



CAHYA MATA SARAWAK

CMS Management Presentation

August 2019



FTSE4Good

Member of Bursa Malaysia's
Green Lane Policy for CG

Top 4 Employer of Choice in
Sarawak: JobStreet.com

Winner of
“CSR Leadership Gold Award”

Constituent of MSCI Malaysia
Small Cap Index



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Today's Presenters



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) and 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 OM Materials (Sarawak) and KKB Engineering Berhad.
- ♦ Bachelor of Science with Finance major and Economics minor, San José State University, California.



I

Sarawak – A Compelling Business & Investment Destination

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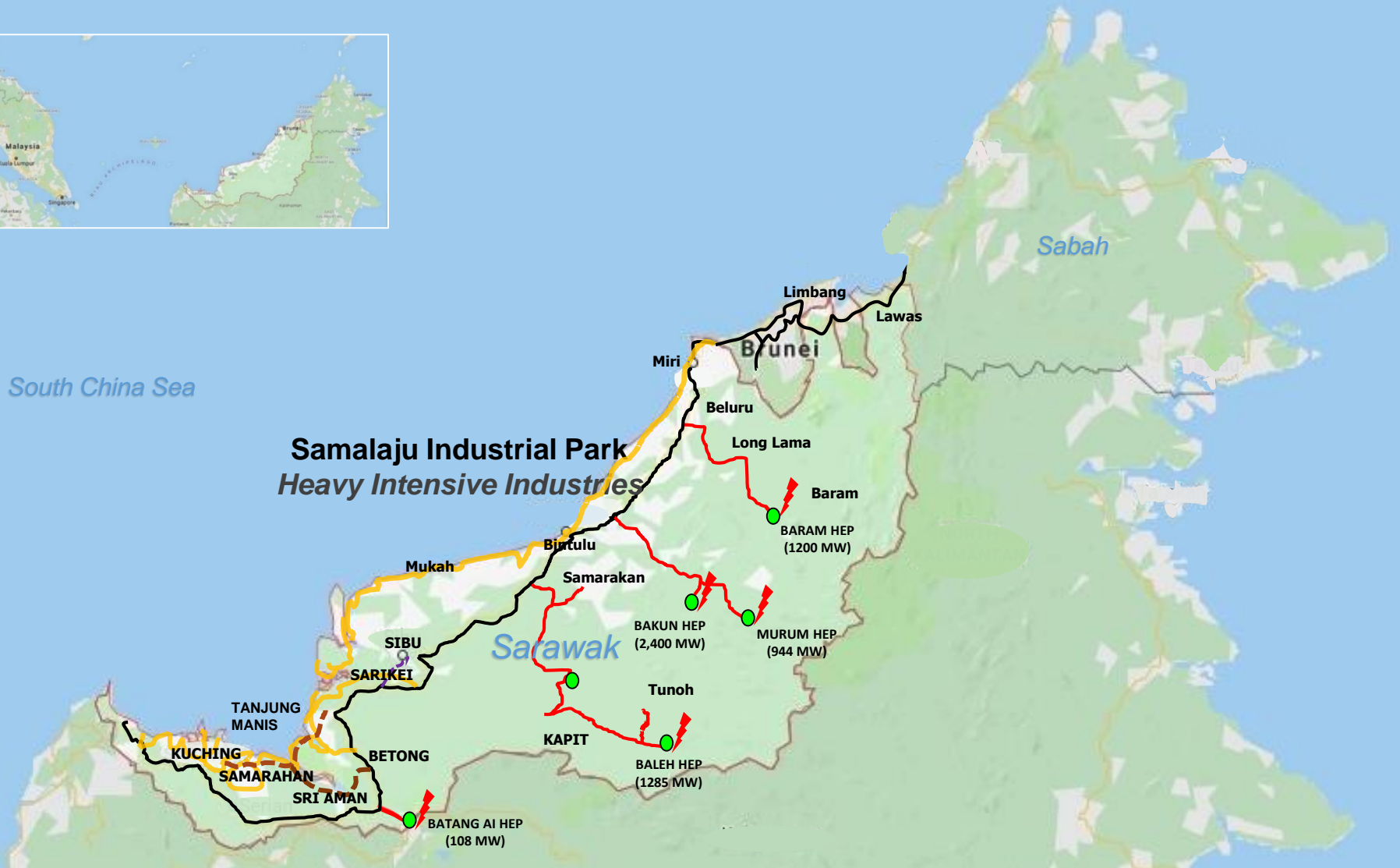
Group Outlook



CAHYA MATA SARAWAK

I. Sarawak – A Compelling Business & Investment Destination

I. || Sarawak – A Compelling Business & Investment Destination





1. About Sarawak

1.1 General Information

- 1.1.1 The largest State in Malaysia and is resource rich
- 1.1.2 Business-friendly policies, political stability, and competitive prices for land, power and water
- 1.1.3 Diverse communities of Malays, Ibans, Chinese, Bidayuh, Melanau, Orang Ulu, Indians & other indigenous groups live harmoniously together
- 1.1.4 Only State in Malaysia that promotes and recognises the use of English alongside Bahasa Malaysia
- 1.1.5 Only State in Malaysia with credit rating and solid cash reserves of approximately 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 |



CAHYA MATA SARAWAK

II. CMS Overview

II.A || Company Snapshot



Overview

- ♦ Incorporated in 1974 and the 1st Sarawakian company to list on KLSE in 1989 (stock code: 2852)
- ♦ CMS has diverse portfolio of businesses and is well positioned in all key economic growth areas in Sarawak: Energy Intensive Industries, Pan Borneo Highway and other major infrastructure projects and Digital Economy
- ♦ One of Sarawak's largest listed company, with over 2,750 employees plus 3,000 in its 5 associate companies
- ♦ Constituent of the globally recognised FTSE4Good Bursa Malaysia Index and member of Bursa Malaysia's Green Lane Policy

Key Statistics

Market metrics

as at 29 August 2019

| | |
|-----------------|------------|
| Issued Shares: | 1074.38 m |
| Share Price: | RM2.29 |
| Market Cap: | RM2,438.8m |
| Historical PER: | 9.4 x |
| PBV ratio: | 1.03 x |

| | Substantial shareholders (as of 29 August 2019) | Shareholding (‘000) | % |
|----|--|------------------------|-------|
| 1. | Majaharta Sdn Bhd | 134,775 | 12.54 |
| 2. | Employees Provident Fund | 124,945 | 11.63 |
| 3. | Lejla Taib (Estate) | 111,000 | 10.33 |
| 4. | Lembaga Tabung Haji | 103,827 | 9.66 |
| 5. | Dato Sri Sulaiman Abdul Rahman Taib | 97,783 | 9.10 |
| 6. | Sarawak Economic Development Corporation | 60,896 | 5.67 |

Notes:

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

II.B || Experienced Management with Proven Track Record



Datuk Syed Ahmad Alwee Alsee

Group Executive Director
(15 years in CMS)



Dato Isaac Lugun

Group Chief Executive Officer -
Corporate
(23 years in CMS)



Goh Chii Bing

Group Chief Executive Officer -
Operations
(27 years in CMS)



Tuan Syed Hizam Alsagoff

Group Chief Financial Officer
(14 years in CMS)

Key Business Divisions



Karim Reduan

CEO of the Construction &
Road Maintenance Division
(joined CMS in June 2018)



Vincent Kueh Hoi Chuang

ED/CEO of the Property
Development Division
(7 years in CMS)



Suhadi bin Sulaiman

CEO of Cement Division
(14 years in CMS)



Chong Swee Sin

CEO of Construction Materials &
Trading Division
(28 years in CMS)



Goh Chii Yew

CEO of Malaysian Phosphate
Additive Sdn Bhd
(18 years in CMS)



