. Business Overview



III.A Key Business Divisions



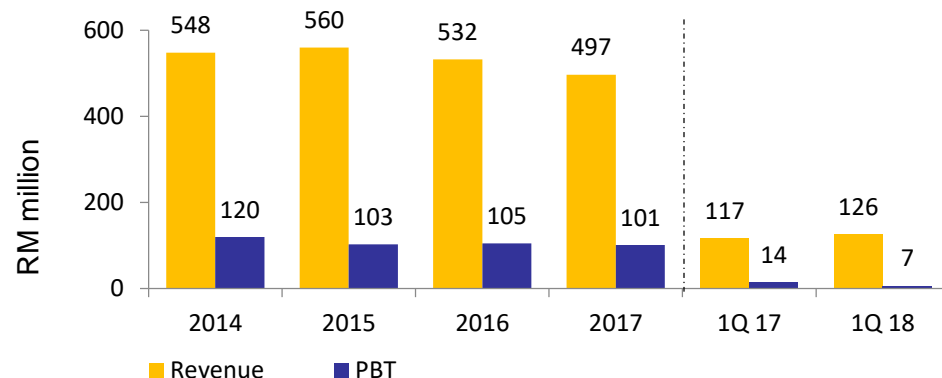
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III.B Cement

- ❑ Group's core PBT driver (31% of revenue; 30% of PBT in FY2017)
- ❑ Sole cement & clinker manufacturer in Sarawak
- ❑ Operates an Integrated Cement Plant, 2 Cement Grinding Plants and 2 Bulk Terminals
- ❑ Well positioned to leverage on increased construction activities in the State



Cement



- ❑ Sarawak's **sole cement manufacturer** with a 2.75m Mtpa capacity
- ❑ Runs at approx. **60% capacity** thus ensuring consistent supply of cement & ensuring sufficient capacity to meet State's growing demand
- ❑ New **1m MTpa** plant in Mambong has commissioned
- ❑ **Future plans:** To explore the use of slag and silica fume byproduct in Cement production .

Clinker



- ❑ Sarawak's **sole clinker manufacturer** with quarry reserves of 50+ years.
- ❑ Sole 0.84m MTpa plant is currently fully utilised.
- ❑ Upgraded plant (in 2012/2013) runs on cheaper coal alongside a 10+% capacity expansion.
- ❑ **Future plans:** Assess option of 2nd clinker line for total self sufficiency & marginal exports and expansion of its quarries

Concrete Products

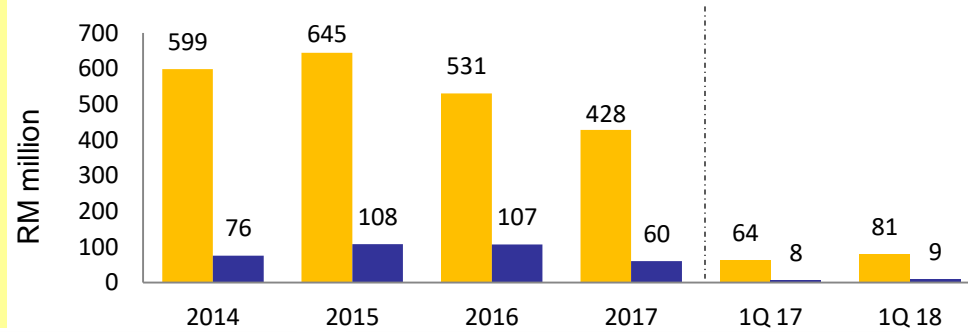


- ❑ **Leading manufacturer of pre-cast concrete products and ready mix supplier**
- ❑ 70k MTpa facility for concrete products, running at 50-60% utilisation rate.
- ❑ 70k MTpa IBS plant with an 82% utilisation rate.
- ❑ Provides installation services for IBS products
- ❑ **Future plans:** Increase IBS and concrete products & possible second IBS plant in Central Sarawak

III.C Construction Materials & Trading



- ❑ One of the core revenue and earnings drivers.
- ❑ Supply government's requirements for construction materials
- ❑ Accounted for 27% of group revenue and 18% of earnings in FY2017.
- ❑ Complementing Cement, Construction and Property Development Divisions.



Quarries



Sebanjis Quarry

- ❑ **5 quarries** in Kuching with licenses of up to 20 years.
- ❑ **2.19m MTpa** of combined rated capacity, or an equivalent 35% market share.
- ❑ To **increase production capacity** by installing a 2nd production line at Sibanyis with capacity of **1.30m MTpa**
- ❑ **Future plans:** To identify potential quarries in the northern region & to develop additional wharf facilities to improve transportation.

Premix



Typical plant

- ❑ **10 plants** in Kuching, Sarikei, Sibü, Miri, Bintulu, Samalaju & Limbang to manufacture and deliver Premix (asphaltic concrete), bitumen emulsion & cutback bitumen for use in roads and airport runways.
- ❑ **Capacity:** Market share of 60%. 2 plants have rated capacities of 250 MTph, 2 of 150 MTph, 2 of 60 MTph or below & 4 mobile plants with capacities of either 150MTph & 100 MTph.
- ❑ Purchased 2 more 150 MTph mobile asphalt batching plants to meet the increasing demand in Sarawak
- ❑ **Future plans:** New asphalt batching plant for Betong Premix; new plant at Sarikei & a permanent plant at Kuala Baram

