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The Division today has an enlarged quarry capacity of 4 million MTpa that will enable it to cater effectively to upcoming construction projects in Sarawak.

Meanwhile, Phase 2 of the infrastructure works, as well as construction works for a fender and a new telescopic conveyor system for the wharf facility at Samarahan is targeted to commence by end 2020. This is pending consideration and approval of the wharf license by the Sarawak Rivers Board. This initiative will do much to increase the Division's loading capacity and speed up deliveries of crushed aggregates by barge to areas outside Kuching.

The year also saw CMS Quarries successfully upgrading its occupational health and safety certification from the OHSAS 18001:2007 standard to the ISO 450001:2018 standard.

Premix Operations

CMS' premix operations cover five fixed drum mix asphalt plants and five mobile drum mix asphalt plants in Kuching, Sarikei, Sibu, Bintulu, Kuala Baram and Limbang under the purview of CMS Premix Sdn Bhd, CMS Premix (Miri) Sdn Bhd and Betong Premix Sdn Bhd. Recently, new sites in Saratok and Betong were added to the Group's stable of asphalt plants for the Pan Borneo Project. With a combined rated capacity of 1,870 MT per hour, as well as a 10 MT per hour bitumen emulsion plant in Kuching, CMS' three premix companies today serve approximately 50% of the asphaltic concrete (premix) and bitumen emulsion markets in Sarawak.

The third quarter of FY 2019 saw CMS Premix successfully renewing its Integrated Management System (IMS) certification which combines the ISO 9001:2015 UKAS, ISO 14001:2015 UKAS and ISO 450001:2018 standards, thereby attesting to the high standards the Company upholds.

Wire Operations

CMS Wires Sdn Bhd is in the business of manufacturing steel drawn wires and wire mesh for the local construction industry. In FY 2019, the Company's sole 5,500 MTpa plant produced some 5,822 MTpa of steel wires and mesh which included inter-mill sales through outsourcing.

Trading Operations

CMS Infra Trading Sdn Bhd is involved in the distribution of a varied range of products and services relating to water management, as well as mechanical, electrical, construction and telecommunication. The Company remained profitable in FY 2019, registering significant sales for its core products (namely its water treatment chemicals, as well as water pipes and fittings) which contributed more than 70% of CMS Infra Trading's gross profits.

MOVING FORWARD

Upon the MCO being lifted, the Division's quarry operations will focus its efforts on optimising the production output from the existing five quarries while continuing to look for potential new quarry reserve. The Division today has an enlarged capacity of 4.0 million MTpa that will enable it to cater effectively to upcoming construction projects in Sarawak.

Following the purchase of an additional premix batching plant with a 180 MTpa per hour target capacity (which became operational in February 2019), the premix business is in a solid position to provide a secure supply to Package 5 of the Pan Borneo Highway project. Moving forward, the premix operations will focus its efforts on implementing ISO 17025:2017 Standards Malaysia certification.

Today, CMS Wires holds approximately 25% market share of the wire mesh market in the State. Despite facing stiff competition from 11 other wire mesh manufacturers in Sarawak, the unit will continue to seek ways to tap into supply opportunities for contractors involved in the Pan Borneo Highway, PRIMA Housing and PPR Sarawak Low Cost Housing projects.

Meanwhile, CMS Infra Trading will continue to seek out opportunities in the telecommunications industry, as well as opportunities on the State Power Grid, State Water Grid and Pan Borneo Highway project fronts.

OPERATIONAL REVIEW

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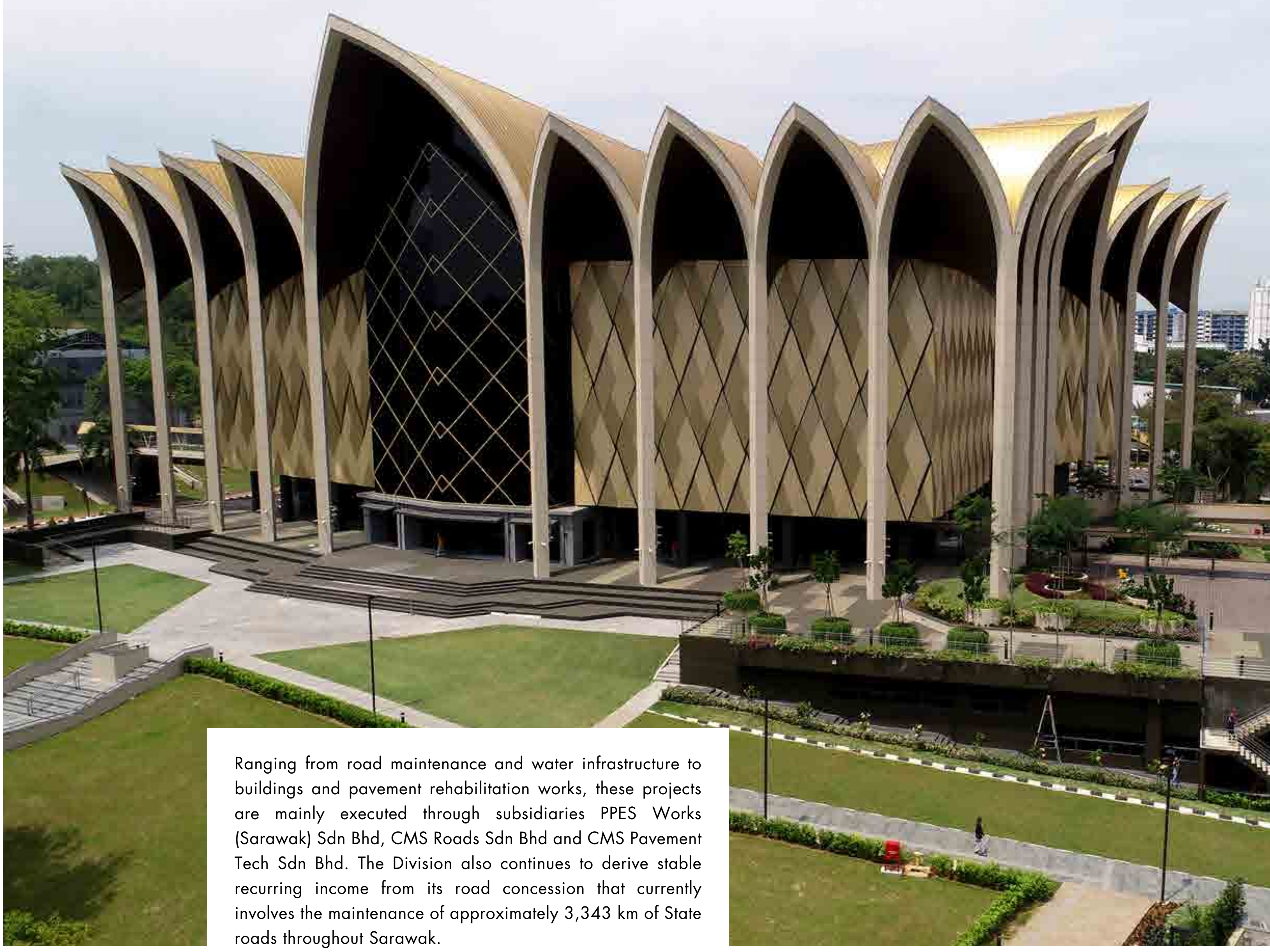
BUSINESS OVERVIEW

CMS' **Construction & Road Maintenance Division** is tasked with undertaking a wide range of infrastructure construction projects and road maintenance activities across the State.

For more information about the Group's Construction & Road Maintenance Division, scan the QR code or log on to http://www.cmsb.my/business-divisions/construction-road-maintenance/



Ranging from road maintenance and water infrastructure to buildings and pavement rehabilitation works, these projects are mainly executed through subsidiaries PPES Works (Sarawak) Sdn Bhd, CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd. The Division also continues to derive stable recurring income from its road concession that currently involves the maintenance of approximately 3,343 km of State roads throughout Sarawak.

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> The Division continues to reinforce its reputation as a trusted contractor within the State.

PERFORMANCE HIGHLIGHTS

The year under review saw the Division’s revenue declining by 9% to RM502.45 million (FY 2018: RM554.21 million). Of this amount, some RM307.41 million (FY 2018: RM352.03 million) was generated by construction, roads, water infrastructure and building works, while approximately RM195.04 million (FY 2018: RM202.18 million) was derived from the road maintenance contract.

Meanwhile, the Division’s PBT dropped drastically by 52% to RM42.27 million in FY 2019 from RM88.96 million in FY 2018. The Division’s profitability was impacted mainly by cost revisions for the Pan Borneo Highway project and retrenchment compensation amounting to RM4.16 million following the closure of nine Road Maintenance Units (RMUs) in view of the shorter road length to be maintained under the new long-term State Road Management and Maintenance contract effective 1 January 2020.

OPERATIONAL HIGHLIGHTS

The Construction & Road Maintenance Division today derives recurring income from road maintenance works in Sarawak, the quantum of which depends on the length of roads maintained and the extent of upgrading work undertaken. Previously, the Division had maintained approximately 663 km of roads under 15-year Federal concessions (which expired in August 2018) and approximately 6,260 km of roads under 15-year State concessions (that ended in December 2017). The contract for the maintenance of State roads was then temporarily extended until end-2019 for a road length of approximately 6,260 km. More recently, the Division was awarded a new 10-year contract to maintain approximately 3,343 km of State roads effective January 2020.

Although road maintenance works throughout the State are no longer exclusive to CMS, the Group still maintains the highest number of roads in Sarawak. Given its extensive workforce and investment in road maintenance equipment, CMS is also in a position to play the role of a sub-contractor to some of the other State and Federal road maintenance contracts. To this end, the Division continues to bolster its technical capabilities via investments in new machinery, as well as Research and Development (R&D) initiatives. It continues to explore collaborative R&D initiatives with several clients and institutions which will enable it to take its services up several notches. By prioritising the quality of work it undertakes in line with the Group’s mission of ‘Producing Quality, On Spec & On Time’, the Division continues to reinforce its reputation as a trusted contractor within the State.

MOVING FORWARD

Moving forward, the Construction & Road Maintenance Division is making every effort to boost its competitive edge as it bids for new projects relating to the construction of roads, buildings, drainage, water, as well as power transmission lines and telecommunication lines throughout Sarawak. In line with its efforts to grow its current construction order book, the Division is bidding for new projects related to Sarawak’s Coastal Road Network and Second Trunk Road projects and other big infrastructure projects.

CMS was recently awarded a RM466.68 million contract for the construction of the Bintulu-Jepak Bridge. The contract was awarded to PPES Works-CCCC JV Sdn Bhd, a joint-venture company with China Communications Construction Company (M) Sdn Bhd on 6 March 2019. Recently, PPES Works participated in a contractors’ pre-qualification exercise to tender for the upcoming 425-km Sabah Sarawak Link Road (SSLR) project. Valued at some RM5.2 billion, the SSLR project is scheduled to take off in October 2020. As at 31 December 2019, the Division’s construction order book stood at RM1.27 billion (end-December 2018: RM1.08 billion).

The Group anticipates that infrastructure contract awards will accelerate in the lead-up to Sarawak’s State elections, possibly by 2021. Although there are significant projects in the pipeline, implementation and contract awards have been slow. Some of the major anticipated projects involve the construction of coastal and rural roads, as well as bridges, the expansion of water and electricity grids to rural areas, and more extensive coverage of State roads that require maintenance. The Group stands a good chance of benefiting directly from these projects as a contractor, and indirectly as a supplier of construction materials.

As it ventures forth amidst a highly challenging playing field, CMS Roads will leverage on technological innovation to enhance its contractual performance and efficiency. To facilitate planning, monitoring, execution and reporting, the Company will tap its proprietary software labelled ‘CREAM’. The acronym for CMS Road Engineering Asset Management System, CREAM serves as an effective repository of information for road inventory and condition data, as well as maintenance history and geographic information system data. Moreover, the Company continues to remain attractive to its customers by virtue of its unique position of being the only company in Southeast Asia to have a performance-based model for road maintenance. CMS Road’s proven record of accomplishment and forward-thinking approach put it in a strong position to continue the good work it has been effectively undertaking.

OPERATIONAL REVIEW

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BUSINESS OVERVIEW

CMS’ **Property Development Division** is the custodian of two major landbanks in Kuching, namely Bandar Samariang, a township located to the north of Kuching; and The Isthmus, a landbank located 5 km to the east of Kuching City.

For more information about the Group’s Property Development Division, scan the QR code or log on to http://www.cmsb.my/business-divisions/property-development/

The current remaining landbanks total 3,597 acres in Samariang and 179 acres in The Isthmus respectively. The Division also oversees property development business within the Samalaju Industrial Park or the SIP in Bintulu. The SIP is Malaysia’s largest industrial park and one of the five growth nodes under the Sarawak Corridor of Renewable Energy (SCORE) initiative. Its components include a new township, commercial/service hub, light industrial park, workers’ accommodation, as well as a hotel and ancillary services for the SIP.

PERFORMANCE HIGHLIGHTS

In FY 2019, the Division's revenue improved marginally by 4% to RM137.26 million from RM132.21 million previously. However, its PBT dipped 40% to RM20.06 million as compared to PBT of RM33.59 million in FY 2018. The Division's performance was affected by the soft property market and unrecovered interest costs for land surrendered to the Government.

OPERATIONAL HIGHLIGHTS

Bandar Samariang

Located approximately 7 km from the Kuching city centre, the integrated Bandar Samariang township is home to more than 25,000 residents with this number steadfastly growing. From its humble beginnings in 1997, the township has expanded progressively and now encompasses a variety of residential units, a commercial centre, as well as schools.