Karl Vink

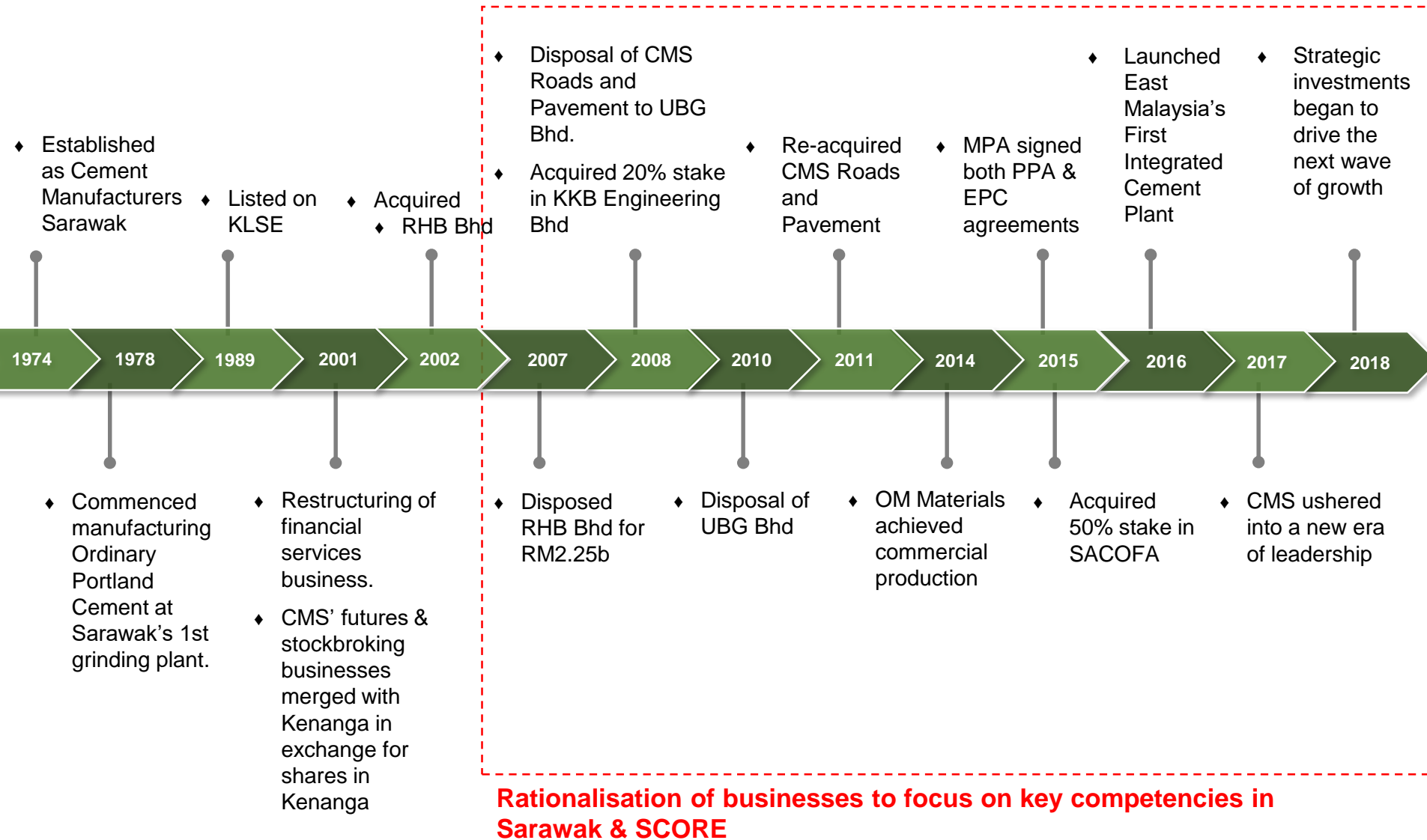
Chief Information Officer
(joined CMS in June 2018)



Mohd Zaid Zaini

MD of Sacofa Sdn Bhd
(5 years in CMS)

II.C || Corporate Milestones





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III. Business Overview

III.A || Traditional Core Businesses and Strategic Investments



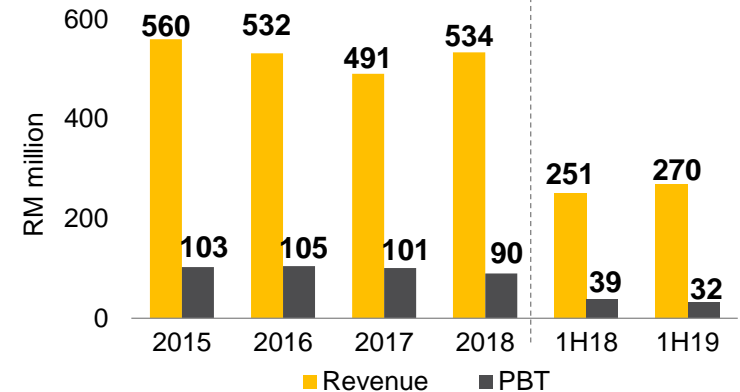
CAHYA MATA SARAWAK

| Cement | Construction Materials & Trading | Construction & Road Maintenance | Property Development | Strategic Investments | ICT | Strategic Investments |
|---|---|---|---|--|---|---|
| <ul style="list-style-type: none"> ◆ Sole cement & clinker manufacturer in Sarawak | <ul style="list-style-type: none"> ◆ Responsible for 5 quarries, 10 premix plants, a wire production line & trading business | <ul style="list-style-type: none"> ◆ Involved in wide range of construction & road maintenance projects across Sarawak | <ul style="list-style-type: none"> ◆ Owns 2 large land banks in Kuching ◆ Planned new township & service centre, Light Industrial Estate, Hotel & Workers Accommodation in Samalaju |  <ul style="list-style-type: none"> ◆ 25% investment in OMS ferrosilicon & manganese smelter  <ul style="list-style-type: none"> ◆ 60% investment in MPA Sarawak – phosphate complex | <p><u>SACOFA</u></p> <ul style="list-style-type: none"> ◆ 50% non-controlling stake in SACOFA – a telecommunications infrastructure arm | <p><u>Listed Companies</u></p> <ul style="list-style-type: none"> ◆ 26.24% stake in Kenanga IB ◆ 20% stake in KKB Engineering <p><u>Unlisted Companies</u></p> <ul style="list-style-type: none"> ◆ CMS Opus ◆ Tunku Putra School |
| Traditional core businesses generating the bulk revenue and earnings | | | | Strategic investments with strong earnings potential which started to show in 2018 | | |

III.B || Traditional Core Businesses - Cement

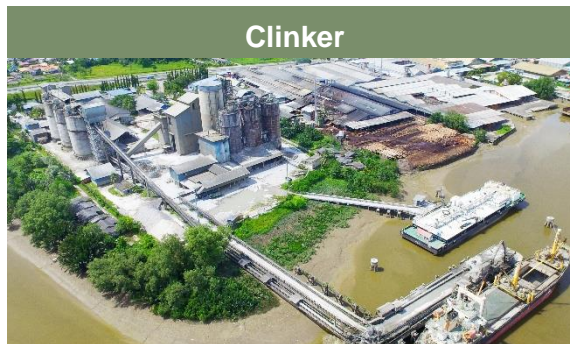


- ♦ Group's core PBT driver (31% of revenue; 25% of PBT in 1H2019)
- ♦ Sole cement & clinker manufacturer in Sarawak & well positioned to leverage on increased construction activities in the State
- ♦ Operates an Integrated Plant, 2 Cement Grinding Plants and 2 Bulk Terminals to ensure state-wide cement delivery
- ♦ Lower profit margin in FY2018 were due to high repair cost of clinker plant and increased price of imported clinker from the spike in global demand