Wires & Trading



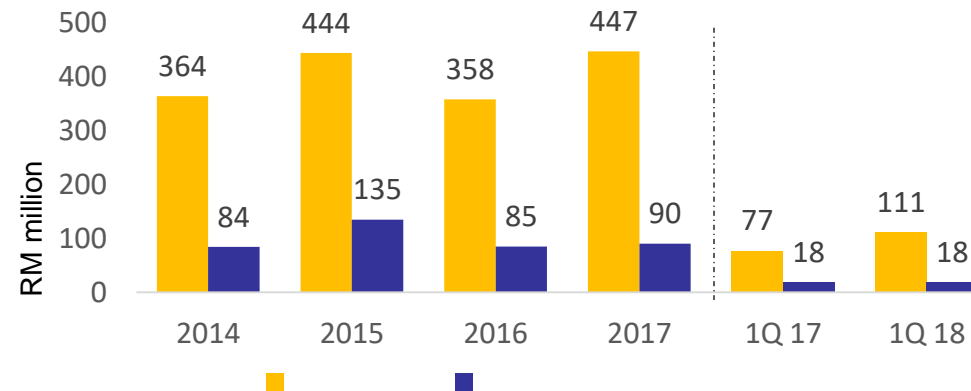
Pulled wires

- Wires**
 - ❑ One **5,500 MTpa plant** manufacturing steel wires and wire mesh; **Utilisation rate: 80+%; Market share: 20%**
 - ❑ **Rated Capacity: 5,500 MTpa**
- Trading arm**
 - ❑ Trades as agent / distributor;
 - ❑ Range of water management products, construction materials & systems, road management products, building protection systems, petroleum products and others



III.D Construction & Road Maintenance

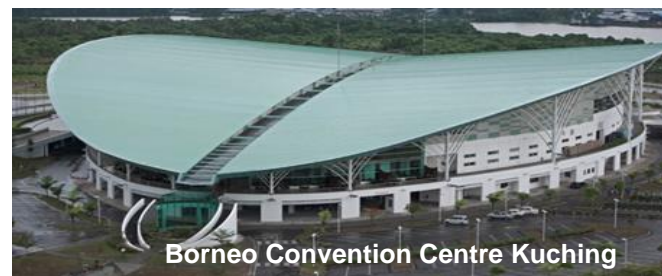
- ❑ Undertakes general construction work and road maintenance activities
- ❑ Completed major infrastructure projects including the Sarawak River Regulation Scheme (barrage, shiplock & bridge), Miri-Bintulu coastal road, Bakun access road and upgrading of Mulu & Mukah airports
- ❑ Successfully constructed almost all of iconic buildings in the State including the DUN Sarawak, Borneo Convention Centre Kuching (BCKK), Sarawak Islamic Information Centre, Swinburne University (Sarawak Campus), Darul Hana Bridge and currently the New Sarawak Museum complex.
- ❑ Holding concessions till 2017-2018 to maintain approx. 200km of the Federal roads and 5,800km of the State roads.
- ❑ Awarded a RM1.36 bil Pan Borneo Highway package in July 2016 to PPES Works - Bina Puri JV
- ❑ Will continue to focus on niche construction projects and target smaller scale non-tendered road works
- ❑ Future plans: To secure the State & Federal road concessions



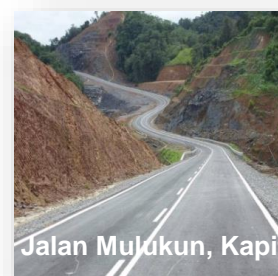
Sarawak River Regulation Scheme, Kuching



New DUN Building



Borneo Convention Centre Kuching



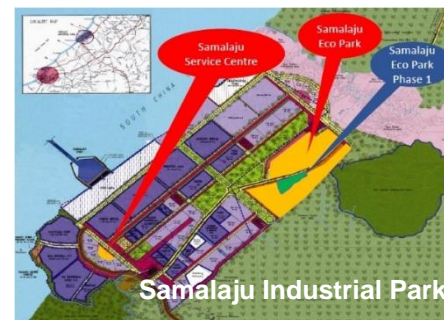
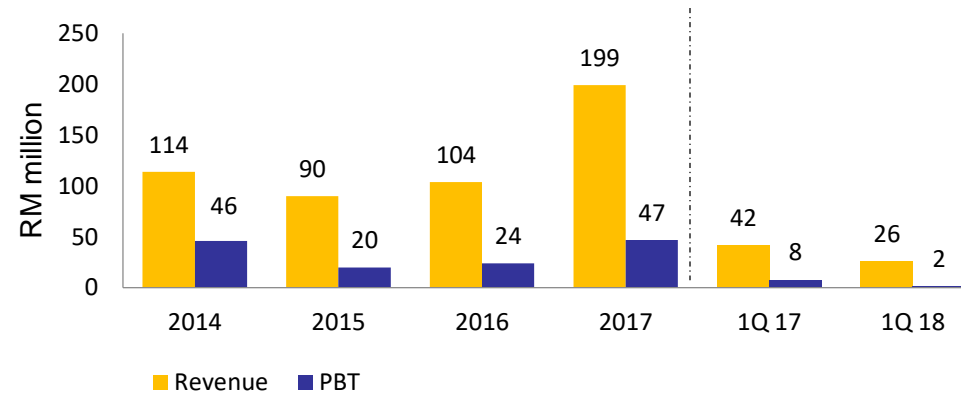
Jalan Mulukun, Kapit

Strong recurring income from the road maintenance concessions.