As at end FY 2019, the Property Development Division had constructed 4,557 residential units and 181 commercial properties comprising 180 shophouses and the first Mydin Hypermarket in Sarawak. For the year in review, the entire suite of properties ranging from single-storey terrace houses and single-storey semi-detached to double-storey terraced houses continued to enjoy brisk sales, with 4,664 units out of 4,773 units sold.

The Isthmus

Positioned as the new Kuching Central Business District (CBD) extension, The Isthmus is home to several iconic offices developed by CMS Land Sdn Bhd, a company under the ambit of the Property Development Division, tasked with developing The Isthmus. These include Green Building Index or GBI-rated offices such as the Sarawak Energy Berhad (SEB) headquarters (with GBI Silver rating), as well as the Land Custody & Development Authority (LCDA) headquarters and the Sarawak Economic Development Corporation (SEDC) headquarters (both with GBI certification). Together with the Borneo Convention Centre Kuching or BCCK (the first dedicated convention and exhibition centre in Borneo), and complemented by the nearby UCSI Hotel Kuching with its comprehensive hospitality offering, The Isthmus development has grown to become the premier location in Kuching for Meetings, Incentives, Conferencing and Exhibitions (MICE) tourism.

Situated opposite the BCCK is the Raintree Square commercial project, which saw 47 units of its 54 three-storey commercial shop units sold in FY 2019. The encouraging 87% take-up rate for these units underscores the appeal of The Isthmus as Kuching's new CBD extension. Moreover, given the full occupancy at the completed LCDA and SEDC headquarters buildings, this further cements The Isthmus' status as a desirable commercial office locality in Kuching. Plans are currently underway to assess the viability of increasing the commercial office supply at The Isthmus. The Division is also assessing the development of strata residential developments at The Isthmus with the view to increasing the catchment population.

Other Developments in Kuching

The Rivervale Residences (comprising 76 exclusive gated-and-guarded semi-detached homes) and the Rivervale Condominium development (comprising 292 units within two tower blocks) are located on a 19-acre spread in the vibrant Stutong suburb of Kuching. Following the Rivervale Residences receipt of a Commendation Award in the Landed Residential Development category at the SHEDA Excellence Awards 2017, the Rivervale Condominium was honoured with a Merit Award from at the SHEDA Excellence Awards 2019. These prestigious awards are a testament to the Division's efforts in creating several developments adjudged as highly commendable by its peers.

Property Development Activities within the Samalaju Industrial Park

The Group's Property Development Division also oversees property development activities within the Samalaju Industrial Park or SIP via Samalaju Properties Sdn Bhd. The Company is a joint-venture between CMS-owned Samalaju Industries Sdn Bhd (51%), Naim Holdings Berhad (39%) and State agency, Bintulu Development Authority (10%).

Samalaju Eco Park

Samalaju Properties' involvement with the SIP revolves around development of the Samalaju Eco Park township. In January 2019, the initial landbank of over 2,000 acres at the Samalaju Eco Park township was reduced to just 770 acres due to the Group's surrender of land to the State Government.

Today, the eco-park-styled township is on track to meet its objective of providing a balanced, healthy and sustainable lifestyle to the thousands working within the SIP. Designed to conserve as much of the land's natural landforms and gentle water bodies, as well as by leveraging on the natural semi-undulating terrain of the area coupled with its green and blue spaces in the form of parks, water bodies, community gardens and a golf course, the township is all set to provide attractive living spaces for the community when it is fully completed. Construction of the first residential and commercial phases were completed back in the third quarter of FY 2016 and first quarter of FY 2017 respectively, and their OPs issued in the third quarter of FY 2017. Today, the Samalaju Eco Park Apartments development, which remains the preferred long-term accommodation choice for the players in the SIP, boasts an occupancy rate of above 90%. Meanwhile, construction works on another 96 units of apartments commenced in the third quarter FY 2018 and, at the time of writing, is 97% complete and is expected to be achieved by April 2020.

Samalaju Central

Situated at the heart of the SIP is Samalaju Central, a visually attractive, well-planned and strategically-located commercial/service hub. Within the radius of the hub lie large heavy industry manufacturing plants related to the metals and polysilicon processing sectors. These include OM (Sarawak) Sdn Bhd, Pertama Ferroalloys (Bintulu) Sdn Bhd, Press Metal Sarawak Sdn Bhd, OCIM Sdn Bhd and Sakura Ferroalloys Sdn Bhd.

Spread out over 81.4 acres, Samalaju Central includes a variety of development mixes such as commercial and office spaces, food courts and eateries, light industrial buildings, as well as vacant lots for small and medium industries to complement the heavy industries within the industrial park. The first phase of the hub comprising 34 shops was completed in the fourth quarter of 2016 and the occupational permit or OP granted in the fourth quarter of 2017. Subsequent developments are expected to be rolled out in phases in tandem with market demand.

Samalaju Light Industrial Park

Management has successfully pursued and secured a 197-acre land swap deal with the State authorities for a light industrial park which will be strategically located at the entrance to the SIP. The proposed development, which will offer various types of light industrial units upon its completion, has been designed to cater to both small and medium-sized companies, as well as other supporting industries looking to gain a foothold in Samalaju.

Samalaju Lodges

CMS is also a key participant in another core area of the SIP, namely the provision of workers' accommodation and a hotel for industries setting up within the SIP. This entails the Group's involvement in the development of the Samalaju Lodges and the Samalaju Resort Hotel. These facilities provide short to medium-term accommodation for workers, supervisors, managers and visiting consultants of companies within the SIP, both during construction and pending completion of the adjoining township.

In FY 2019, the occupancy rate at Samalaju Lodges showed a slight reduction as compared to the preceding year in view of an alternative choice in the form of the Samalaju Eco Park Apartments for long-term accommodation. Most plants at the SIP were then at the commercial production stage with only a few plants undergoing expansion. New plants such as Malaysian Phosphate Additives (Sarawak) Sdn Bhd only commenced their onsite construction activities in early 2019. Nonetheless, Samalaju Lodges remains the preferred accommodation for operation and maintenance operations from the plants in the immediate vicinity of the SIP given its accessibility and wide-ranging facilities.

Samalaju Properties is focused on enhancing its hospitality offering and sustaining the service standards at Samalaju Lodges. It will also make a concerted effort to maintain the current pricing structure despite rising operational and material costs. In the interim, the marketing team continues to proactively identify and engage with prospective tenants looking for short to medium-term accommodation at the SIP by looking at potential ways to reconfigure the accommodation at Samalaju Lodges in line with clients' needs.

Samalaju Resort Hotel

Nestled on a 23-acre site along Tanjung Similajau is the 175-room Samalaju Resort Hotel development, that offers charming views of both the South China Sea and the Similajau National Park. Designed to be an oasis of calm amidst the flurry of the fast-growing SIP, the hotel boasts 148 rooms and suites, as well as nine chalets (housing three rooms each). Offering amenities for both business travellers and those seeking a comfortable getaway, the hotel's attractions include swimming pools, a gym, a karaoke room, meeting and function rooms, a coffee house, a lounge, plus a business centre.

Samalaju Resort Hotel also serves as an excellent training venue for both the private and public sectors with its offer of excellent facilities that cater to corporate events, training sessions, meetings, and team-building exercises. Situated within short driving distance of companies that have established themselves at the SIP, Samalaju Resort Hotel is the accommodation of choice for employees of these companies, as well as the many sub-contractors and consultants visiting Samalaju.

MOVING FORWARD

Moving forward beyond the MCO lockdown period, the Property Development Division will be focusing its efforts on the affordable housing segment at Bandar Samariang for the immediate future. This will lead to the launch of the first phase of the Cahya Intan project comprising 500 units of affordable single-storey terrace houses sometime in FY 2020. In view of the recent reduction in the overnight pricing rate by Bank Negara Malaysia, Management expects that prospective residential buyers will stand a better chance of having their loans approved rather than commercial buyers given the current lacklustre commercial property market.

At The Isthmus, the planning approval for the residential phase of the development comprising condominiums and townhouses has been approved. Management is deliberating on a suitable time to launch this project which is located adjacent to the BCCK with magnificent views of Sungai Sarawak.

Prospects for greenfield development project at the SIP remain challenging due to the lack of public infrastructure and amenities such as schools and hospitals. Occupancy at Samalaju Lodges too, is not expected to experience any significant increase as there are no major construction activities arising from existing or new industries at the SIP. Attracting new long-term guests remains challenging as the target market is confined to investors at the SIP for now.

The Group's property development arm also owns several other land parcels that represent significant future development opportunities to be unlocked, some immediately and others once development around and beyond Kuching ramps up. At the same time, the Division continues to actively source for other land parcels which may be available for development within the next three to five years. Whilst not discounting possible joint venture and collaboration arrangements with other parties, the Division is mindful of the challenges of the current soft market and will move forward in a prudent and measured manner once the MCO is lifted.

OPERATIONAL REVIEW

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BUSINESS OVERVIEW

CMS’ **Samalaju Development Division** – working through several associate companies – continues to tap the developments under the Sarawak Corridor of Renewable Energy (SCORE) initiative to maintain its growth momentum.

For more information about the Group’s Samalaju Development Division, scan the QR code or log on to http://www.cmsb.my/business-divisions/samalaju-development/

Launched over a decade ago, SCORE is one of Malaysia’s five economic development corridors aimed at invigorating investment-led growth in traditionally rural areas. SCORE originally only encompassed the Central Region of Sarawak and some 70,709 sq. km. However, in January 2018, the corridor’s boundaries were extended to the Northern Region and it now covers a total area of over 100,000 sq. km.

Today, CMS is leveraging several opportunities to strengthen its position as a major local participant within SCORE. The Group's continued involvement in the SIP is expected to serve as a major engine of growth for the Group – in fact, it is one of the components that is envisaged to drive CMS' second wave of growth.

SAMALAJU INDUSTRIAL PARK

The Samalaju Industrial Park (SIP), one of five growth nodes under SCORE, remains the largest single industrial park in Malaysia. Spread over 7,000 hectares, the SIP is home to a host of energy-intensive industries. It also accounts for the bulk of the investment projects approved under SCORE, making the industrial park SCORE's most successful node to date.

As at October 2019, SCORE had reportedly attracted total private investments amounting to RM39.9 billion excluding a RM17 billion steel project within the SIP. The latter steel manufacturing plant project involving Chinese investors is set to have a production capacity of 10 million tonnes a year, making it the region's biggest steel plant. Upon the commencement of construction sometime in 2020, investors of the steel manufacturing operations will join the myriad of other pioneer SCORE investors who are involved in aluminium smelter operations, ferrosilicon and manganese smelter operations, as well as polycrystalline silicon manufacturing, among other activities.

The bulk of SCORE's private investments today relate to energy-intensive and heavy industries. The energy-intensive sector is expected to act as a trigger to create value-added services at SCORE. To offset concerns about the supply of electricity, there will also be a focus on securing non power-intensive investments from the downstream sector for SCORE.

In 2019, the State Government allocated an additional RM4.5 billion to fund infrastructure development and amenity projects that are to be developed under the ambit of three development agencies, namely the Upper Rejang Development Authority (URDA), Highland Development Authority (HDA) and Northern Regional Development Authority (NRDA). Moving forward, the Regional Corridor Development Authority (RECODA), the authority responsible for the development of SCORE, is aiming to secure RM270 billion worth of investments from the public and private sectors for SCORE.

The Sarawak State Government continues to reaffirm its position of financially supporting SCORE growth as the corridor continues to prove itself, particularly via the industries at the SIP which are contributing significantly to the growth of the State's manufacturing sector. The spinoff from SCORE projects within the SIP is injecting approximately RM500 million a month into the local economy and benefitting small and medium enterprises (SMEs). The approved investments within the SIP are forecast to lead to the creation of over 17,000 job opportunities and the creation of a significant long-term sustainable industrial base that will elevate the Malaysian economy into new areas of opportunity.