Cement

- ♦ Sarawak's **sole cement manufacturer** with a 2.75m MTpa capacity
- ♦ Runs at approximately 60% capacity thus ensuring consistent supply of cement & ensuring sufficient capacity to meet State's growing demand
- ♦ **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
- ♦ **Future plans:** Assess option of 2nd clinker line for total self sufficiency & marginal exports and expansion of its quarries



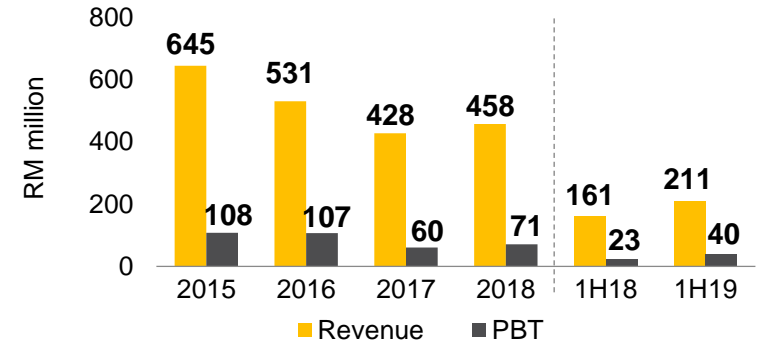
Concrete Products

- ♦ **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 capacity

III.C || Traditional Core Businesses – Construction Materials & Trading



- ♦ One of the core revenue and earnings drivers (26% of revenue, 31% of PBT in 1H2019)
- ♦ Supply government's requirements for construction materials
- ♦ A major beneficiary of the impending spike in infrastructure development in Sarawak through projects such as the Pan Borneo Highway, Coastal Road & 2nd Trunk Road



Quarries



- ♦ **5 quarries** in Kuching with licenses of up to 20 years
- ♦ **2.94m MTpa** of combined rated capacity, or an equivalent 37% market share
- ♦ **Production capacity** at Sibanyis Quarry increased by **1.30m MTpa** since April 2019
- ♦ Acquired a 56% equity stake in Borneo Granite quarry in November 2018
- ♦ Moving forward: To maximise production output and look for potential new quarry reserves

Premix



- ♦ **13 plants** in Lundu, Kuching, Betong, Sarikei, Sibul, Miri, Bintulu, Limbang & Samalaju to manufacture and deliver Premix (asphaltic concrete), bitumen emulsion & cutback bitumen for use in roads and airport runways
- ♦ **Capacity:** Market share of 60% from combined rated capacity of 1,450 MT per hour as well as a 10 MT per hour Bitumen emulsion plant
- ♦ An additional premix batched plant (capacity of 150 tons per hour) was operational by February 2019

Wires & Trading



Wires

- ♦ One **5,500 MTpa plant** manufacturing steel wires and wire mesh; **Utilisation rate:** 80+%; **Market share:** 25%
- ♦ **Rated Capacity:** 5,500 MTpa

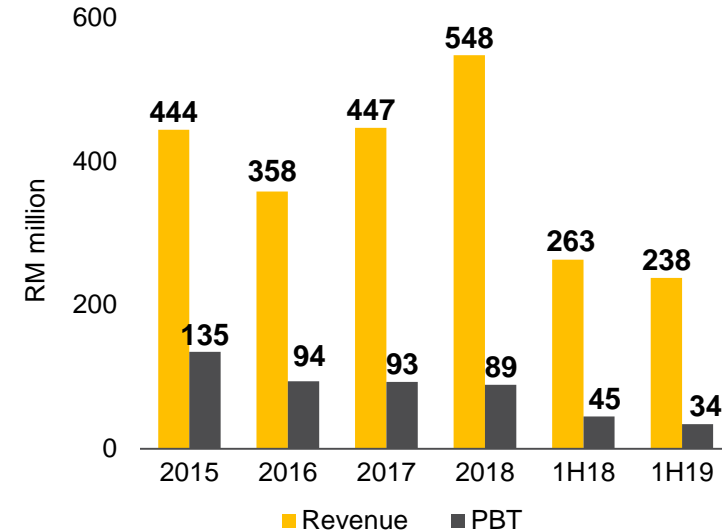
Trading arm

- ♦ Trades as agent / distributor;
- ♦ Range of water management products, construction materials & systems, road management products, building protection systems, petroleum products and others

III.D || Traditional Core Businesses – Construction & Road Maintenance



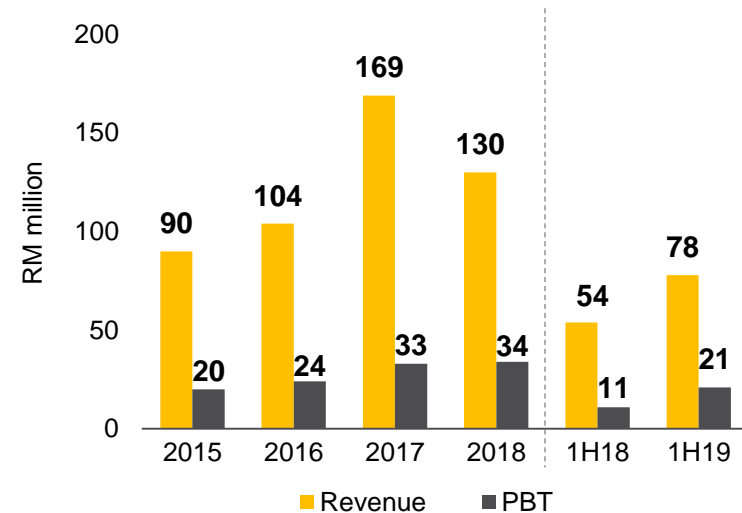
- ◆ Undertakes general construction work and road maintenance activities
- ◆ Holding concession till December 2019 to maintain approximately 6,258km of State roads
- ◆ Completed major infrastructure projects including the Sarawak River Regulation Scheme (barrage, shiplock & bridge), Miri-Bintulu coastal road, Bakun access road and upgrading of Mulu & Mukah airports
- ◆ Successfully constructed key iconic buildings in the State including the DUN Sarawak, Borneo Convention Centre Kuching (BCCK), Sarawak Islamic Information Centre, Swinburne University, Darul Hana Bridge and the New Sarawak Museum complex
- ◆ Awarded a RM1.36 billion Pan Borneo Highway package in July 2016 to PPES Works - Bina Puri JV
- ◆ Awarded a RM466.68 million Coastal Road package in March 2019 to PPES Works - CCCC JV
- ◆ Participating in tenders for Coastal Road, 2nd Trunk Road, Water Grid and Electricity Projects
- ◆ Future plans: To continue to play a dominant role for State road maintenance



III.E || Traditional Core Businesses – Property Development



- ◆ Owns 3,793 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 2,486 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 in 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: 170,000 - 210,000 MTpa;
- ❑ Manganese Alloys (silicomanganese & high carbon ferromanganese): 250,000 – 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

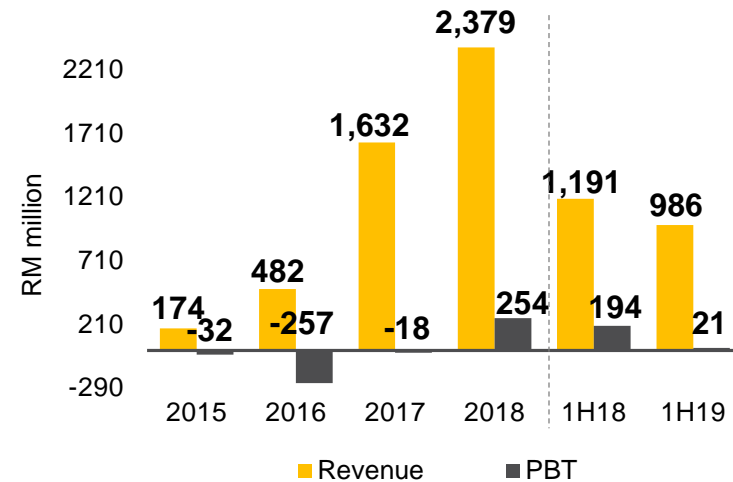
- ❑ 500 acres land adjacent to the Samalaju Industrial Port