III.E Property Development



- ❑ Owns approx. 5,600 acres of land in Kuching, currently the biggest property market in Sarawak, comprising “Bandar Samariang” for the development of a new township, “Isthmus” for the development of a new CBD and other small parcels
- ❑ Estimated GDV of RM1.34 billion from 2017 to 2022 for 128 acres to be developed in Kuching
- ❑ Owns approx. 2,500 acres of land in Samalaju, the future growth area for property market in Sarawak. The development covers planned new township, service centre, light industrial estate, hotel, workers accommodation and related services
- ❑ Potential long-term GDV of RM5 billion for the greenfield development in Samalaju
- ❑ Strong potential for long term sustainable growth with ongoing strategic land sales to underpin profits and to catalyse development of remaining parcels
- ❑ Rivervale Development awarded the SHEDA excellence Award 2017 in the Landed Development (Residential) category



III.F Strategic Investments ICT – SACOFA

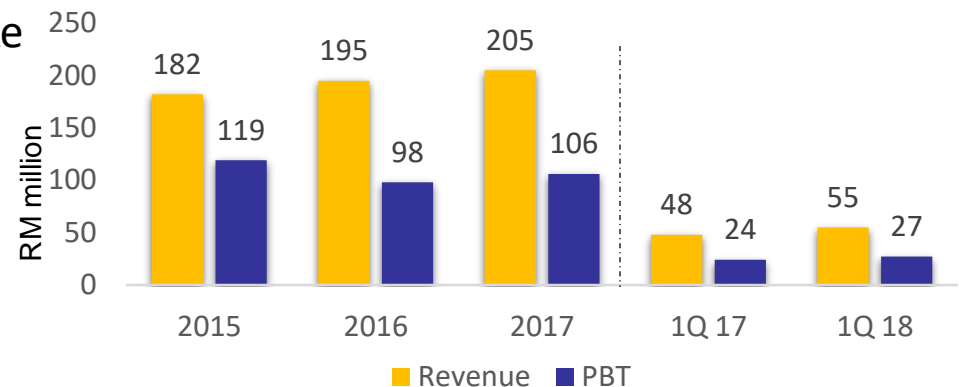


☐ CMS has 50% non-controlling equity stake in SACOFA

☐ A one-stop centre providing telecommunication infrastructure in Sarawak

- Sole provider of telecommunication towers in the State
- Holding concession till 2021 to build, manage, lease and maintain towers
- Has constructed approx. 1,800 towers & more than 11,000 km of fibre optic cable in place

☐ Plan to capitalise on the State's push to fully embrace the Digital Economy with a combined Federal and State allocation RM1.5 billion in 2017 for the development of telco-infrastructure





III.F Strategic Investments SCORE – OM Materials (Sarawak)



Shareholders

- ☐ CMS (25%)
- ☐ OM Holdings Ltd (75%), ASX listed & one of the world's largest manganese ore producers

Plant Capacity

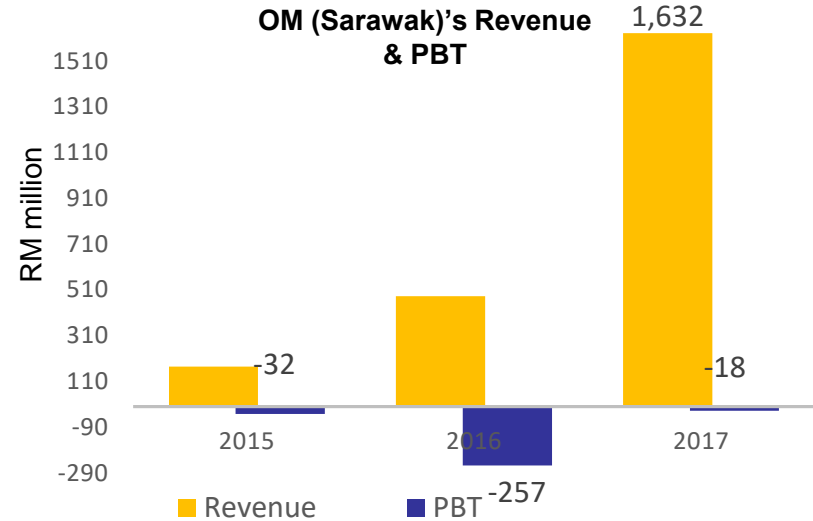
- ☐ Ferrosilicon Alloys: 200,000 MTpa;
- ☐ Manganese Alloys (silicomanganese & high carbon ferromanganese): 300,000 MTpa

Plant's Strategic Flexibility

- ☐ Flexibility in converting furnaces between silicon & manganese
- ☐ Able to convert to various grades of manganese alloys
- ☐ Option of silicon metal production

Land Size

- ☐ 500 acres land adjacent to the Samalaju Industrial Port



OM Holdings' Share Price performance (OMH.ASX)





III.F Strategic Investments SCORE – OM Materials (Sarawak)



10-year tax holiday and no import and/or export duties drives the competitive advantage further

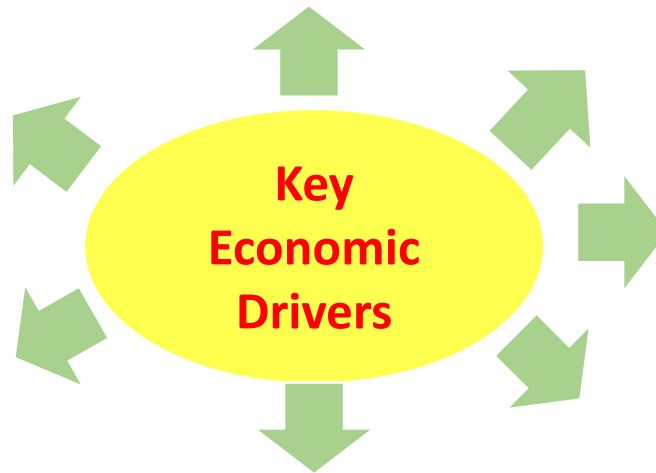
Logistically well located with the Samalaju port providing convenient access to growing Asian markets

3rd largest plant of its kind in the world & is part of a well established vertically integrated business of OM Holdings Ltd

Led by strong experienced technical teams who understand how to optimise competencies & resources

20 year 300MW Power Purchase Agreement already signed underpinning smelter's competitive cost position.