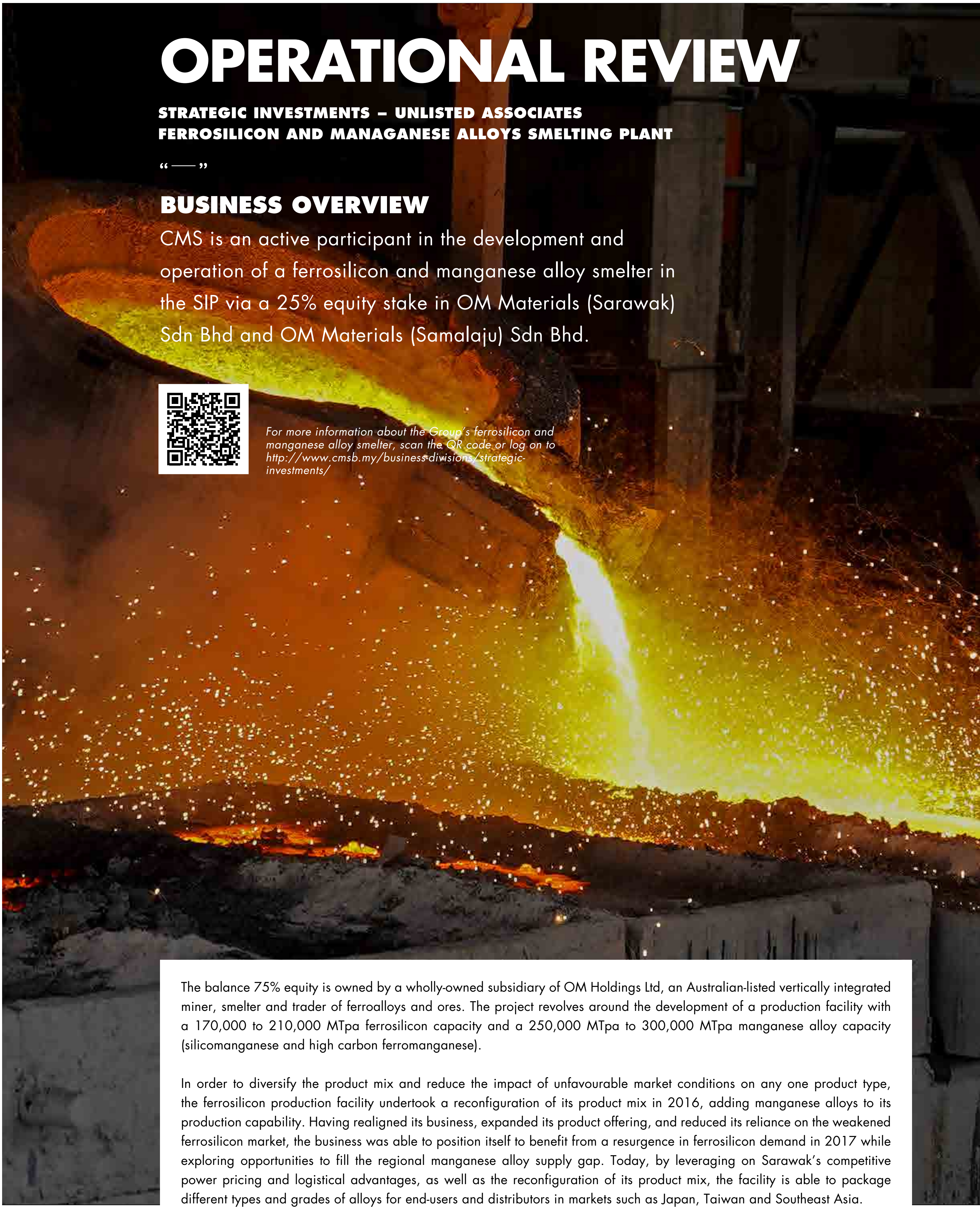
The appeal of the SIP was magnified in 2017, when its strategically-located Samalaju Industrial Port component opened its doors to existing and growing energy-intensive industries within Samalaju. Encompassing 393 hectares and fully equipped with leading edge systems and equipment, the RM1.80 billion world-class port is capable of handling seven big vessels at any one time with a productivity capacity or cargo volume of 1,000 tonnes per hour by each of its four conveyor lines. The port can also readily increase its capacity with newer and advanced technology in the near future to make it the fastest handling port in the country. Samalaju Industrial Port is set to play a key role in facilitating regional economic growth and delivering significant economic benefits to the players within the SIP, Sarawak and throughout the region.

Today, the CMS Group is leveraging several opportunities to strengthen its position as a major local participant within SCORE. The Group's continued involvement in the SIP is expected to serve as a major engine of growth for the Group – in fact, it is one of the components that is envisaged to drive CMS' second wave of growth.

As per the aforementioned Property Development Division's write-up, the Group's participation in the SIP comes by way of our being involved in property development activities relating to the Eco Park township within the SIP, as well as the provision of temporary workers' accommodation through our lodges and hotel.

We also continue to participate in the SIP via our 25% equity stake in OM Materials (Sarawak) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd. This entails the development of a smelter with a 170,000-metric tonne per annum (MTpa) to 210,000 MTpa ferrosilicon alloys capacity and a 250,000 MTpa to 300,000 MTpa manganese alloys capacity. The smelter began production in FY 2017. In Q4 2019, OM Material (Sarawak) completed the cold commissioning of its new sintering plant with a production capacity of 250,000 MTpa. If all goes as planned, the hot commissioning of the plant is expected to be completed in the first half of 2020.

We are also involved in the SIP by virtue of our stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS) which is developing a phosphate additive (and related products) plant which is expected to come onstream by end 2020. January 2019 saw us increasing our stake in MPAS to 60% from 49.94%, as well as securing Board and Management control of MPAS thereby increasing the Group's footprint within SCORE. The plant which is currently under construction is targeted for completion by end 2020 barring unforeseen circumstances.



OPERATIONAL REVIEW

STRATEGIC INVESTMENTS – UNLISTED ASSOCIATES
FERROSILICON AND MANAGANESE ALLOYS SMELTING PLANT

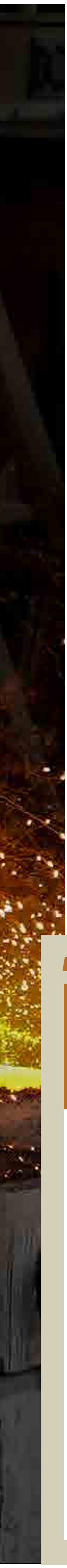
BUSINESS OVERVIEW

CMS is an active participant in the development and operation of a ferrosilicon and manganese alloy smelter in the SIP via a 25% equity stake in OM Materials (Sarawak) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd.

For more information about the Group's ferrosilicon and manganese alloy smelter, scan the QR code or log on to http://www.cmsb.my/business-divisions/strategic-investments/

The balance 75% equity is owned by a wholly-owned subsidiary of OM Holdings Ltd, an Australian-listed vertically integrated miner, smelter and trader of ferroalloys and ores. The project revolves around the development of a production facility with a 170,000 to 210,000 MTpa ferrosilicon capacity and a 250,000 MTpa to 300,000 MTpa manganese alloy capacity (silicomanganese and high carbon ferromanganese).

In order to diversify the product mix and reduce the impact of unfavourable market conditions on any one product type, the ferrosilicon production facility undertook a reconfiguration of its product mix in 2016, adding manganese alloys to its production capability. Having realigned its business, expanded its product offering, and reduced its reliance on the weakened ferrosilicon market, the business was able to position itself to benefit from a resurgence in ferrosilicon demand in 2017 while exploring opportunities to fill the regional manganese alloy supply gap. Today, by leveraging on Sarawak's competitive power pricing and logistical advantages, as well as the reconfiguration of its product mix, the facility is able to package different types and grades of alloys for end-users and distributors in markets such as Japan, Taiwan and Southeast Asia.



PERFORMANCE HIGHLIGHTS

In FY 2019, OM Materials (Sarawak) turned in a weaker performance registering a 21% and 101% drop in revenue and profit respectively. This was primarily attributable to prolonged international trade tensions between the world's two largest economies which had an adverse impact on the global economy, as well as on currencies and commodity prices. Against this muted backdrop, the Company posted revenue of RM1.9 billion and a loss after tax of RM3.1 million in comparison to record revenue of RM2.38 billion and a PAT of RM254.30 million in FY 2018.

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> At an estimated cost of AUD20 million, the 250,000 MTpa sinter plant is set to reduce the production cost of manganese alloy while improving furnace productivity.

OPERATIONAL HIGHLIGHTS

FY 2019 saw OM Materials (Sarawak) continuing to operate a total of 10 ferrosilicon furnaces and six manganese alloy furnaces for a good part of the year until one manganese alloy furnace was shut down for repair and maintenance in November. In operating the furnaces as per the standard equipment design and producing beyond the 55-tonnes per furnace per day design capacity, the team at OM Materials (Sarawak) continued to prove their proficiency and the depth of their technical knowledge. On the back of improved operating skills and effective material control, the Company delivered a record annual production run. By the end of FY 2019, the plant's ferrosilicon production output had achieved 230,735 tonnes (FY 2018: 220,515 tonnes) while total manganese alloy production touched some 248,163 tonnes in FY 2019 (FY 2018: 242,341 tonnes).

Over the course of the year, OM Materials (Sarawak) successfully secured an increase in its annual nominated power capacity from 350 MW to 430 MW. This increase will ensure that the Company has adequate power to support its expansion plans over the next few years. As at end FY 2019, construction works for the expansion of the raw materials storage warehouses, finished product warehouses and sinter plant had been completed. These capital expenditure initiatives are all set to strengthen the Company's logistical efficiencies moving forward.

The final quarter of FY 2019 saw the sinter plant undergoing cold commissioning while hot commissioning is targeted for completion within the first half of FY 2020 barring unforeseen circumstances. At an estimated cost of AUD20 million, the 250,000 MTpa sinter plant is set to reduce the production cost of manganese alloy by upgrading manganese ore fines via a sintering process with coke to produce sintered manganese ore lump. This will bring down the cost of producing manganese alloy while improving furnace productivity.

Now that its initial expansion plans have taken off, the Company is working on the design and preparation for Phase 2 of the project. This entails the construction of an additional two to four sets of 33 MVA manganese alloy furnaces which are targeted to be completed by 2022. On top of this, the existing ferrosilicon furnaces will undergo conversion so that they will be able to produce metallic silicon.

MOVING FORWARD

Due to the uncertainties brought on by the Covid-19 outbreak which has taken a heavy toll on the global economy and caused supply chain disruptions, the Company has decided to temporarily shut down two of its ferrosilicon furnaces. These will be brought back online when deemed feasible.

Barring unforeseen circumstances, given that the US and China have entered into the first phase of a trade deal, the recent positive signs following effective coronavirus control in China, and the move by upstream manufacturers to diversify their supply chains, Management expects the Company to return to profitability in FY 2020. Notwithstanding existing market conditions, Management will implement several measures, including leveraging on sinter plant operations and strong technical teams with a proven track record to optimise the smelter's production efficiencies. At the same time, OM Materials (Sarawak) will review its sales mix to ensure it correlates with market demands.

To maintain its competitive edge, the Company has initiated a series of cost-cutting exercises which include expanding the sheltered warehouse, as well as recycling fines and dust via the sintering process, among other things. Following the beginnings (in principle) of a partial trade deal between the USA and China, the market is optimistic that 2020 may bring about a return to modest commodity prices and trigger a potential inventory restocking cycle.

Notwithstanding this, in the long-run, it is envisaged that market demand for both ferrosilicon and manganese alloy from the smelter will strengthen on the back of long-term growth prospects for steel production in the region. The smelter is also expected to reap the benefits of Sarawak's competitive energy costs, a 10-year tax holiday with no import and or export duties, and its strategic proximity to growing East Asian markets.

OPERATIONAL REVIEW

STRATEGIC INVESTMENTS – UNLISTED ASSOCIATES
INTEGRATED PHOSPHATE COMPLEX

BUSINESS OVERVIEW

The year 2013 saw the CMS Group entering into a collaboration with several parties to construct Southeast Asia's first integrated phosphate complex within the SIP.

For more information about the Group's integrated phosphate complex Division, scan the QR code or log on to http://www.cmsb.my/business-divisions/strategic-investments/

At that time, CMS' wholly-owned subsidiary, Samalaju Industries Sdn Bhd (SISB) entered into a shareholders agreement with Malaysian Phosphate Ventures Sdn Bhd (MPV) and Arif Enigma Sdn Bhd (AESB) to form a joint-venture company called Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS) to carry out the project.

In January 2019, SISB increased its equity stake in MPAS from 49.94% to 60% following its subscription of 64.24 million new shares in the company for RM64.24 million in cash. This strategic move gave the CMS Board and Management control of MPAS and strengthened the Group's footprint within SCORE. The Group's earnings are expected to strengthen once the first phase of production of the integrated phosphate complex commences.

OPERATIONAL HIGHLIGHTS

Over the course of 2018, the integrated phosphate complex project was divided into two overlapping phases. Under Phase 1, three plants are expected to be completed by end 2020. Currently under construction, these plants are projected to have an annual production capacity of 48,000 MT of Yellow Phosphorous, 75,000 MT of Technical Grade Phosphoric Acid, and 60,000 MT of Food Grade Phosphoric Acid.

Phase 1 of the project, which is estimated to cost RM898 million, will be constructed on 350 acres of land strategically located near the Samalaju deep-water port. The integrated complex will leverage on Sarawak's competitive power rates and the infrastructure within SCORE to maintain its competitive edge. Following CMS' increased participation in MPAS, an experienced project team has been put in place to focus on delivering the project, on spec and on time.

MOVING FORWARD

The integrated phosphate complex project is an important one for a number of reasons. It will be the first high-impact industrial project within the SIP by a wholly Malaysian-owned company. It entails domestic investment of RM898 million for Phase 1 and promotes the development of local intellectual property and the sharing of technology through a mutually beneficial joint-venture.

Being the first non-metal or alloy-based plant within the SIP, the project will propel SCORE and CMS into a dynamic new industrial sector that offers long-term sustainable growth. The project also offers opportunities for investment in downstream manufacturing such as industrial chemicals, animal feed, fertiliser, cleaning and detergent sectors. We anticipate that the businesses within these sectors will be drawn to the SIP themselves so they can locate nearby to their feedstock supplier.

Barring unforeseen circumstances, the project's first Yellow Phosphorus furnace is expected to be commissioned by Q4 2020 thereby marking the production of the first Yellow Phosphorous plant in Malaysia. This will be followed by the commissioning of the remaining Yellow Phosphorous furnaces and the commencement of the production line for the Technical Grade and Food Grade Phosphoric Acid. Some 400 employees comprising both skilled and non-skilled workers are expected to be involved in running the operations of these plants upon the commencement of full operations under Phase 1.

OPERATIONAL REVIEW

STRATEGIC INVESTMENTS – UNLISTED ASSOCIATES
INFORMATION & COMMUNICATION TECHNOLOGY BUSINESS

BUSINESS OVERVIEW

CMS' Information & Communication Technology (ICT) Division is responsible for growing the Group's ICT-related businesses. The Division is currently focusing its efforts on managing the Group's interests in our associate company, SACOFA Sdn Bhd (Sacofa), in which CMS has a 50% non-controlling equity stake.