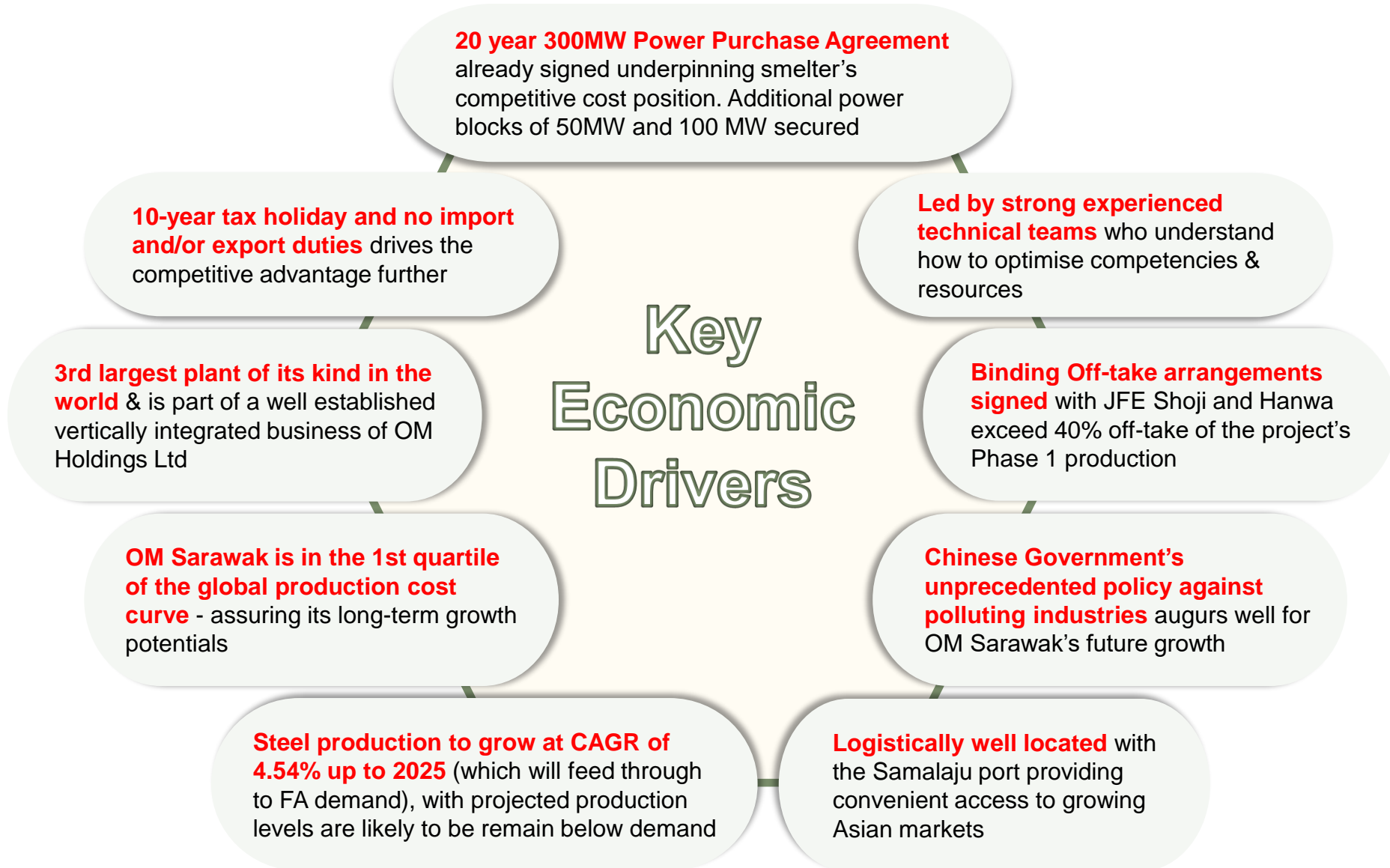
Status

- ❑ All 16 furnaces are operational
- ❑ OM Sarawak was amongst the biggest financial contributor to the Group in FY2018



OM MATERIALS (SARAWAK)