OM Sarawak is in the 1st quartile of the global production cost curve - assuring its long-term growth potentials



Steel production to grow at CAGR of 4.54% up to 2025 (which will feed through to FA demand), with projected production levels are likely to be remain below demand.

Chinese Government's unprecedented policy against polluting industries augurs well for OM Sarawak's future growth.

Binding Off-take arrangements signed with JFE Shoji and Hanwa exceed 40% off-take of the project's Phase 1 production.

Shareholders	<ul style="list-style-type: none"> <input type="checkbox"/> CMS (44.25%) <input type="checkbox"/> Malaysian Phosphate Additives (37.61%), <i>Phosphate producers since 2005 & have successfully developed & commercialised its process technology for Phosphate products at the manufacturing facility in Lumut</i> <input type="checkbox"/> Tradewinds Plantation (18.14%)
Power	150 MW
Plant Capacity	1.5 million MTpa of Phosphate & related products (by 2020) manufactured within 9 integrated plants
Cost/ Funding	<p>Total investment is approximately RM 2.20 billion</p> <p>To be funded via mixture of shareholders' equity & long-term loan</p>
Project Finance	In active discussions to secure financial close which has been delayed
EPC	EPC contract was awarded to SCEGC Equipment Installation Group & Norther Heavy Industries Group in May 2016
Raw Material Supply & Off-take	Secured 60% of long-term commitments for both
Key Dates	Production start in 2020 and full production by 2021

10-year tax holiday and no import and/or export duties drives the competitive advantage further

Access to competitively priced reliable & long-term (20 years) power underpins the competitive cost in production for Phosphate.

Strong potential to attract downstream industries targeting both Malaysian & export markets in Food, Fertiliser, Feed & Detergent segments who can reduce manufacturing costs by switching to MPA's locally produced phosphate products. This locks in long term demand

Logistically well located directly across from Samalaju Port with conveyor belts and pipelines to transport raw materials and finished goods.

Global demand for Phosphate products set to grow 2+% per annum reflecting both population growth, higher affluence & lack of alternative products. This will grow demand for animal feed, fertilizer, processed foods/beverages & detergents/cleaning materials.

Agreements for key raw materials supply and production offtake are under negotiation to be signed up for approximately 60% of each.

Integrated Phosphate products complex enables a variety of phosphate products beyond the primary product to be produced so production can switch between products to maximize margins

Diversifies CMS's manufacturing business with long term sustainable growth & future downstream investment opportunities



Key Economic Drivers

III.F Strategic Investments – Listed Companies



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Both strategic investments have strong growth potential with value added by CMS and are not earmarked for divestment or takeover.

25.38%

kenanga

Market Value as of 23/07/2018:
RM139.40 million

**Kenanga Investment
Bank**

- New management team installed in 2011 who revamped the business and changed its focus to more profitable areas.
- One of top three largest brokerage houses in Malaysia, with one of the largest pools of remisiers in the country
- Collaborating with Rakuten Securities, Inc. of Japan to develop a new online broking platform, bringing new exciting digital innovations to the Malaysian online broking scene

20.05%



Market Value as of 23/07/2018:
RM41.34 million

KKB Engineering

- PAINCI contribution of RM328k for CMS in 2017 (-RM1.16 million in 2016) due to higher revenue from civil construction and steel pipes manufacturing
- Only East Malaysian company to have O&G fabrication licence
- Secured a three-year Petronas-Approved Supplier licence for "Offshore facilities Const-Major Onshore Fabrication"
- Expansion into O&G is likely to create new material growth opportunities.
- KKB:WCT consortium awarded a RM1.29b Pan Borneo Highway package in July 2016



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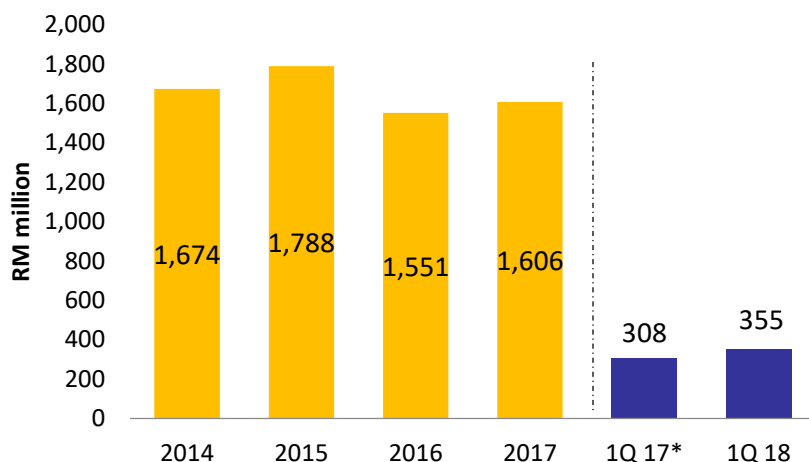
IV. Financial Highlights