For more information about the SACOFA Sdn Bhd, scan the QR code or log on to https://www.sacofa.com.my/

Sacofa is today the State's leading ICT infrastructure company and the key driver behind Sarawak's state-of-the-art telecommunications and information technologies development. Back in 2001, the Company was accorded a 20-year exclusive right to build, manage, lease and maintain telecommunication towers in Sarawak. It was also granted "deemed native status" allowing it to acquire native lands in the State for the construction of telecommunication facilities.

PERFORMANCE HIGHLIGHTS

For the year under review, Sacofa reported a strong performance with revenue totalling RM242.31 million (FY 2018: RM232.64 million) and PBT amounting to RM112.60 million (FY 2018: RM107.90 million).

OPERATIONAL HIGHLIGHTS

Sacofa continued to make good progress on several fronts in FY 2019. In July, Sacofa partnered with Xperanti IOT (M) Sdn Bhd (Xperanti), an Internet of Things (IoT) solutions company, to explore workable solutions for the implementation of IoT devices leveraging on Xperanti's Sigfox IoT network across Sarawak. In view of International Data Corporation's or IDC's forecast that over 41 billion devices will be connected digitally worldwide by the year 2025, the collaboration between Sacofa and Xperanti is timely for enterprises in Sarawak that want to adopt Industry 4.0 with practical and proven Industrial IoT solutions based on Sigfox technology.

Moreover, the initiative will enable Sarawak to take part in the growth and economic opportunities that will be created by the IoT phenomenon. The collaboration is also expected to result in the development of an ecosystem of IoT start-ups in Sarawak to support the State's Digital Economy initiative and fast-track the adoption of Industry 4.0 to bridge the digital divide. It will see the implementation of innovative community-driven IoT-based solutions such as Smart Longkang and Smart Sungai (to monitor water quality and river levels), as well as Smart Udara (to monitor air quality and the environment).

As a Sigfox network operator, Xperanti is able to leverage on the world's leading IoT network to deliver smart connections for local business. Enterprises that embrace Sigfox IoT solutions as part of their Operational Excellence programme will be able to realise over 30% reduction in operational cost and up to 10% productivity improvement within two years.

Under the Sarawak Digital Economy Strategy 2018-2022 initiative, the State Government has allocated RM795 million to implement the SMA300 project which calls for the construction of 300 telecommunication towers incorporating 3G and 4G technology throughout the State, especially in remote and inaccessible areas. Sacofa in tandem with the Sarawak Multimedia Authority (SMA) has been tasked with implementing the initial phase of the project by Q3 2020.

The year in review also saw Sacofa growing its asset portfolio through strong organic growth by expanding and fiberising its network. In FY 2019, it constructed 94 towers bringing the total number of telecommunication towers it now operates throughout Sarawak to more than 1,600 with more than 11,100 km of fibre optic cabling in place enabling over 764 towers to be fiberised.

Sacofa continues to strengthen its Sacofa Open Fibre Infra Access (SOFIA) platform. This open fibre infrastructure platform is a turnkey solution that is providing retail service providers (RSPs) the means to immediately connect to Sacofa's fibre network and offer high-speed broadband services at competitive rates to a host of residential, commercial and public sector end-users. As an enabler, SOFIA is expediting the rollout of a more pervasive broadband infrastructure throughout Sarawak which is integral to the State's digital economy ambitions. SOFIA in essence, has become an enabler that is liberalising the market and creating a healthy competitive environment for RSPs who in turn are expected to lower broadband prices and increase speeds for their broadband packages.

Sacofa has also partnered Brunei's DST International (B) Sdn Bhd to set up a joint-venture (JV) company called Datastream Sacofa Telecommunications Alliance Sdn Bhd (DSTA). Under the JV, DSTA's businesses will include the acquisition, management, maintenance or provision of network facilities, network service, applications service, and content applications service. This new development is expected to further boost the rollout of SOFIA to provide affordable high-speed broadband in Sarawak. The addition of DSTA to the stable of existing RSPs utilising SOFIA, namely Celcom and Maxis, will offer Sarawakians more choices for broadband services and prices will be driven down due to healthy market competition.

The Company also continues to rollout its SACOFA4U community outreach programme, among the primary goals of which are to bridge the digital divide by strengthening telecommunication penetration in the rural areas and developing an e-knowledge society. By providing coverage to schools, institutions of higher learning, religious places, government buildings and public areas in 11 rural locations, the SACOFA4U initiative is underscoring the importance of connectivity as a catalyst for growth and development in Sarawak, especially among the larger, more sparsely populated communities in the State. Moving forward, Sacofa will continue to work with the Malaysian Communications and Multimedia Commission or MCMC, the SMA, as well as the State and Federal Governments to support the Sarawak Rural Transformation Programme and improve connectivity in the hinterland and rural communities.

MOVING FORWARD

In line with the Sarawak Digital Economy Strategy 2018-2022, the State Government has committed RM1.15 billion to strengthen Sarawak's digital economy infrastructure in support of the digital industries, commerce and investment that it intends to draw in. Running parallel to Sarawak's digital ambitions is the Federal Government's ambitious five-year National Fiberisation and Connectivity Plan (NFCP). With an estimated budget of RM21.6 billion, the NFCP aims to close the gap on the urban-rural divide by providing access to high-quality and affordable digital connectivity in Malaysia. By combining the use of optical fibre and wireless connectivity, the NFCP aims to ensure that at least 98% of Malaysia's inhabited areas have a minimum bandwidth of 30 Mbps by 2023. The NFCP will go a long way in supporting the development of a digital economy and the Industry 4.0 revolution.

Sacofa is in a strong position to capitalise on these initiatives. With its ability to facilitate triple-play features comprising Voice over Internet Protocol (VoIP), Internet Protocol Television (IPTV), and High-Speed Internet (HSI) – the catalysts for increased adoption and utilisation of IoT – the SOFIA platform is all set to break new ground. Sacofa has already deployed the platform across key areas such as Samalaju, Satok and The Isthmus in Kuching, and will continue to deploy its fibre infrastructure across other areas of the State. This development will do much to facilitate the State's target of achieving 95% broadband coverage in populated areas by 2020 and 100% coverage with a minimum throughput of 150 Mbps by 2030.

In support of the massive undertaking that is the NFCP, Sacofa remains committed to making its contribution to the expansion of Sarawak's existing telecommunication network infrastructure. This will help accommodate the growth of the telecommunications industry in Sarawak, especially the rollout of upcoming advanced platforms in the near future such as 5G and the proliferation of IoT. Sarawak features significantly in the NFCP rollout throughout Malaysia due to its sheer geographical size, as well as its many rural and remote areas. Sacofa has taken measures to ensure that its internal strategies cover most of the targets and goals of the NFCP in Sarawak.

CMS' investment in Sacofa aligns with our strategy of supporting the State's infrastructure development. We see this as an extension of the Group's core infrastructure development capabilities and we are honoured to help play our part in strengthening the State's telecommunications infrastructure via a private-public partnership arrangement. Given the scope of responsibility and resources that Sacofa has, it is well-primed to support Sarawak's ambitious telecommunications and broadband coverage targets. For the longer-term, Sacofa's ambition is help make the State both a regional hub for telecommunications-related activities and a model digital economy.

OPERATIONAL REVIEW

STRATEGIC INVESTMENTS – LISTED ASSOCIATES
KENANGA INVESTMENT BANK BERHAD

BUSINESS OVERVIEW

The CMS Group is the single largest shareholder of Kenanga Investment Bank Berhad and its Group of Companies (Kenanga) via a 26.25% equity stake in Kenanga.

Established over 45 years ago, Kenanga which is listed on the Main Market of Bursa Malaysia, is today recognised as one of Malaysia's largest independent investment banks. The Kenanga Group brings to the table its extensive experience in equity broking, investment banking, listed derivatives, treasury, corporate advisory, Islamic banking, wealth management and investment management.

For more information about the Kenanga Investment Bank Berhad, scan the QR code or log on to https://kenanga.com.my/

PERFORMANCE HIGHLIGHTS

In FY 2019, the Kenanga Group registered revenue of RM650.82 million, lower than the RM669.37 million garnered in FY 2018 mainly due to lower levels of client activities amid sluggish market conditions which translated to lower brokerage fee income, interest income, lower placement fees, as well as fees on loans and commissions. Kenanga reported a higher PBT of RM42.95 million for FY 2019 as compared to a PBT of RM28.85 million in FY 2018, mainly due to an increase in Asset Under Management (AUM), higher management and performance fee income generated by its investment and wealth management division and the reversal of a provision of impairment on share margin accounts for its Stockbroking division. The Kenanga Group remains on a strong financial footing with a total capital ratio of 23.18% (FY 2018: 25.26%) well above the 10.5% minimum prescribed by Bank Negara Malaysia (BNM) which includes a capital conservation buffer of up to 2.50%.

OPERATIONAL HIGHLIGHTS

In line with Kenanga's endeavours to digitalise and diversify its offerings, as well as to extend its market share of the millennial segment, it entered into a joint venture with Japan-based Rakuten Securities Inc. in 2016. This led to the establishment of Rakuten Trade Sdn Bhd, Malaysia's first full-fledged online broker, which continues to accord the local trading community a top-notch digital trading experience. As at 31 January 2020, Rakuten Trade had registered more than 50,000 accounts and handled transactions amounting to almost RM9 billion in trading value on Bursa Malaysia.

Given Kenanga's growing portfolio of technology-related initiatives, it has formulated a comprehensive digital plan covering digital business ventures, the transformation of traditional business operations and strategic collaboration with technology enablers. The scope of this plan encompasses subscription to cloud services, workflow automation, data analytics and most importantly, enhanced cybersecurity.

Working hand in hand with its IT partners, Kenanga tested its Algorithmic Trading platform in end-2019. This platform, which will be released sometime in 2020, is expected to transform the trading landscape for its dealers and customers as it combines predictive analytics with data processing.

Complementing Kenanga's suite of asset management products, the Company aims to rollout a Robo-Advisor service by the end of 2020. With rapid consumer shift towards Fintech, especially amongst the younger investors, this platform which provides a fully automated AI-driven financial planning service will allow Kenanga to capture an untapped segment in the marketplace.

As part of its plan to enable full mobility to its remisiers, Kenanga launched a new platform this year which has digitalised most of its core workflows, unlocking new levels of efficiencies and data security. Kenanga expects to enable full mobility for its remisers by end of 2021 – where consult, onboarding, trades and settlement can be executed remotely. Further to this, the Group will be exploring the adoption of Cloud-based solutions in 2020, which will bring about greater scalability, faster speed-to-market and further cost effectiveness.

In July 2019, Kenanga completed its acquisition of Libra Invest which propelled KIBB's assets under management to over RM13.5 billion. The acquisition has also strengthened Kenanga's fixed-income capabilities given Libra's award-winning team and enabled the Group to expand its product offerings. The acquisition has enhanced Kenanga's profitability through cost synergies and enabled it to grow its business via leveraging a wider distribution channel and agency force. In the same month, Kenanga launched several products under its securities borrowing and lending division to bolster its equity-broking product suite.

In FY 2019, Kenanga continued to receive a host of awards and accolades underscoring its strong market position. At the prestigious annual Bursa Excellence Awards, the Group was hailed as being the Most Innovative Participating Organisation (Special Award). The Group's Equity Broking division was also recognised as the Best Remisier (Champion) and Best Retail Equities Participating Organisation (1st Runner Up).

At the Annual Alpha Southeast Asia Best Deal & Solution Awards 2019 event, Kenanga was named a Joint Bookrunner and Joint Underwriter for the Best Equity Deal/IPO In Malaysia 2019 relating to Leong Hup International's RM1.19 billion IPO.

The year in review saw Kenanga's asset management subsidiary, Kenanga Investors Group (KIG), comprising Kenanga Investors Berhad (KIB) and Kenanga Islamic Investors Berhad (KIIB), continuing to receive its fair share of accolades. KIG bagged three awards at the prestigious FSMOne Recommended Unit Trusts 2019/2020 event. Its flagship fund Kenanga Growth Fund was lauded as the Most Outstanding Unit Trust for 10 Years, as well as named the recommended fund under the Core Equity – Malaysia category. Meanwhile KIG's Kenanga OnePRS Conservative Fund was touted as the recommended Private Retirement Scheme under the Conservative category. At the KLIFF Islamic Finance Awards 2019 event, KIB's Kenanga Syariah Growth Fund was hailed as the Most Outstanding Islamic Fund Product.

At the Asia Asset Management (AAM) Best of the Best Awards 2020 event, Ms Lee Sook Yee, KIG's Chief Investment Officer was once again awarded the title CIO of the Year. In addition, KIG clinched three titles, namely Malaysia's Best House for Alternatives, Malaysia's Best Equity Manager and Malaysia Fund Launch of the Year. At the Morningstar Awards 2019 event, the Kenanga Blue Chip Fund was hailed as being the Best Malaysia Large-Cap Equity Fund. As a result, Malaysian Rating Corporation Berhad (MARC) reaffirmed KIG's IMR-2 rating thereby underscoring the Company's well-established investment processes, sound risk management practices and strong operating track record.

Kenanga Futures Sdn Bhd (KF) is Kenanga's subsidiary that deals with listed derivatives. In FY 2019, KF's CEO/Executive Director & Head of Listed Derivatives, Azila A Aziz was hailed CEO of The Year by Markets Media (an international digital editorial platform based in the USA) at their inaugural Women in Finance Asia Awards 2019 event. KF also was named Best Trading Participant for Equity and Financial Derivatives at the Bursa Excellence Awards, maintaining its market leadership for a record 15 years running. KF was also accorded the titles, 1st Runner Up for Best Overall Derivatives Trading Participant, and 2nd Runner Up for Best Institutional Derivatives Trading Participant.