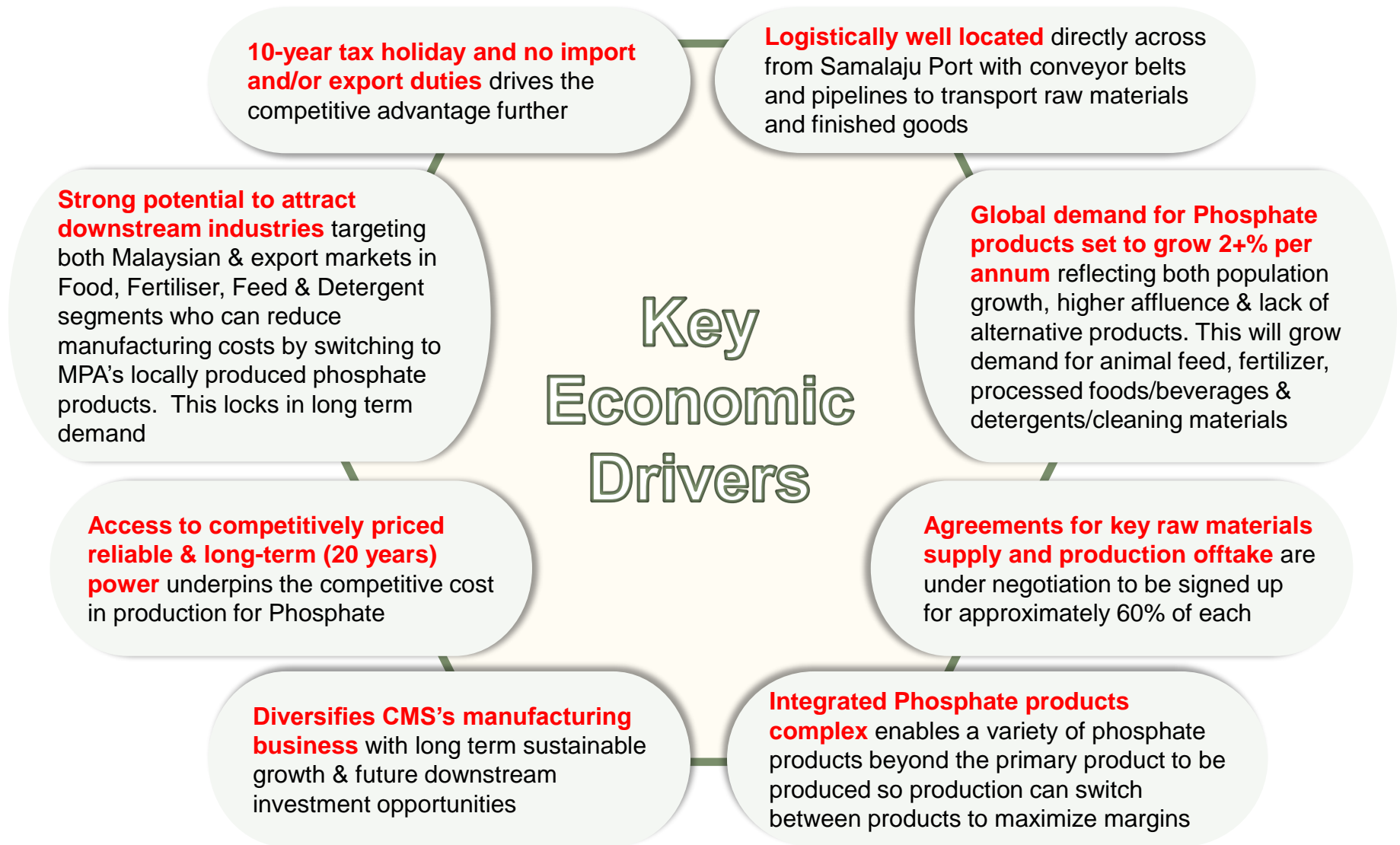






MPAS

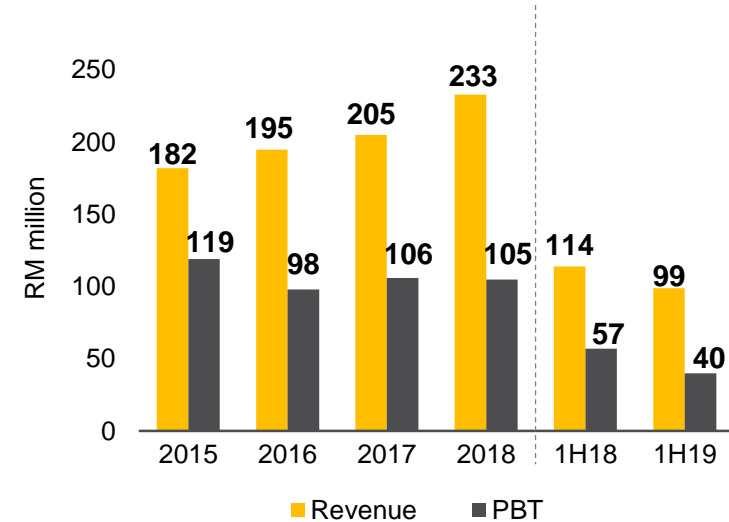
| | |
|---|--|
| Shareholders | <ul style="list-style-type: none">❑ CMS (60%)❑ Malaysian Phosphate Additives (27.17%), <i>Phosphate producers since 2005 & have successfully developed & commercialised its process technology for Phosphate products at the manufacturing facility in Lumut</i>❑ Tradewinds Plantation (12.83%) |
| Power | <ul style="list-style-type: none">❑ 80 MW (for Phase 1) |
| Plant Capacity | <ul style="list-style-type: none">❑ 48,000 MTpa of Yellow Phosphorus, 75,000 MTpa of Technical Grade Phosphoric Acid and 60,000 MTpa of Food Grade Phosphoric Acid (for Phase 1) |
| Cost/ Funding | <ul style="list-style-type: none">❑ Total investment for Phase 1 is approximately RM 1.00 billion❑ To be funded via mixture of shareholders' equity & long-term loan❑ Financing has been secured |
| EPC | <ul style="list-style-type: none">❑ EPC contract for Phase 1 was awarded to SCEGC Equipment Installation Group in May 2018 |
| Raw Material Supply & Off-take | <ul style="list-style-type: none">❑ Secured 60% of long-term commitments for both raw material supply and product offtake |
| Key Dates | <ul style="list-style-type: none">❑ EPC works started 3Q 2018. Production to start in 4Q 2020 and full production by 1Q 2021 |



III.F || Strategic Investments ICT – SACOFA



- ◆ CMS has 50% non-controlling equity stake in SACOFA
- ◆ Has constructed, maintain and operate approximately 1,350 towers and more than 10,500 km of fibre optic cable
- ◆ Competitors have emerged in the tower construction business but the company is confident to maintain its dominance due to its first mover advantage
- ◆ Plan to capitalise on the State's push to fully embrace the Digital Economy with allocation of approximately RM2 billion for the development of telco-infrastructure





CAHYA MATA SARAWAK

Kenanga Investment Bank

26.24%

Market Value as of 29/08/2019:

RM91.71 million

- ♦ For 1H 2019, reported revenue of RM325.69 million (1H 2018: RM335.91 million) and PBT of RM19.44 million (1H 2018: RM28.93 million)
- ♦ 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

kenanga

KKB Engineering

20.05%

Market Value as of 29/08/2019:

RM75.45 million

- ♦ For 1H 2019, KKB registered revenue of RM237.53 million (1H 2018: RM157.75 million) and PBT of RM17.87 million (1H 2018: RM5.72 million)
- ♦ Going forward, we are positive on the prospects of this company as it recently secured:
 - i. A three-year Petronas-Approved Supplier license for “Offshore Facilities Const-Major Onshore Fabrication”;
 - ii. Phase I of the State Water Grid project; and
 - iii. Supply of steel products for State Electricity project.
- ♦ The healthy order book of RM800 million will keep KKB occupied through the next 3 years