IV.A Group Financials

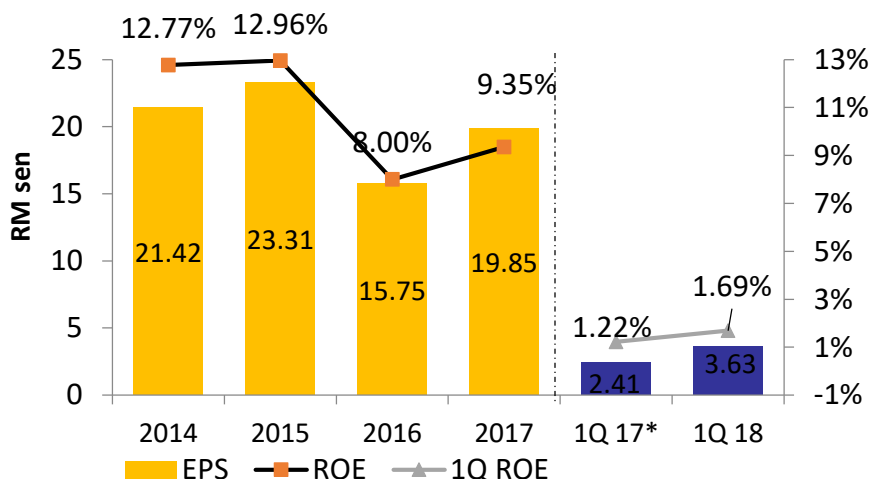


	2009	2010	2011	2012	2013	2014	2015	2016	2017	1Q 2018
Revenue (RM'000)	874,600	943,476	1,012,609	1,203,565	1,416,841	1,673,898	1,788,008	1,551,319	1,606,444	354,987
PBT (RM'000)	98,526	118,796	178,715	226,906	294,894	341,452	388,596	302,139	330,774	56,958
PATNCI (RM'000)	40,989	65,781	120,023	135,735	175,072	221,335	248,149	169,177	213,210	38,977
S/holders' funds (RM'000)	1,277,970	1,312,667	1,416,025	1,480,923	1,654,117	1,811,731	2,017,501	2,212,836	2,349,846	2,387,583
ROE (%)	3.24	5.08	8.80	9.37	11.17	12.77	12.96	8.00	9.35	1.69
Borrowing (RM'000)	534,236	394,586	215,747	89,825	100,102	104,796	163,678	247,956	636,364	628,499
Gearings ratio (times)	0.42	0.30	0.15	0.06	0.06	0.06	0.08	0.11	0.27	0.26
EPS (sen)	12.44	19.97	36.43	41.39	17.52	21.42	23.31	15.75	19.85	3.63
Cash (company) (RM'000)	404,726	753,990	625,542	493,129	579,392	674,600	256,881	391,129	876,358	782,445

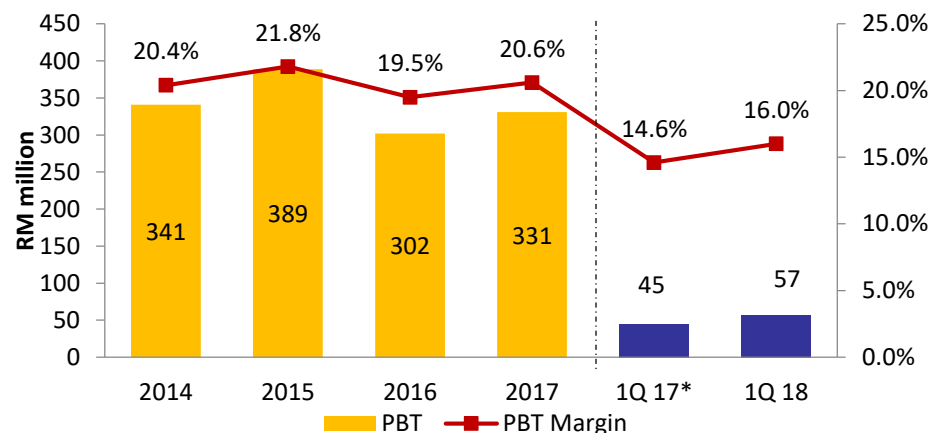
IV.B Group Key Financials 2014 – 1Q 2018