Last but not least, Kenanga was also awarded the coveted CSR Award in the Investment Bank category at the CSR Malaysia Awards 2019, an award endorsed by the Ministry of Women Affairs and Family Planning. On top of this, at the regional Marketing Events Award 2019, Kenanga received a gold award for the Best Event, Internal for its Kenanga Founder's Day Campaign; plus, a Bronze award for the Best Event, Internal for its Zero-Waste Your Lifestyle with #GreenAtWork campaign.

MOVING FORWARD

The growth outlook for 2020 remains uncertain given the impact of the current Covid-19 pandemic on global supply chains the global financial system and oil prices.

With the International Monetary Fund announcing that the ongoing Covid-19 pandemic has already driven the global economy into recession, Malaysia too has not been spared the effects of the global growth contraction. In its Economic and Monetary Review 2019 Report, Bank Negara Malaysia has forecast that the domestic economy may post economic growth in the range of -2% to 0.5% in 2020. Output is expected to decline across all sectors with the exception of the services sector. Economic growth is also expected to be weighed down by output loss from the impact of Covid-19, the MCO, as well as the disruption in commodity supply.

Against this lacklustre backdrop, the Group envisages that FY 2020 will remain a challenging financial year for Kenanga. To weather the expected headwinds, Kenanga will continue to focus on its strategic objectives to achieve long-term sustainable growth across the Group whilst ensuring its core businesses remain resilient.

OPERATIONAL REVIEW

STRATEGIC INVESTMENTS – LISTED ASSOCIATES
KKB ENGINEERING BERHAD

BUSINESS OVERVIEW

CMS holds a 20% equity stake in Bursa Malaysia-listed KKB Engineering Berhad (KKB) which is primarily involved in steel fabrication, hot-dip galvanising, civil construction and LP gas cylinder manufacturing activities, as well as the manufacture of steel pipes and special pipes.

KKB is focusing its efforts on expanding its steel fabrication activities with a view to taking on larger and more complex projects, including projects from oil and gas sector customers. The Company continues to attract potential customers through its offer of a modern fabrication plant incorporating an open yard and heavy load-out jetty facility fronting the Sarawak River, as well as sizeable covered all-weather mega workshops. Today, as it works to strengthen its order book, KKB has set its sights on expansion to ensure capacity readiness.

For more information about KKB Engineering Berhad, scan the QR code or log on to http://www.kkbeb.com.my/home/

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KKB's FY 2019 PBT improved by a stellar 163% to RM77.69 million in comparison to PBT of RM29.49 million in the preceding year. KKB's strong performance came on the back of improved margins coupled with the higher revenues generated by both its Engineering and Manufacturing businesses.

PERFORMANCE HIGHLIGHTS

KKB turned in a record revenue of RM559.03 million for FY 2019 in comparison to the RM412.48 million reported previously. In line with this, its FY 2019 PBT improved by a stellar 163% to RM77.69 million in comparison to PBT of RM29.49 million in the preceding year. KKB's strong performance came on the back of improved margins coupled with the higher revenues generated by both its Engineering and Manufacturing businesses.

OPERATIONAL HIGHLIGHTS

KKB's associate, OceanMight Sdn Bhd (OMSB), has been licensed as an Approved Service Provider by PETRONAS to undertake major onshore fabrication for offshore facilities and related works. In January 2018, KKB increased its equity stake in OMSB, resulting in OMSB being a 60.81%-owned subsidiary of the Company.

Between the years 2014 and 2019, OMSB successfully completed six oil and gas sector contracts. These contracts included two Engineering, Procurement and Construction (EPC) contracts secured from Repsol Oil & Gas Malaysia Limited for EPC works on the Bunga Pakma Wellhead Riser platforms and the Kinabalu Redevelopment Project; an Engineering, Procurement, Construction, Installation & Commissioning (EPCIC) contract for PETRONAS Carigali Sdn Bhd; as well as an Engineering, Procurement, Construction and Commissioning (EPCC) contract from MISC Offshore Floating Terminals (L) Limited. Among these, the super fast-tracked D28 EPCIC contract, was completed in a record nine months from the date of the award in 2018 – thereby underscoring OMSB's capabilities as a reliable and skilled oil and gas services provider.

MOVING FORWARD

On the oil and gas front, oil prices slumped by some 65% between January and March to a low of USD25 per barrel because of the Covid-19 pandemic and rising output from Saudi Arabia and Russia after a supply pact collapsed. While prices are showing slow signs of recovery following renewed talks between OPEC and its partners, oil price volatility is expected to persist in the long-term.

In line with the oil price slump, the world's biggest oil and gas companies are cutting their 2020 spending. To date, several major oil companies, including Saudi Aramco and Royal Dutch Shell, have announced a 20% or more reduction in expenditure or a combined USD28 billion drop from their initial spending plans of $142 billion. On the Malaysian front, analysts expect PETRONAS to follow suit and cut the capital expenditure budget under its Activity Outlook for 2020 onwards. Moreover, there is the likelihood that distressed cargoes, increased freight rates, force majeures, strains on storage capacity and the availability of very large crude carriers will all combine to place additional downside pressures on oil prices.

Against this uncertain backdrop, OMSB continues to implement measures to maintain its resilience amidst the challenges besetting the oil and gas industry. These include optimising cost management, enhancing operational efficiencies, as well as making investments in technology and automation to future-proof the business.

Moving forward, barring unforeseen circumstances, the KKB Group will continue to leverage on its sound track record, experienced and insightful management team, as well as its strong cash position, to bolster itself and explore new avenues of opportunity. It will also set its sights on increasing its order book, as well as securing oil and gas fabrication orders despite the highly competitive market environment.

OPERATIONAL REVIEW

STRATEGIC INVESTMENTS – Others
COPE PRIVATE EQUITY SDN BHD

BUSINESS OVERVIEW

CMS also has a stake in COPE Private Equity Sdn Bhd (COPE), a private equity firm that is focused on delivering long-term capital gains through investments in unlisted growth companies in Malaysia.

For more information about COPE Private Equity Sdn Bhd, scan the QR code or log on to http://copepartners.com/

Since its inception in 2005, COPE has grown from strength to strength and is today one of the leading private equity firms in the country with Funds under Management (FUM) exceeding RM600 million. COPE is known for being one of the few firms in the region that has adopted Shariah-compliant investment principles for some of its funds.

PERFORMANCE HIGHLIGHTS

The year in review was a busy one for COPE as it made investments in a leading provider of Industry 4.0 solutions and the largest self-service laundromat operator in Southeast Asia. Over the course of the year, COPE, via funds under its management, returned RM2.2 million to investors.

In the first quarter of the year, COPE's exit from Serba Dinamik was voted among the top three exits in Asia-Pacific by industry peers. In the third quarter of 2019, Preqin, a leading industry publication, identified COPE 2, a fund managed by COPE, as being the top performing fund in Southeast Asia across all years.

OPERATIONAL HIGHLIGHTS

On the operational front, an investee company of COPE received the accolade Outstanding Portfolio Company of the Year during the Malaysian Venture Capital Association's Dinner & Awards Night in April 2019. Beyond the awards, COPE is proud to be an indirect employer of 1,700 staff via its investee companies.

MOVING FORWARD

Moving forward, COPE will continue to expand its FUM and add value to its investee companies by assisting Malaysian companies to expand regionally while identifying appropriate high growth investments and retaining its talent pool.

In light of current geopolitical and economic uncertainties plus the expected tightening of credit, COPE anticipates a highly challenging 2020.

STRATEGIC INVESTMENTS – Others
CMS EDUCATION SDN BHD

BUSINESS OVERVIEW

The Group continues to be involved in the nurturing of Malaysia's future leaders through its 30% stake in the Tunku Putra-Help International School.

For more information about CMS Education Sdn Bhd, scan the QR code or log on to https://tphis.edu.my/

Spread out over an 18.51-acre campus in Kuching's Petra Jaya, the Tunku Putra school first opened its doors to students in January 1997. Over the years, the school continued to provide top-notch education to students at the kindergarten, primary and secondary-levels for both the national and international streams.

In late 2017, CMS' wholly-owned subsidiary CMS Education Sdn Bhd partnered with HELP Education Services to take the school up to the next level. With HELP providing academic direction for the school, students were exposed to an array of intellectual, emotional physical, social, moral and spiritual, as well as artistic and creative elements aimed at developing their full potential. These holistic learning experiences coupled with career and leadership development training did much to help students receive a solid, well-rounded education.

In March 2018, CMS Education, Ibraco Berhad and the HELP Education Group announced a partnership to establish the Tunku Putra-HELP International School in Kuching. The partners aim to set new benchmarks in quality education for Malaysia via a new 1,500-student capacity purpose-built campus.

PERFORMANCE HIGHLIGHTS

In FY 2019, CMS Education registered revenue of RM9.97 million and loss before tax (LBT) of RM2.63 million as compared to revenue of RM9.63 million and an LBT of RM4.19 million in the preceding year. The year's lower loss was mainly due to a gain on disposal of assets.

OPERATIONAL HIGHLIGHTS

For the 2019 academic year, Tunku Putra School prioritised the training and development of its staff to ensure better delivery of its curriculum and superior academic results. CMS Education also worked closely with HELP and the school leadership team to ensure that as many staff of the school qualified for transition over to the new Tunku Putra-HELP School.

The Tunku-Putra HELP School was officially launched on 16 November by His Excellency, Tun Pehin Sri Haji Abdul Taib bin Mahmud, the Governor of Sarawak. The first intake for the new school took place in January 2020.

MOVING FORWARD

The new Tunku Putra-HELP School will now take on the mandate and serve as a strategic asset that is contributing towards Sarawak's development by ensuring employees of overseas investors working in the State, and local parents, have access to a high standard of international schooling for their children.

From an academic perspective, the school continues to review all its practices so as to offer the best education to both local and international students. The international primary section of the school will undergo an accreditation exercise for the International Primary Curriculum to ensure that the delivery of the curriculum is done according to the standards set by the curriculum provider, Fieldworks International. There is also a strong focus on upskilling local teachers to ensure they are on par with teachers at the best international schools.

Teacher assistants who have yet to obtain the necessary professional teaching qualifications and teachers who need to strengthen their teaching and learning practice, will be required to start the Cambridge International Award for Teaching and Learning conducted by Trainers from the Centre for Continuous Professional Development at HELP University. The school will also be introducing the 1-1 Apple iPad programme by the middle of 2020. In tandem with this, the training that began in 2019 to ensure teachers get up to speed on Apple technology, will continue in earnest in 2020. Several events are planned for 2020 that will involve collaboration, participation and competition with two other international schools in Peninsular Malaysia managed by HELP.

Following the rollout of a dynamic new brand building campaign for the new Tunku Putra-HELP School in 2020, we anticipate an influx in the number of students at the school once the MCO is lifted.

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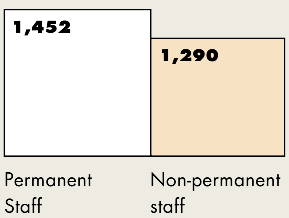
Being a conscientious corporate citizen and a responsible employer, CMS is deeply committed to caring for people, be they our employees or the communities that we operate in. This commitment is underscored in in the many tangible initiatives that we have implemented as part of our efforts to nurture our workforce and forge sustainable communities.

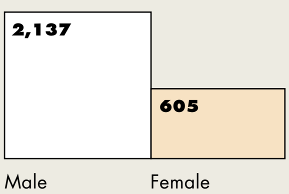
NURTURING PEOPLE, SUSTAINING COMMUNITIES

We remain committed to celebrating diversity and emphasise the importance of providing equal employment opportunities and fair treatment to all our employees while achieving equilibrium between performance, pay and participation.

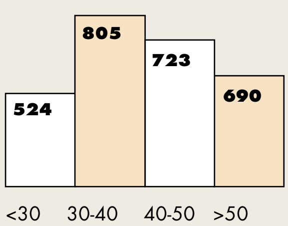
WORKFORCE BY EMPLOYMENT TYPE



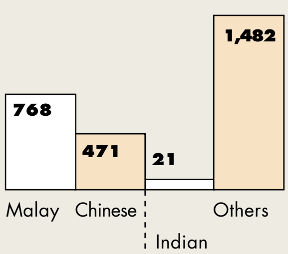
WORKFORCE BY GENDER



WORKFORCE BY AGE GROUP



WORKFORCE BY ETHNICITY



NURTURING THE CMS FAMILY

CMS is deeply committed to advancing the well-being of our people via the creation of a working environment that embodies the warmth and unity of a family environment, coupled with the professionalism of a well-run meritocratic listed company. We view our employees not just as cogs within the machinery of our workforce but as being part and parcel of the CMS Family. As we build the bonds of trust and camaraderie, as well as instil a spirit of excellence and professionalism among the CMS Family, our efforts are giving rise to a loyal, diligent and committed workforce.

Celebrating Diversity

Sarawak embodies a variety of ethnic groups and at least 40 sub-ethnic groups, each with its own unique language, culture and lifestyle. The State is not only tolerant of diversity, but wholeheartedly embraces it. As a home-grown company of the State, we make every effort to epitomise the same spirit and perspective when it comes to supporting a diversified workforce. As such, not only are we accepting of all people, we celebrate their differences, as well as support a work culture that values individuals and their unique talents and contributions. By upholding diversity within our workforce, we are successfully creating and retaining a talented workforce with different perspectives and experiences.