CAHYA MATA SARAWAK

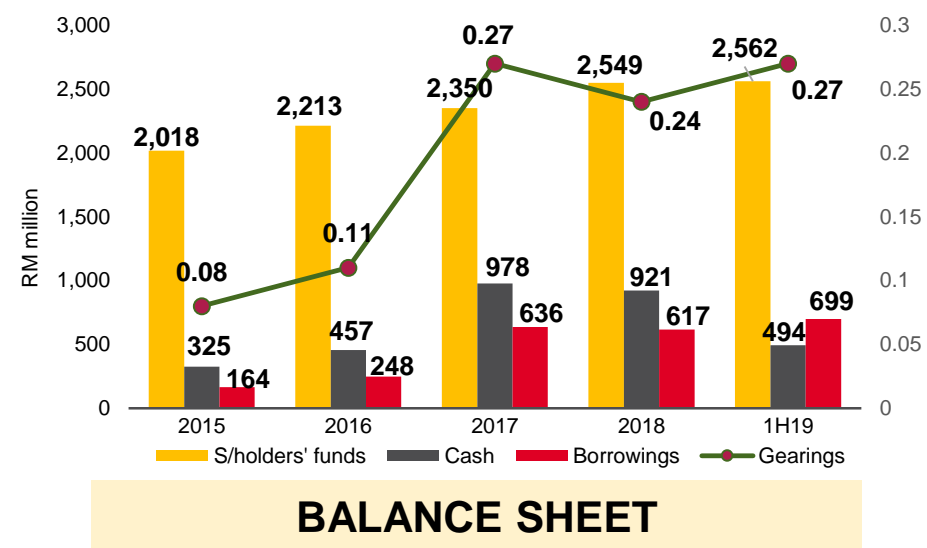
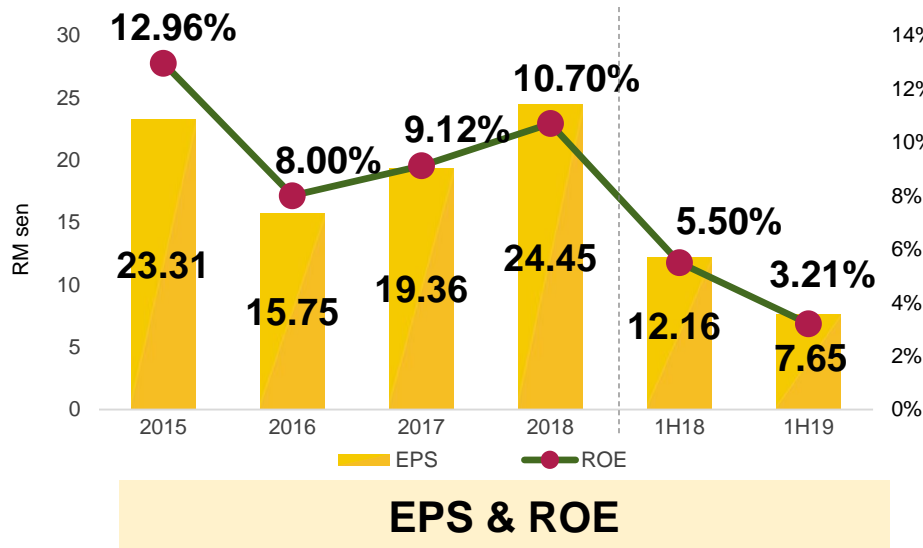
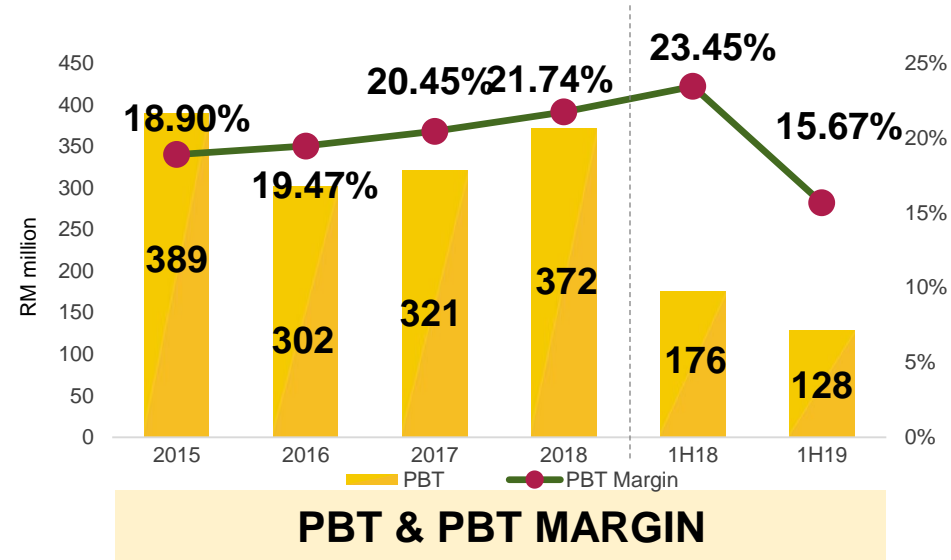
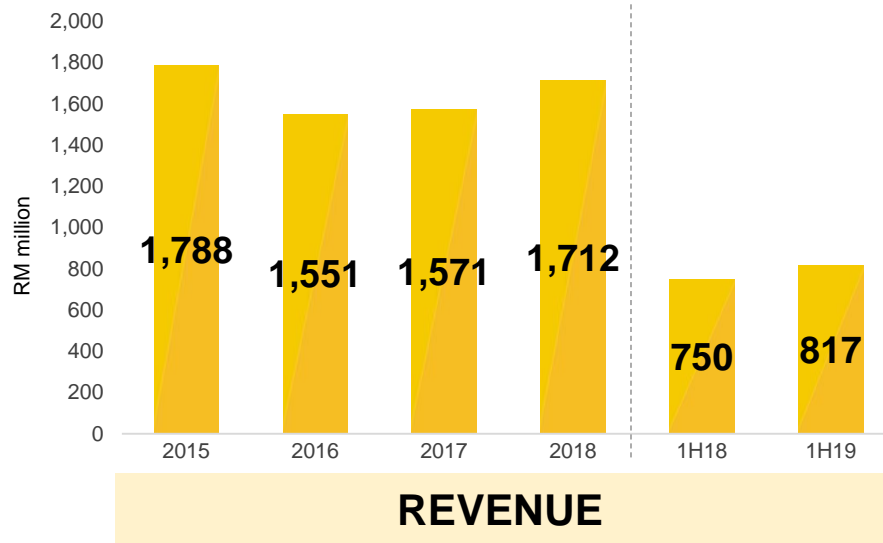
IV. Financial Highlights

IV.A || Group Finances



| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 1H 2019 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 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 | 1,570,924 | 1,712,244 | 817,351 |
| PBT (RM'000) | 98,526 | 118,796 | 178,715 | 226,906 | 294,894 | 341,452 | 388,596 | 302,139 | 321,290 | 372,324 | 128,059 |
| PATNCI (RM'000) | 40,989 | 65,781 | 120,023 | 135,735 | 175,072 | 221,335 | 248,149 | 169,177 | 208,029 | 262,135 | 82,095 |
| 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 | 2,350,269 | 2,548,906 | 2,562,198 |
| ROE (%) | 3.24 | 5.08 | 8.80 | 9.37 | 11.17 | 12.77 | 12.96 | 8.00 | 9.12 | 10.70 | 3.21 |
| Borrowing (RM'000) | 534,236 | 394,586 | 215,747 | 89,825 | 100,102 | 104,796 | 163,678 | 247,956 | 636,364 | 616,533 | 698,712 |
| Gearings ratio (times) | 0.42 | 0.30 | 0.15 | 0.06 | 0.06 | 0.06 | 0.08 | 0.11 | 0.27 | 0.24 | 0.27 |
| EPS (sen) | 12.44 | 19.97 | 36.43 | 41.39 | 17.52 | 21.42 | 23.31 | 15.75 | 19.36 | 24.45 | 7.65 |
| Cash (company) (RM'000) | 404,726 | 753,990 | 625,542 | 493,129 | 579,392 | 674,600 | 256,881 | 391,129 | 876,358 | 860,707 | 493,539 |