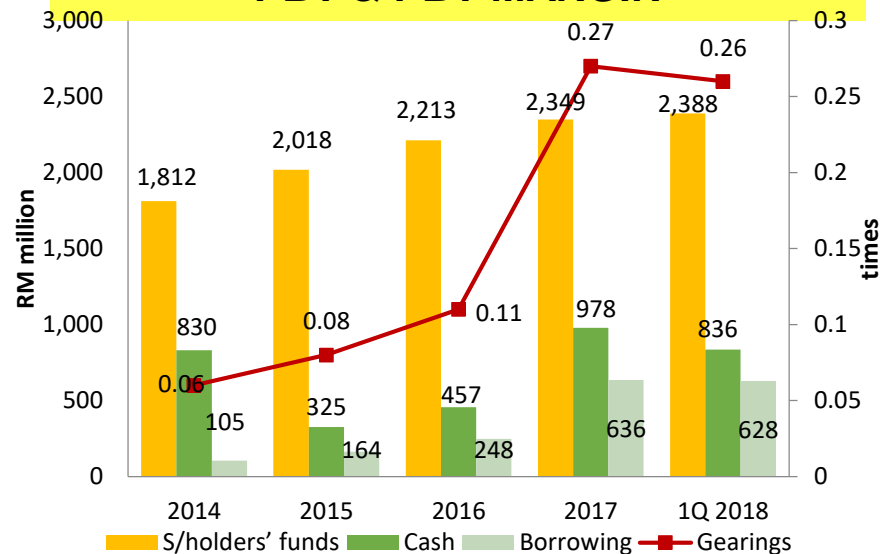
REVENUE



EARNINGS PER SHARE



PBT & PBT MARGIN

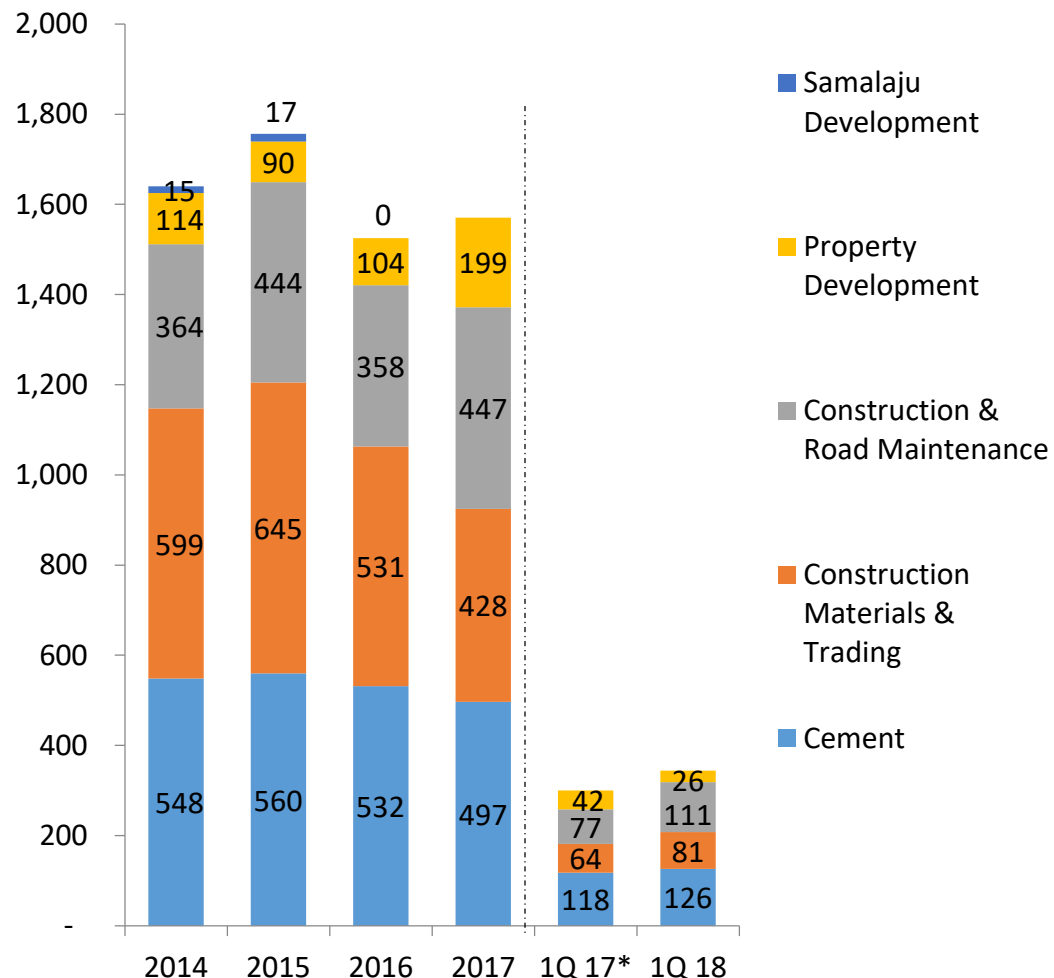


BALANCE SHEET

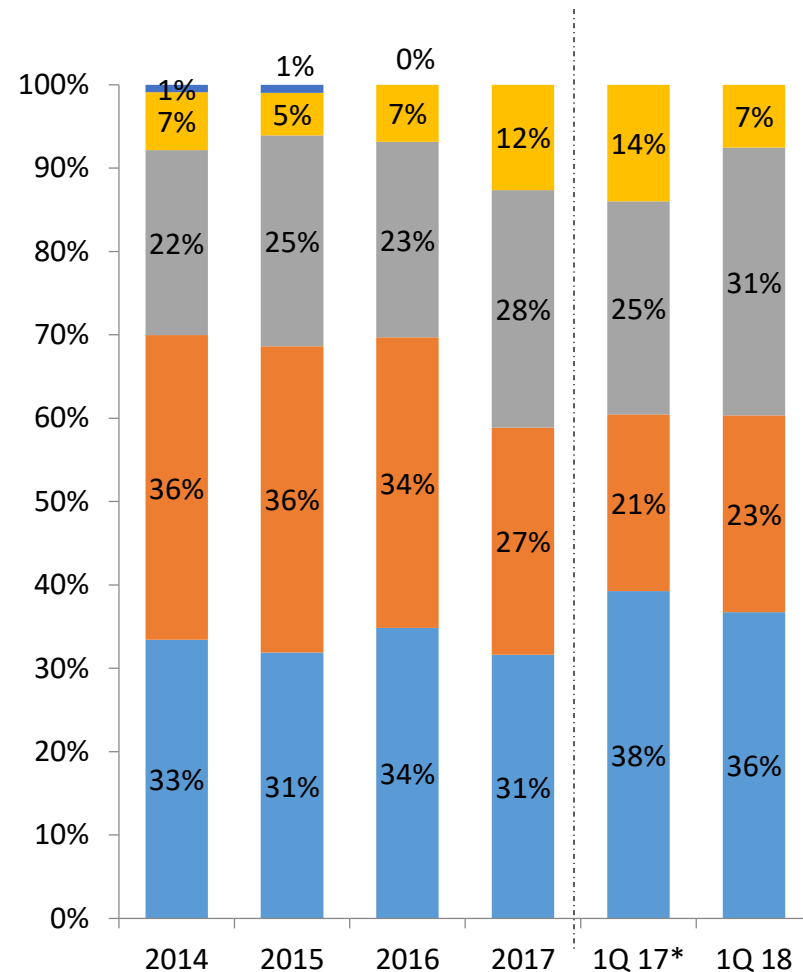
IV.C Group Key Financials 2014 – 1Q 2018



Revenue by segment (RM'm)



Revenue by segment (%)