The following charts illustrate the diversity within our CMS Family:

CMS' Diverse Workforce

Workforce by Employment type	2017	2018	2019
Permanent Staff	1,436	1,399	**1,452**
Non-permanent Staff	1,228	1,352	**1,290**

Workforce by Gender	2017	2018	2019
Male	2,117	2,192	**2,137**
Female	547	559	**605**

Workforce by Age Group	2017	2018	2019
<30	557	602	**524**
30 to 40	714	770	**805**
40 to 50	718	803	**723**
>50	655	576	**690**

Workforce by Ethnicity	2017	2018	2019
Malay	775	808	**768**
Chinese	427	452	**471**
Indian	13	14	**21**
Other Races*	1,149	1,477	**1,482**

* Note: The 'Other Races' category which makes up the majority of CMS' diverse workforce comprises employees of Iban, Bidayuh, Orang Ulu and Melanau descent, as well as other ethnicities from Sarawak's multiple ethnic groups.

Upholding Equal Employment Opportunities and Fair Treatment

Even as we celebrate diversity, we also place an emphasis on the importance of providing equal employment opportunities. The Group's goal is to provide fair treatment to all our employees while achieving equilibrium between performance, pay and participation. We are steadfast in our resolve to practice merit-based promotion and make no discrimination based on race, religion, gender, age, sexual orientation, disability or nationality. Currently, 77.94% of the Group's employees are male while 22.06% are female. For managerial positions and above, male employees account for 73.68% while females account for 26.32%.

NURTURING PEOPLE, SUSTAINING COMMUNITIES

CMS continues to be unwavering in its compliance with the Sarawak Labour Ordinance and the Employment Act covering the prevention of forced and child labour. While our Group policy supports the right to undertake collective bargaining and freedom of association in compliance with local laws, we strictly prohibit forced labour and the employment of children below 18 years old. We also have zero-tolerance for physical or verbal discriminatory harassment in the workplace. We provide a confidential reporting channel, as well as whistleblowing system and policy for both individuals and communities. In addition, the Group is not only committed to fulfilling the Minimum Wages Order 2019 but is committed to exceeding the minimum wage and offering salaries based on the market rate.

Ensuring Engaged and Committed Employees

We believe that in order to deliver sustainable value to our stakeholders, we need to hire and retain the best people, hone their talents, as well as nurture them within a conducive environment that will in turn inspire meaningful innovation and creative solutions. To this end, the Group strongly encourages employee engagement activities that cultivate positivity, harmony and dedication. It is the strong bonds and *esprit de corps* that we have formed among our CMS Family that continues to see us through difficult times.

We believe in engendering corporate growth together with a fuller life for all our employees. To date, we have set in place several work-life balance programmes and a variety of other engagement initiatives that reflect this:

- **Work-Life Balance Initiatives:** We encourage our employees to live in a responsible manner through a variety of annual work-life balance initiatives. These customised activities emphasise the importance of employees' health and general well-being whilst ensuring that they remain motivated and purpose-filled in their career paths. Our activities to date encompass safety awareness campaigns and the adoption of best practices; team-building and mentoring; diverse health and exercise programmes; and effective workload management methods, among others. The Group also has in place a Work-Life Balance Policy which endorses flexible working hours and part-time employment, as well as the payment of an additional RM300 to employees to cover their health and lifestyle aspirations including topping up their out-patient entitlement.
- **Board of Directors, Senior Management and Management Strategic Retreats:** These engagement sessions bring our different levels of leadership together to reflect on the Group's performance, anticipate challenges and opportunities, as well as strategise and future-proof our businesses.
- **The Koffee Talk Initiative:** This biennial event serves as a platform for our non-executive employees to voice any work-related issues and concerns directly to Senior Management and Group Human Resources.
- **Town Hall Sessions:** This annual Group-wide event facilitates engagement between Senior Management and all employees. It serves the dual purpose of providing information on the Group's annual performance, as well as addressing any issues that might affect the organisation and workforce. In November 2019, we organised two Town Hall sessions in Sibu and Kuching with 547 and 1,131 employees respectively. A special session was held for employees of CMS Roads Sdn Bhd from Northern Sarawak who were laid-off due to the non-renewal of the road maintenance concession.
- **Employee Satisfaction Survey (ESS):** This biennial survey enables Management to appraise employee-supervisor relationships and to gauge employees' satisfaction. Internal and public perception of the Group, as well as employees' perspectives on their career growth, welfare and work environment are all assessed via the ESS. The results are then tabled at Board meetings and action plans drawn up and implemented to address areas for improvement.

The last ESS survey conducted in 2018, revealed that employees were generally more satisfied in their jobs across the CMS Group at that time in comparison to the 2014 and 2016 ESS. The next biennial ESS is due to be conducted in 2020.

ESS Results (2014–2018)

Year	Satisfied	Dissatisfied
2014	93.66%	6.34%
2016	94.16%	5.84%
2018	94.22%	5.78%

The Group also rolls out several other employee engagement initiatives to strengthen camaraderie and team spirit. They include:
- Annual Dinners;
- The Baleh Kapit Raft Safari;
- Biennial CMS Inter-Regional Games & CMS Friendly Games; and
- Long Service Awards.

Mitigating Employee Turnover

Our efforts to retain our employees and keep them satisfied is reflected in a moderate turnover rate over the last three years.

Employee Turnover Rate

Turnover	2017	2018	2019
Total Turnover (%)	6.0	8.8	**8.2**
Turnover by Gender (No. of Employees)			
Female	32	57	**45**
Male	128	187	**180**
Total	160	244	**225**

Evaluating Employee Performance

To ensure that Group performance is optimised across all divisions and at the individual level, the Group utilises a performance management system that evaluates employee performance throughout the organisation. The system, which is aligned to the Group's digital transformation initiative, features Sustainability-related Key Performance Indicators (SKPIs) and serves to align employees' work targets with the Group's goals, direction and business objectives. The system also incorporates an incentive or rewards system that sees employees receive performance contract payments or bonuses when one of the Group's goals is achieved.

Ensuring Fair Pay and Competitive Benefits

Here at CMS, we believe in fair pay and benefits for all workers and make it a priority to monitor all issues regarding income equality closely. We strive to ensure that our employees are adequately compensated with pay rates and benefits that are in line with the job market. We also review our employee remuneration and benefit packages on a regular basis to ensure that they are above the enforceable statutory minimum.

We also provide flexible working times (flexi-time) as an option for full-time employees who are unable to commit to normal working hours. Over and above contractual employee benefits, CMS also provides monetary assistance via our Compassionate Fund for employees who are facing financial challenges due to unaffordable medical expenses or a family disaster.

SUMMARY OF BENEFITS

Training
- An average of 24 hours of compulsory training per year for Executives and above
- Non-Executives are required to attend an average of 18 hours of training per year

Medical Leave
- Sick Leave
- Prolonged illness

Salary & Allowances
- Acting responsibility
- Relief
- Site/Hardship
- Others

Travel
- Accommodation
- Subsistence allowance
- Mileage

Overtime
- Executive
- Non-Executive
- Others

Medical Care-Outpatient Treatment
- Married/Single employees with dependent children
- Married/Single employees without dependent children

Salary Deductions
- EPF
- SOCSO

Hospitalisation
- Executive
- Non-Executive
- Delivery
- Warding

Annual Leave
- Executive
- Non-Executive

Other Types of Leave
- Compassionate/Calamity
- Marriage, Paternity & Maternity
- Examination & Study
- Pilgrimage
- Unpaid
- Leave of absence to represent State/Country

NURTURING PEOPLE, SUSTAINING COMMUNITIES

Prioritising Occupational Health and Safety

The safety, health and well-being of all those whom CMS is responsible for continues to be a key priority. We are committed to upholding stringent policies and to safeguarding, managing and preventing job-related injuries and illnesses. Our initiatives to date encompass the following:

- Group Safety Taskforce;
- Group Safety & Health Policy;
- Health, Safety, Security & Environment (HSSE) Department;
- HSSE Committees at every division and subsidiary company;
- Safety and Health programmes;
- Safety Month (2019 marked the seventh anniversary of this Group-wide safety campaign which was themed 'Health is Wealth'); and
- HSSE performance criteria within employees' KPIs.

Leveraging on Training and Development Activities

To retain our highly-skilled workforce, the Group provides each employee with training and career development opportunities. We have made it mandatory for all employees to undertake a set number of hours of training per year. While non-executive employees must undergo an average of 18 hours of training per year, all executives, managers and above must attend an average of 24 hours of training per year. In 2019, a total of 2,461 employees attended training sessions, including team-building sessions.

Training	Unit	2017	2018	2019
Average training budget per employee	RM	792.82	960.00	**1,155.81**
Average number of hours of training per year per employee	Hours	16	14	**15**
Average days per employee	Days		1.75	**1.88**

Equipping Potential Successors

As part of our efforts to ensure CMS' sustainable, long-term growth, we continue to invest our resources in succession planning. This is enabling us to create a talent pool for critical positions, as well as ensure a customised development and mentoring programme for potential successors.

In line with 2019's succession planning efforts, our 12 Tier-2 Succession Planning candidates made good progress under the mentorship of the then Group Chief Operating Officer. Meanwhile Tier-3 candidates underwent a tailor-made Leadership Development Programme and a Group Coaching Session to equip them to move into general management positions in the near future. CMS also has in place a Management Trainee Development Programme (MTDP) which is designed to provide executive-level trainees with 12 months of structured training in core corporate functions and specialised roles in various business divisions. Since the programme's inception, a total of three batches have graduated with 39 participants recruited as employees. While there was no MTDP for the year in review, the programme will resume in the 2021/2022 period.

For more details of CMS' employee-related initiatives, please refer to CMS' standalone Sustainability Report 2019.

BUILDING SUSTAINABLE COMMUNITIES

CMS is a home-grown Sarawakian company that is intent on building sustainable communities. To this end, we are committed to strengthening ties with the State's diverse communities and exploring various means by which we can help them elevate their livelihood in a sustainable manner. As we journey together with various communities and cultivate enduring relationships with them, we are according them the opportunity to create a better, sustainable future whilst firmly establishing CMS as a friend to them.

Doing Good & Building Sustainable Communities

Today, all the Group's corporate social responsibility (CSR) efforts come under the ambit of our 'Doing Good & Building Sustainable Communities' programme. Fuelled by employee volunteerism, this initiative underscores our endeavour to undertake tangible CSR initiatives that will create a lasting positive impact on communities across the State. Our 'CMS Doing Good' Facebook, which was launched on 16 February 2019, showcases the good work that we are doing to date and aims to inspire others to follow suit. Our Facebook serves not only to highlight CMS' CSR efforts, but also curates exemplary CSR initiatives from local and global sources.

Reinforcing CMS' Doing Good Culture and Employee Volunteerism

Since its inception in the mid-1990s, the CMS Doing Good culture has progressed from a standalone CSR initiative into a Group-wide sustainable programme that is positively impacting communities across Sarawak. Subsequently in 2007, we ramped up employee volunteerism efforts to encourage more direct employee participation in CSR activities. This move went a long way in helping to inculcate a caring attitude and an inclination to serve among our employees even as they gave generously of their time and talents to those in need.

NURTURING PEOPLE, SUSTAINING COMMUNITIES

Today, as a matter of company policy and as part of our employees' annual KPIs, our employees are required to volunteer their services to serve communities under the Doing Good initiative. Employees at the executive and manager or above positions are required to undertake at least 32 man-hours of CSR activities in a year, while non-executives must undertake at least 24 man-hours of CSR activities annually. Even as our people begin to take ownership of specific projects benefiting the communities that they work among, we are raising up more fulfilled employees and a service-oriented workforce. At the same time, we are building ties and cultivating goodwill with communities while reinforcing CMS' reputation among stakeholders.

In FY 2019, our employees raised a total of RM86,535.00 (FY 2018: RM105,065) under this initiative. The funds were distributed among various locally-based charitable organisations, mosques, churches, a home for the elderly and children's homes to assist them in their day-to-day expenses. The year under review also saw employees dedicating a total of 43,894 man-hours (FY 2018: 50,241 man-hours) for CSR activities including fund-raising charity sales, rebuilding communities, jog-a-thons, community work and much more. The amount of funds collected and man-hours accounted for in FY 2019 were lower than that in FY 2018 due to a retrenchment exercise at CMS Roads Sdn Bhd following the closure of nine of the Group's 18 Road Maintenance Units or RMUs.

EMPLOYEE VOLUNTEERISM

IN 2019, CMS' EMPLOYEES DEDICATED A TOTAL OF

43,894

MAN-HOURS
(FY 2018: 50,241 MAN-HOURS)

CMS DOING GOOD

IN 2019, CMS' EMPLOYEES RAISED A TOTAL OF

RM86,535

(FY 2018: RM105,065)

The following illustrates the various CMS Doing Good activities between 2017 and 2019:

Breakdown of Doing Good Activities (% of Concentration)			
Area of Focus	**2017**	**2018**	**2019**
Rebuilding Communities	38.3	45.9	**33**
Sustaining Charitable Organisations	32.3	24.6	**27**
Environmental & Health Awareness Programmes	18	19.7	**26**
Saving Lives	8.4	8	**10**
Community Clean-ups *(gotong-royong)*	3	2	**4**

Breakdown of Doing Good Activities (Man-Hours Volunteered)			
Area of Focus	**2017**	**2018**	**2019**
Rebuilding Communities	18,524	23,040	**14,546**
Sustaining Charitable Organisations	15,655	12,372	**11,848**
Environmental & Health Awareness Programmes	8,715	9,904	**11,278**
Saving Lives	4,080	3,920	**4,352**
Community Clean-ups *(gotong-royong)*	1,446	1,005	**1,870**

In a bid to further strengthen our employee volunteerism efforts, the Group's senior management team continues to travel around Sarawak to engage with our people, gather their on-the-ground ideas and inspire them to serve their surrounding communities with more impact. To date, we have nine RMUs and two Road Maintenance Depots or RMDs across the State which we hope to employ as ambassadors and first responders for the communities in which they operate.