IV.B || Group Key Financials 2015 – 1H 2019

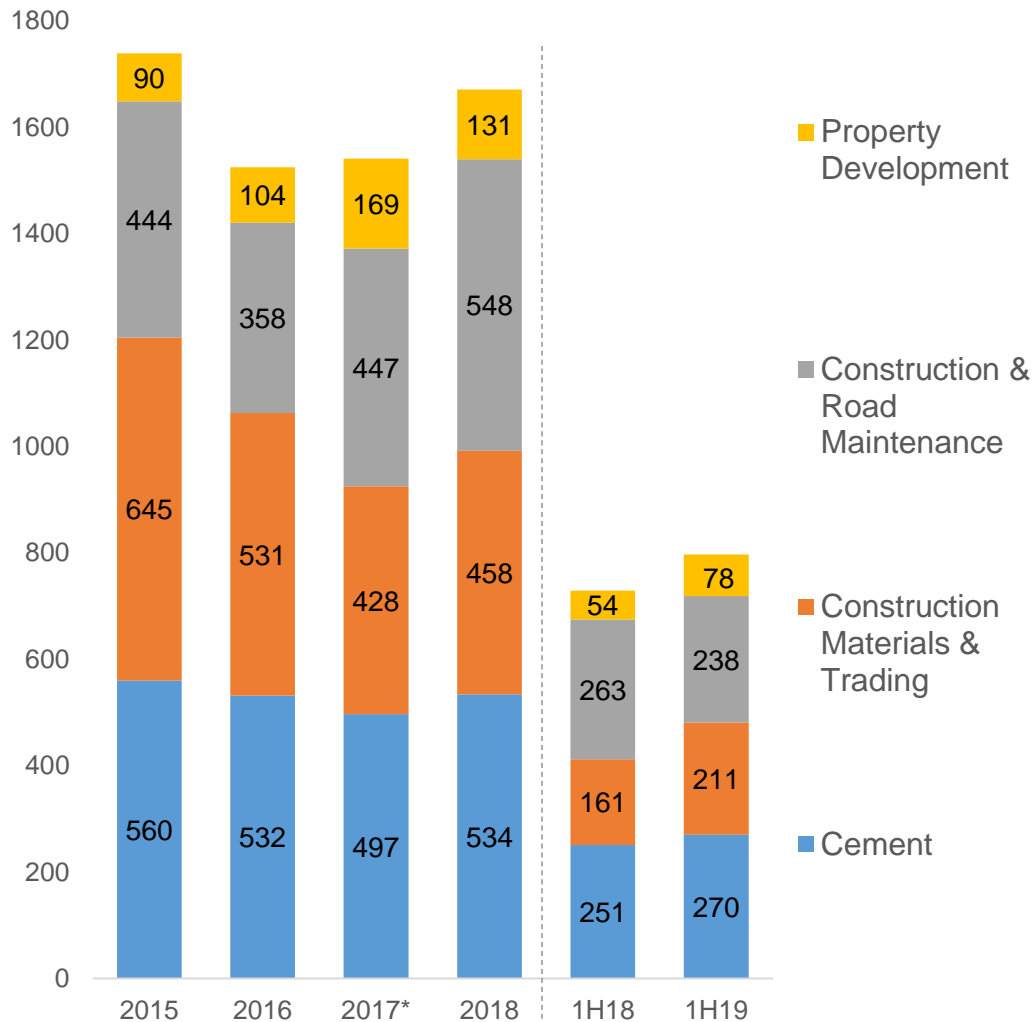


* Restated due to the adoption of MFRS 15

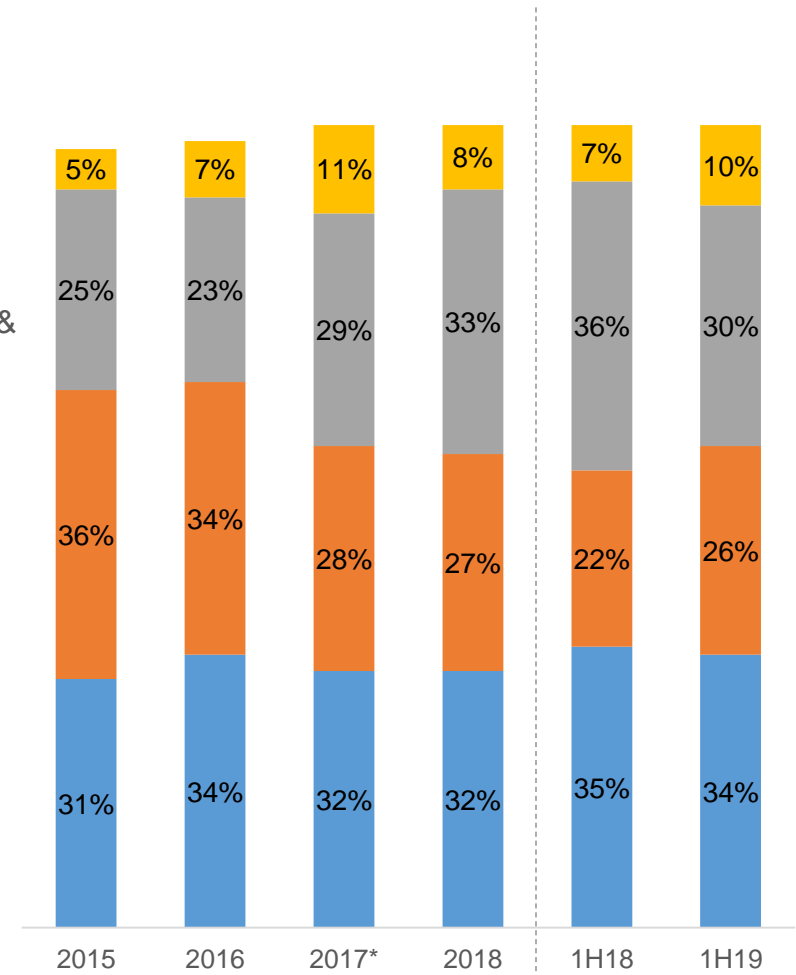
IV.C || Revenue Breakdown 2015 – 1H 2019



Revenue by segment (RM'm)



Revenue by segment (%)