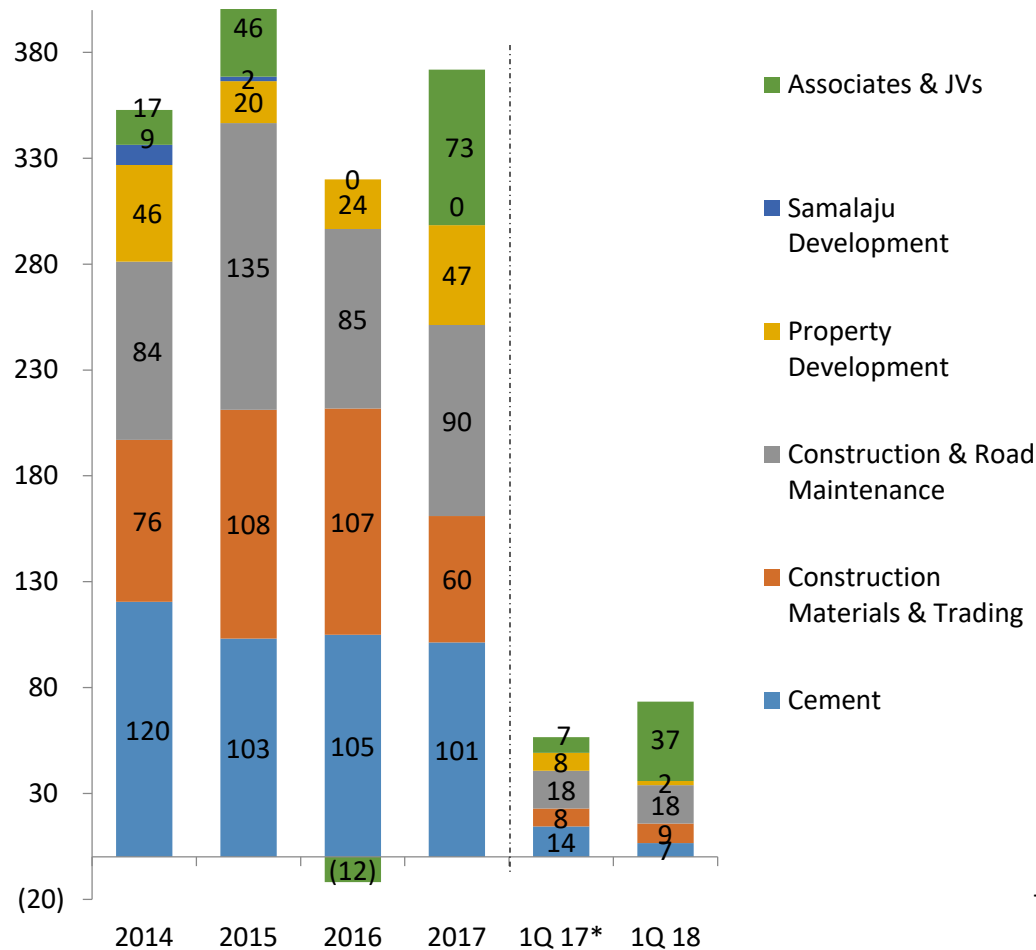


* Restated due to the adoption of MFRS 15

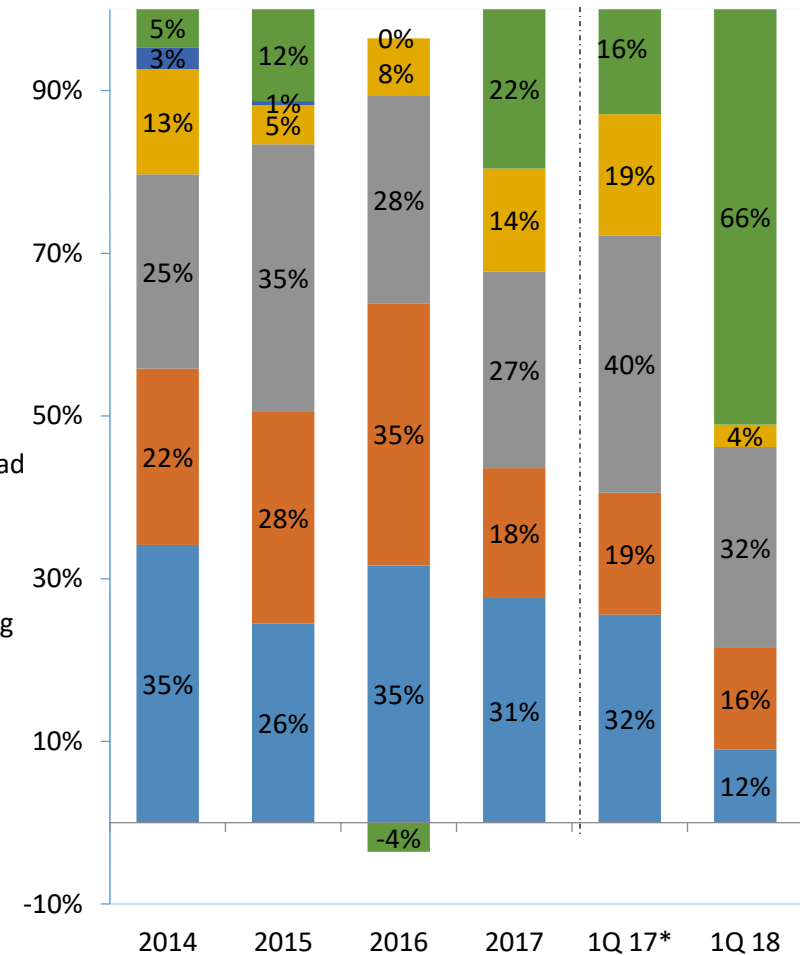
IV.D PBT Breakdown 2014 – 1Q 2018



PBT by segment (RM'm)