Towards Building Sustainable Communities

On 19 January 2019, we kicked off the pilot project of our 'Doing Good & Building Sustainable Communities' initiative which centred on efforts to rejuvenate the community at Kampung Murud Plaman. A team of CMS employees was deployed to Kampung Murud Plaman in Serian to refurbish their old church, Sunday school venue and the meeting room for their Jawantankuasa Kemajuan dan Keselamatan Kampung. CMS volunteers diligently replaced the entire roof of the old church, painted its interior and exterior, as well as converted it into a mini library. They also made improvements to the compound and football pitch.

Throughout 2019, our employees continued to volunteer their time and effort to conduct other activities under the 'Doing Good & Building Sustainable Communities' banner. These projects included community clean-ups and rebuilding works in numerous locations which saw several schools benefiting from improved road access and amenities. Our efforts were not limited to Kuching alone, but were implemented throughout Sarawak, especially in the rural areas among schools, villages, mosques, churches and others.

NURTURING PEOPLE, SUSTAINING COMMUNITIES

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Today, the Group's community engagement efforts continue to open up avenues of opportunity for CMS to make a real difference among the communities of Sarawak.

The bulk of our efforts has been focused in the vicinity of Mambong as our CMS Integrated Cement Plant is situated there. Thanks to the concentrated and impactful community efforts by CMS Cement Industries Sdn Bhd (CMSCI), we enjoy a wholesome relationship with the communities in the area. Our key community engagements within the area include the following activities, to name a few:

- **Charity Programmes:** On 6 April 2019, CMSCI organised a 3 km Charity Run at the Mambong quarry area to raise funds for disabled children. A total of 364 man-hours was recorded and the funds collected were donated to Program Pemulihan Dalam Komuniti OKU Mambong, the community-based rehabilitation centre in Mambong.

- **Employment:** CMSCI continues to prioritise the recruitment of candidates from villages nearby the plant, subject to the suitability of their qualifications, job skills and work experience. As at 29 August 2019, more than 50% of CMSI's Integrated Cement Plant employees were from the villages within a 20 km radius of the plant.

- **Academic Support:** In 2016, CMSCI initiated the English reading programme at SK St. Augustine Primary School in Mambong to help improve the English literacy of the students there. Since the programme was kick-started, English proficiency in the school has improved, thus also improving the general performance of the school as a whole. The year also saw CMSCI sponsor a two-day UPSR Workshop and UPSR Intervention Programme to prepare and equip the students for their UPSR examination. In 2019, three students of the school achieved 3As and one student managed to score straight 6As in the UPSR examination.

  CMSCI also continues to support SK St. Augustine through the provision of an annual grant which the Company has been contributing since 2014. CMS employees also make regular book donations to the school to cultivate good reading habits among the students. Today, SK St Augustine and the Tunku Putra School (which CMS has a stake in) continue to collaborate together on certain educational initiatives. The year saw the reading programme being extended to Primary 4 and 5 students in addition to Primary 6 students.

- **Ongoing Open Dialogue:** The Group continues to pursue open dialogue with the communities within and around Mambong as part of our commitment to maintaining clear lines of communication and strengthening our ties with them. These activities include annual dialogue sessions between the senior management of CMS and CMSCI and the community leaders, as well as village heads or their representatives from the seven villages situated in and around the Mambong area. The dialogue session organised on 29 August 2019, marked the sixth year that a roundtable between the various parties had been organised since it was first initiated in 2014.

- **First Response Teams:** Throughout the year, especially during the rainy season, our road maintenance crews go above and beyond the call of duty by serving as first responders. They are always on standby to lend a helping hand to communities in the event of a landslide, road collapse or flood in the area.

As CMS moves forward to continue Doing Good and Build Sustainable Communities, we will continue be on the lookout for initiatives such as the refurbishing project at Kampung Murud Plaman or community support at Mambong whereby an entire village or community will benefit from the collective efforts of CMS volunteers and the locals.

Over the course of the year, CMS also undertook the following key activities under its 'Doing Good & Building Sustainable Communities' programme:

- Continued to collaborate with a university to strengthen a final year industry-based project with prospective commercial value that is aimed at training engineers of the future. Another aspect of this collaboration is the industrial lab partnership initiative which will see CMS opening up its labs and resources to researchers which will enable them to expand their knowledge on specific subject matters.

- Organised the fifth annual CMS Tribal Run in Miri and Kuching on 7 July and 4 August 2019 respectively. These events drew over 3,700 participants and raised registration fees totalling RM154,800 all of which were donated equally among 12 charitable bodies. Over and above this, the Cahya Runners consisting of CMS' top runners went the extra mile to raise an additional amount for PERKATA which CMS matched with a similar amount for the Society for Critically Sick Children (SOS Kids). Barring unforeseen circumstances, August 2020 will see the ever-popular CMS Tribal Run returning for the sixth consecutive year.

- Continued to implement CMS' Adopt-a-Mosque initiative which is the Group's initiative to support Muslim communities in Sarawak by contributing RM2,000 to each mosque and *surau* under the ambit of this programme.

▲ *For more details of CMS' community initiatives, please refer to CMS' standalone Sustainability Report 2019.*

TAPPING INNOVATION TO PRESERVE OUR ENVIRONMENT

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The CMS Group is committed to being a responsible industry player and a conscientious steward of the resources we have been entrusted with. We are focused on building legacy by operating in a manner which mitigates our carbon footprint whilst preserving the environment. To this end, we continue to apply innovative operating strategies and technologies, as well as best practices to minimise our environmental footprint.

To date, we have focused our efforts on fine-tuning our environmental practices by developing more robust and integrated energy, air, materials, waste and water environmental strategies that go beyond meeting basic compliance standards. We also continue to rollout KPIs, policies and various measures to ensure that we safeguard the environment and leave a legacy for the enjoyment of future generations. The year in review saw the Group further build upon its innovation-based environmental efforts.

ELEVATING OUR R&D EFFORTS

Research and development (R&D) continue to be a focal point of our environmental-based activities even as we explore ways to strengthen the sustainability and competitive edge of our businesses. Our subsidiary, CMS Cement Industries Sdn Bhd (CMSCI) spearheads our efforts with its environmentally-friendly approach in managing scheduled wastes from the various industries with the State, particularly the Samalaju Industrial Park. The scheduled wastes or by-products generated by these industries provide us with alternative sources of materials that serve as substitutes for the typical raw materials or fuels currently used in the Group's clinker, cement, and concrete production activities. Today, CMSCI continues to re-purpose these scheduled wastes and their by-products into alternative sources of materials to be used in the Group's operations. At the same time, CMSCI is recycling the waste into useful products with additional performance attributes.

CMSCI's R&D efforts to date focus on the following three areas:

1. **Product Development**
   In this area, supplementary cementitious materials (SCM) or additives such as slag, silica fume, fly ash, limestone and other materials are utilised to replace clinker. This results in new products with enhanced characteristics or which are used in other applications.

2. **Alternative Raw Materials**
   In this area of R&D, the use of waste/by-products from other industries is explored with the aim of replacing the typical raw materials used in clinker, cement and concrete operations.

3. **Alternative Fuels**
   This area looks into the use of waste/by-products with suitable calorific value to replace the traditional fuel used in clinker burning.

The R&D activities in these areas have produced significant improvements in CMSCI's cost efficiencies. They have also resulted in enhanced product quality and increased product selection, as well as supported sustainable development in line with the Company's objectives.

INNOVATIVE USE OF SCHEDULED WASTES AND BY-PRODUCTS

The following are some among the many innovative initiatives related to scheduled wastes and by-products that are being implemented across the Group's subsidiaries:

Use of limestone materials in the production of Portland Limestone Cement (PLC)

Our eco-friendly Portland Limestone Cement (PLC) is a highly versatile product that can be used for all types of structures and is known for being easier to use and having a better finish. PLC is manufactured by finely grinding a special blend of clinker, gypsum and high-quality limestone under stringent quality control. As limestone material is readily available and cheaper in price, the production of PLC with more than a 20% limestone addition is reducing overall operational costs, thereby, increasing profit margins. Ground to a higher fineness, the resulting PLC is a highly versatile product that gives users multiple benefits such as better workability, smoother finishing, improved cohesiveness, reduced bleeding, easy mixability, improved slump retention and good flowability.

In 2019, in partnership with Universiti Malaysia Sarawak (UNIMAS), we tested PLC as a potential binder for soft soil conditions. The trials indicated that PLC has certain properties which make it ideal for Sarawak's soft soil conditions, thus addressing a huge challenge the local construction industry has been facing.

Use of silica fume for the production of Portland Composite Cement (PCC) and for use in concrete

Silica fume is an ultrafine powder collected as a by-product of silicon and ferrosilicon alloy production. Comprising spherical particles with an average particle diameter of 150 nm, it is furnished by OM Materials (Sarawak) Sdn Bhd and Pertama Ferroalloys Sdn Bhd. By adding silica fume to produce blended PCC or by using it in concrete, this reinforces cement performance and lends to higher durability. CMSCI has already received the relevant approvals from the Department of Environment (DOE) and conducted several plant trials in relation to the use of silica fume.

Use of Tyre-derived Fuel (TDF) as alternative fuel

Since 2015, CMSCI has been using tyre-derived fuel (TDF) to manufacture clinker as it produces the same energy as petrol and approximately 25% more energy than sub-bituminous coal. In 2018, CMSCI received approval from DOE to proceed with the trial of 300 metric tonnes of TDF with the aim of eventually producing TDF for commercial purposes. Following successful trials, 2019 saw CMSCI beginning the process of seeking approval from the relevant authorities for the commercial production of TDF.

Use of furnace slag to partially replace clinker in the production of Portland Cement

In collaboration with University Malaya, we have been researching using Yellow Phosphorous Slag (YPS) from Malaysian Phosphate Additives (Sarawak) Sdn Bhd as clinker replacement in the production of cement.

TAPPING INNOVATION TO PRESERVE OUR ENVIRONMENT

We are also continually looking into additional sources of sludge from within the industry. Following extensive laboratory research into using Phosphogypsum (PG) as a replacement for limestone, our clinker plant has concluded that the waste material is viable as a material replacement. The next step is to ramp research up to the industrial level with sample waste material from an identified source.

Use of silicon manganese as a replacement for coarse or fine aggregates in concrete

Silicone manganese has the potential to be used as an aggregate replacement in concrete. A by-product for the ferro silicon smelting plants of OM Materials (Sarawak) and Pertama Ferroalloys, it is available in two types, the coarser and glossy air-cooled type and the sandy water-cooled type. Previous tests have shown that a 50% replacement of coarse aggregate with silicon manganese has resulted in stronger concrete.

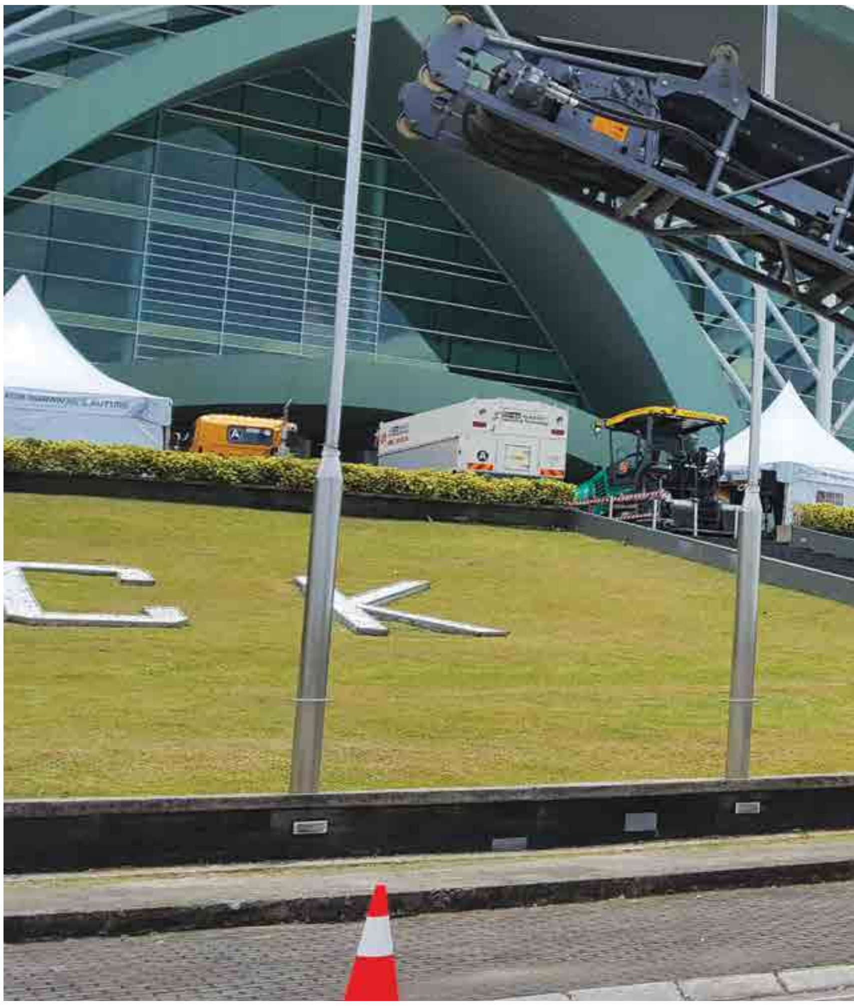
CMS Concrete Products Sdn Bhd (CMSCP) has also been running tests to determine the material's suitability as supplementary cementitious material for subbase, roadbase and CIPR. The tests have shown positive results and the application to the Department of Engineering Sarawak has been approved. CMS Pavement Tech Sdn Bhd (CMSPT) too has been running field trials on pavements after which post-construction monitoring will be carried out.