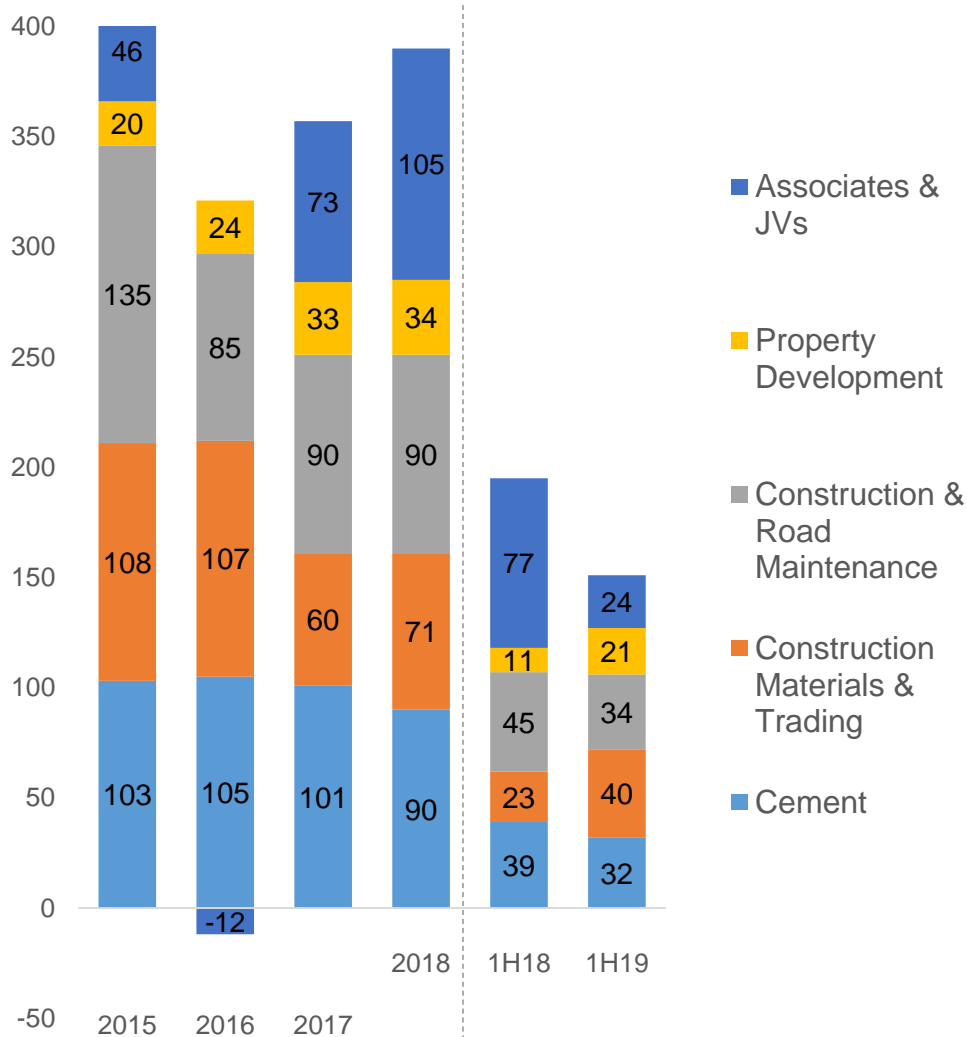


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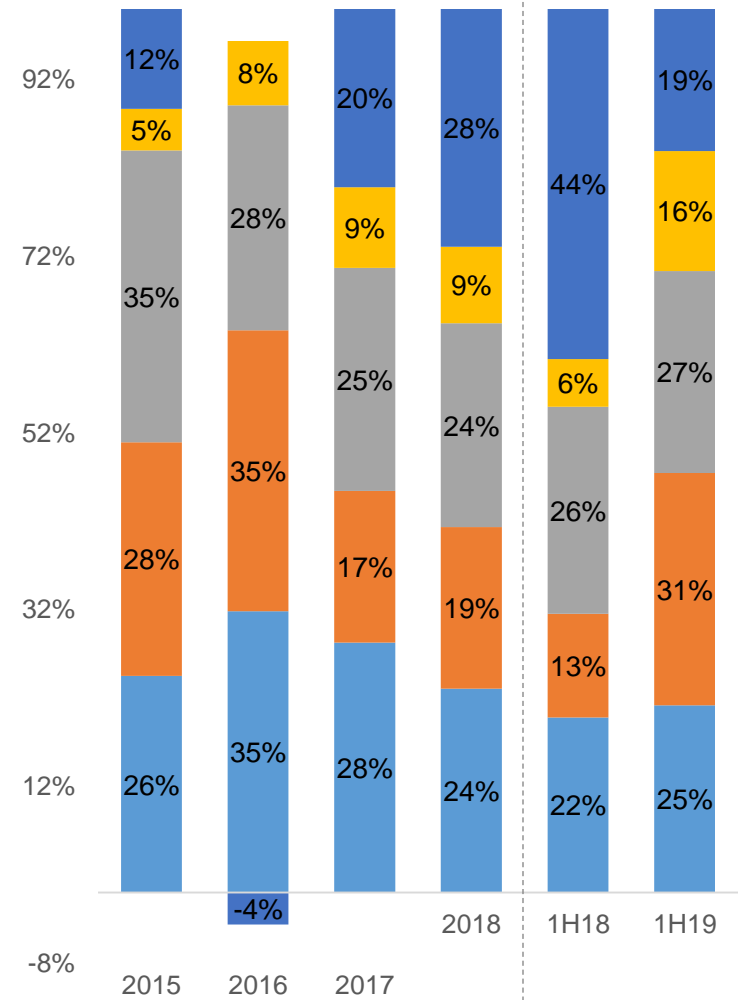
IV.D || PBT Breakdown 2015 – 1H 2019



PBT by segment (RM'm)



PBT by segment (%)



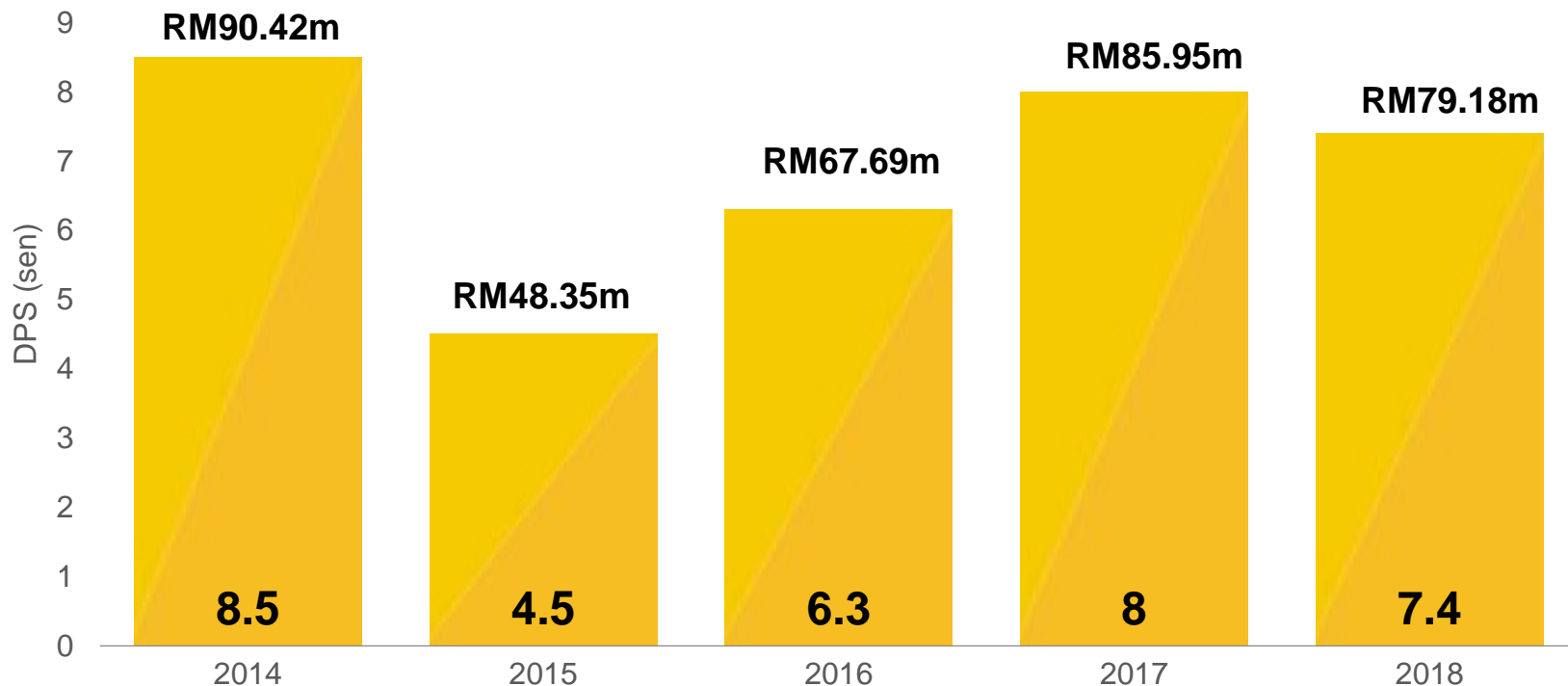
* Restated due to the adoption of MFRS 15

IV.E || Our Dividend Policy



Dividend policy from 2019 will be a minimum of 30% PATNCl, subject to minimum of 2 sen per share and other considerations: availability of cash, ROE & Retained Earnings and projected CAPEX / investments

Dividend Per Share and Payout





CAHYA MATA SARAWAK

V. Sustainability & Governance Achievements

V. || Sustainability & Governance Achievements



Sustainability

- ◆ CMS is the only Sarawak company to be made a constituent of the FTSE4Good index and one out of 71 companies in Malaysia
- ◆ Won the “CSR Leadership Gold Award” at the Global CSR Awards in April 2019



FTSE4Good

Governance

- ◆ CMS is the only Sarawak company to qualify as member of Bursa Malaysia’s Green Lane Policy due to our good track record of public disclosure
- ◆ CMS received Bronze and Silver Awards for its 2017’s Annual Report and Sustainability Report respectively from the Australasian Reporting Agency (ARA)

Work Place

- ◆ CMS was ranked as one of top 4 employers in Sarawak by JobStreet.com

Employee Volunteerism

- ◆ We are taking a lead in this area:
 - 2016: 45,534 man-hours
 - 2017: 48,428 man-hours
 - 2018: 50,421 man-hours



CAHYA MATA SARAWAK

VI. Group Outlook



1. Three-Pronged Strategy

- 1.1 Reposition and fortify all traditional core businesses
- 1.2 Fully implement and grow the strategic businesses
- 1.3 Reposition and strengthen the CMS brand

2. Key Foundation Stones for the Strategy

- 2.1 Integrity, Grit, Respect and Accountability
- 2.2 A visionary, unified and engaging leadership
- 2.3 Introduce transformational efficiencies into all businesses focusing on innovation, quality, cost and delivery through the employment of digital technology
- 2.4 Embed sustainability as a culture in CMS emphasizing care for the customers, environment, employees and the community

3. 5-Year Target

- 3.1 Double the Group's PATNCl to RM500 million;
- 3.2 Be the most admired public-listed company in Sarawak

VI.B || The 5-Year Target of RM500 mil PATNCI