PBT by segment (%)



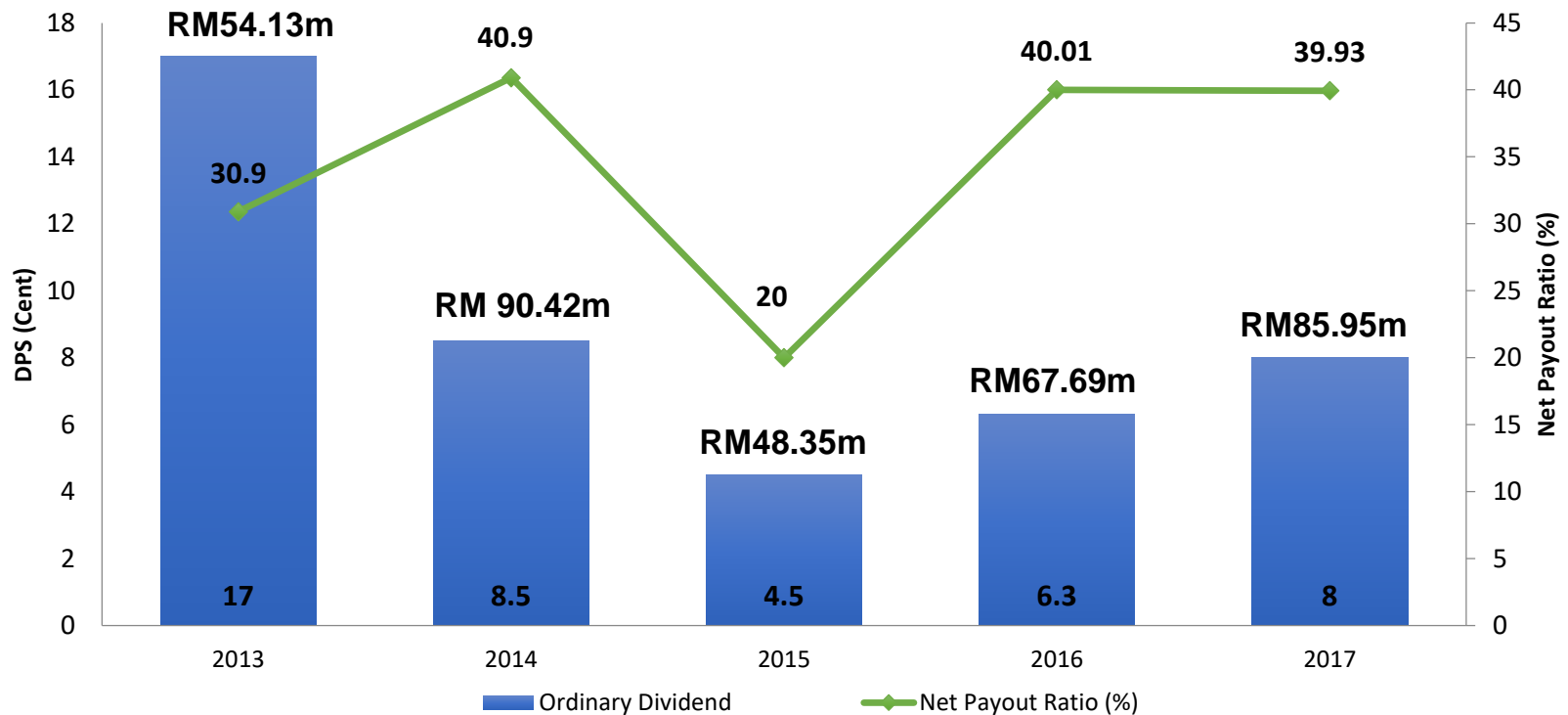
* Restated due to the adoption of MFRS 15

IV.E Dividend Policy



Dividend policy since November 2014 is a minimum of 40% PATNCl, subject to minimum of 2 sen per share and other considerations.

Gross DPS and Net Payout Ratio (%)



Net Payout Ratio = Percentage of PATNCl paid out in dividends to shareholders



CAHYA MATA SARAWAK

V. Strong Sustainability & Governance Agenda



Sustainability

- ☐ Committed to responsible management and sustainable development to create long-term shared value
- ☐ Year round staff volunteerism in multiple staff-led projects have built respect for CMS within the local community and made staff feel more engaged.
- ☐ Safety – strong focus on this in every way including groupwide KPI demerit system.
- ☐ Included in the globally recognised FTSE4Good Bursa Malaysia index effective from December 2016



FTSE4Good

Governance

- ☐ Never reprimanded by the regulators i.e. Bursa Malaysia.
- ☐ Working towards adopting the new MCCG 2017 Guideline

Corporate Social Responsibility

- ☐ Initiated a 'Doing Good' culture with strong focus on employee participation
- ☐ In 2017, employees volunteered 48,420 man-hours and raised RM103,479.21 through 'Doing Good' activities.
- ☐ CMS contributed approximately RM2 million to charitable causes in Sarawak in 2017



CAHYA MATA SARAWAK

VI. Group Strategies & Going Forward



OUR **9-POINT** SCORE CARD





Cahya Mata Sarawak

1. Leveraging Sarawak's growth story:

- ☐ CMSB - the best proxy for Sarawak's economic growth
- ☐ **CMSB is well positioned to benefit from all current key economic growth drivers in the State:**
 - **Energy intensive industries through SCORE**
 - **Infrastructure development including Pan Borneo Highway and Baleh Dam**
 - **Digital economy**

2. Our 5-year target:

- ☐ To double the Group's PATNCI to RM500 million



THANK YOU.

ANY QUESTIONS?