Granulated blast furnace slag for production of slag cement

Blast furnace slag is formed during the production of hot metal in a blast furnace. When the liquid slag is directed into a granulator where it is rapidly cooled by large amounts of water, it results in a glassy/amorphous granular or sand-like product. This can be used as supplementary material in the production of slag cement. Laboratory tests using 30-50% slag replacement of clinker have shown a substantial increase in strength. A total of 20 MT of the material has been imported from China for more trials to be conducted by CMSCP.

Leveraging on Cold-in-Place Recycling technology

A specialist provider of pavement works covering construction, rehabilitation and maintenance, CMSPT promotes sustainable engineering and construction using locally-sourced, alternative materials. The Company uses cement stabilisation technology in the form of the Wirtgen WR2500S, WR250 and WR240 machines to reconstruct and rehabilitate pavements. This method is more eco-friendly and cost-efficient than the more traditional methods of pavement rehabilitation. The Company is also capable of performing stabilisation works using other agents such as lime, emulsion, bitumen and soil stabilisers. The Company's technology features higher cost savings, quicker construction times, as well as improved pavement performance and design life. In 2019, the Company continued to conduct significant amounts of recycling-in-place.



CONTINUING TO PROMOTE INNOVATION AND COLLABORATION

The Cement Division continues to explore ways and means to leverage innovation. To curtail its rate of power consumption, it has adopted the use of Sika 874, a chloride-free liquid cement grinding aid that has performance-enhancing properties. Some of the other energy-efficient technologies that the Division leverages on include the installation of a polycom pre-grinder at the Pending Grinding Plant that has elevated output and decreased electricity consumption. On top of this, the deployment of static grates and modular grates at our Mambong facility for more effective heat recuperation has resulted in reduced coal usage. In October 2019, our Mambong facility replaced their existing kiln outlet seal with the aim of improving fuel efficiency and reducing heat consumption.

By way of the Group's quarry operations, CMS Quarries Sdn Bhd installed a continuous monitoring emission system (CEMS) for its new bag filter systems, as well as dust recovery systems for its premix plants. It secured a 2% improvement in dust recovery for its Kuching, Sibu, Bintulu and Miri premix plants after the bag filter system was installed and subsequently added the dust back into the hot mix.

In terms of alternative fuels, the Group is collaborating with the Natural Resources and Environment Board (NREB) Sarawak and Trienekens (Sarawak) Sdn Bhd on various recycling initiatives for Municipal Solid Waste (MSW). Communications have also been established with Daiken Sarawak Sdn Bhd on the re-utilisation of Sludge Cake (SW320) as alternative fuel. The oil sludge from Petroliam Nasional Berhad (PETRONAS) and the ship yards are also undergoing tests and will be given further consideration in 2020. For now, the design of the feeding flow system for alternative fuel has been given priority status.

Savings have also been achieved on the Company's heat consumption since we started using low calorific-valued Mukah coal. Additionally, the Group has developed Eco Light Fuel Oil (ELFO), which is recovered fuel oil that is certified eco-friendly.

PUSHING THE BOUNDARIES ON RESEARCH AND INNOVATION

The Group's sustainability leadership efforts in the area of recycled waste and by-products are steadily gaining recognition in the markets that we play in and we are being asked to share our knowledge. Currently, we are in collaboration with UNIMAS to study the performance of our PLC and also the addition of silica fume in concrete. As we focus our energies on preserving the environment that we operate in, we will continue to push the boundaries on research and innovation. This will certainly help reinforce the Group's position as a responsible corporate citizen and a forward-thinking player in the segments that we play in.

▲ *For more details of CMS' environmental-related initiatives, please refer to CMS' standalone Sustainability Report 2019.*

MARKET OUTLOOK FOR 2020

UNCERTAINTY ABOUNDS AS WE EMBRACE 2020

At the time of writing, the International Monetary Fund (IMF) has announced that the ongoing Covid-19 pandemic which has affected over 1.7 million people to date has already driven the global economy into recession. The IMF has urged nations to counter this with hefty spending if they want to avoid a surge of bankruptcies and emerging market debt defaults. To this end, the nations of the world have responded with diverse stimulus packages with the US leading the way with a USD2 trillion plus aid package to cushion the blow to its citizens and businesses.

On the domestic front, the new Perikatan Nasional administration in late March 2020 revealed a RM250 billion stimulus package comprising loan deferments, one-off cash assistance, credit facilities and rebates, as well as a direct fiscal injection of RM25 billion. As Malaysia copes with the realities of political, oil price and Covid-19 shocks, it is also having to come to grips with the economic impact of the extended Movement Control Order (MCO) imposed by the Federal government to mitigate the impact of the pandemic.

In its Economic and Monetary Review 2019 report released in early April, Bank Negara Malaysia (BNM) has warned that Malaysia will not be spared from the global growth contraction this year as a result of the pandemic. BNM's official forecast points towards economic growth in the range of -2% to 0.5% in 2020 with output expected to decline across all sectors, except for services (although it is forecast to register much slower growth). Economic growth is also expected to be weighed down by output loss from the impact of Covid-19, the MCO, as well as the disruption in commodity supply.

On a more optimistic note, BNM is confident that the Malaysian economy can weather the current challenges and emerge even stronger. Aside from the broad range of policy instruments that the central bank has at its disposal to ensure monetary and financial stability, several other catalysts will be leveraged on to support Malaysia's economic growth in 2020. These include the RM250 billion economic stimulus package, BNM's move to cut the overnight policy rate, the continued progress of public projects, as well as higher public sector expenditure. The government's stimulus package alone is estimated to add 2.8 percentage points to 2020's GDP growth while the continuation of large-scale infrastructure projects (to the tune of some RM15 billion) will provide an additional lift of 1 percentage point.

Moreover, BNM is of the opinion that that the financial system is well-positioned to support the economy. Given the strong buffers built up over the years, banks in Malaysia have strong capital positions. As of February 2020, banks had a total capital ratio of 18.4% in comparison to 12.6% in 2008, while their total capital buffers amounted to RM121 billion as compared to just RM39 billion in 2008. This signifies that current capital buffers are sufficient to absorb potential losses. Moving forward, private consumption is expected to continue anchoring domestic growth, albeit at a slower pace of 4.2% in 2020 as compared to 7.6% in 2019. All in all, BNM believes that the economy could see a recovery by the second half of this year, followed by stronger growth in 2021.

SARAWAK SETS ITS SIGHTS ON RESILIENT GROWTH

While Sarawak will not be spared the effects of external headwinds, there are certain plans underway that will keep the State busy and on course for growth over the near-term. These include the continued implementation of major projects and substantial spending on infrastructure. Major projects in the works include the Coastal Road network, Second Trunk Road, Sarawak Water Supply Grid programme for stressed areas, the rural electrification scheme and other rural transformation initiatives. These projects would act as stimuli to cushion the impact of the global economic slowdown.

WHILE MALAYSIA WILL NOT BE SPARED FROM 2020'S GLOBAL GROWTH CONTRACTION, BANK NEGARA MALAYSIA (BNM) IS CONFIDENT THAT THE ECONOMY CAN WEATHER THE CURRENT CHALLENGES AND EMERGE EVEN STRONGER DUE TO CERTAIN CATALYSTS INCLUDING:

BNM's range of policy instruments to ensure
MONETARY AND FINANCIAL STABILITY

The Federal Government's
RM250 BILLION
economic stimulus package

BNM's move to cut the
OVERNIGHT POLICY RATE

The continued progress of
RM15 BILLION
worth of large-scale infrastructure projects

HIGHER PUBLIC SECTOR EXPENDITURE

MALAYSIA'S SOUND FINANCIAL SYSTEM

"—"

Amidst the economic and geopolitical turbulence and uncertainties, Sarawak intends to maintain its resilience by balancing short-term counter cyclical policies with prudent fiscal management and a steadfast focus on strengthening medium-term growth.

Even as the global economy is set to face economic and geopolitical turbulence and uncertainties, the State intends to maintain its resilience by balancing short-term counter cyclical policies with prudent fiscal management and a steadfast focus on strengthening medium-term growth. These steps will be critical as Sarawak's economy is commodity and resource-based, where fluctuations in commodity prices would have a significant impact on the State's revenue and economic growth. The State will also focus its efforts on vigorously intensifying the implementation of high-impact and people-centric projects in line with its development agenda. To this end, more areas will be opened up for productive economic activities that will provide greater job and business opportunities that will eventually uplift and enhance the well-being of people.

In line with the State's agenda to transform rural areas and ensure that no one is left behind, the 2020 Development Budget will continue to be rural-biased to further stimulate economic progress. A budget of RM9.9 billion has been brought into play with RM6.6 billion allocated for development expenditure and RM3.3 billion for operating expenditure. Under its 2020 State Budget, Sarawak will continue to implement the six key strategic thrusts aimed at stimulating the growth of the State economy towards inclusive, sustainable and equitable development for all spectrums of society. Apart from a development-biased and rural-focused budget in which RM4.141 billion or 63% has been set aside for rural development, other thrusts include intensifying the State's development agenda towards achieving a high-income economy by 2030, with a considerable allocation for the provision of basic facilities and amenities, as well as other people-centric projects.

As per the Sarawak Digital Economy Strategy 2018-2022, the State Government has committed RM1.15 billion to strengthen the State's digital economy infrastructure in support of the digital industries, commerce and investment that it intends to draw in. The digital economy will be the key enabler of economic transformation. It will involve the creation of a comprehensive digital ecosystem and entrepreneurship culture, as well as investment-driven economic growth, with a focus on higher value-added activities in the manufacturing and services sectors and resource-based industries such as oil and gas, agriculture, biotech, and timber processing.

Sarawak has also set aside RM21.67 billion for the implementation of various mega infrastructure projects. The bulk of this allocation will go towards the Sarawak Second Trunk Road project (RM6 billion), upgrading of Sarawak coastal roads (RM5 billion), Sarawak Water Grid Programme (RM2.8 billion), rural electrification projects (RM2.37 billion) and the construction of 300 telecommunication towers (RM1 billion). The other mega infrastructure project, the Pan Borneo Highway, is being funded by the Federal Government at an additional cost of RM16.48 billion.

CMS IS PRIMED TO ENSURE SUSTAINABLE GROWTH

Given the recentness of the Covid-19 impact on the global and domestic economies, CMS is unable to fully estimate how these developments will affect our business moving forward. Rest assured, however, that we have implemented the necessary measures to safeguard the sustainability of our business for the long-term. At the same time, several existing factors hold us in good stead.

Being Sarawak's leading infrastructure facilitator, the CMS Group is well-positioned to benefit from many of the key economic growth drivers in the State. These include the energy-intensive industries under SCORE; impactful infrastructure development projects such as the Pan Borneo Highway, Coastal Road, Second Trunk Road and Baleh Dam; as well as the State's upcoming water and electricity grid projects. On top of this, CMS is well-primed to support and benefit from the rollout of Sarawak's digital economy initiative. All in all, as we venture forth amidst highly challenging market and operating conditions, the Group will leverage on its three-pronged strategy and a host of other supporting measures to ensure a satisfactory performance.

DELIVERING VALUE TO SOCIETY AND RETURNS TO OUR SHAREHOLDERS

COMPETING ON REVENUE

Our Capitals

Financial Capital

The financial resources required to support the business as a going concern. This includes our day-to-day expenses and our capital requirements, and the necessary funds to enable expansion.

Human Capital

We are a high-performance organisation that requires competent employees in specialist fields. We work to attract, develop and retain top calibre human capital who are instrumental in the execution of our strategy.

Intellectual Capital

Our brand, which has endured for decades, encapsulates the intellectual capital that enables us to provide our services. This includes the technologies and systems we have developed and the intellectual know-how.

Social and Relationship Capital

We play a critical role in the local economy. We interact with a broad range of stakeholder groups to ensure that we remain a trusted public-listed entity and a homegrown company that enables the creation of value for ordinary Sarawakians.

Manufactured Capital

We leverage on a range of physical sites, machinery and facilities throughout the State which enable us to develop, construct, procure and deliver our products and services.

Natural Capital

The resources we use for our business, such as water and electricity, are monitored and managed to integrate sustainability enablers across our company.

Key Inputs

Financial Capital

- CAPEX
- Market capitalisation
- Shareholders' equity
- Cash reserves

Human Capital

- Over 2,742 employees
- Development in people
- More opportunities for communities

Intellectual Capital

- Investment in Research & Development (R&D) laboratories
- Investment in software development for road maintenance and management information systems
- A proactive stance on waste advocacy

Social and Relationship Capital

- Engagement through Investor Relation Communications
- Our sustainability strategy
- Our corporate social investment strategy

Manufactured Capital

- 2 cement grinding plants, 1 integrated cement plant, 2 bulk terminals
- 12 premix plants
- 5 quarries
- 1 steel wires and wire mesh manufacturing plant
- IBS plant
- Road maintenance equipment (including a fleet of specialised machinery)

Natural Capital

- Energy consumption
- Water consumption

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Our ability to generate value is dependent on access to financial capital, skilled people, quality relationships and key natural resources, supported by the right company culture, and by access to necessary infrastructure, plant and equipment.

Business Activities to Sustain Value	Outcomes
- Cost optimisation activities - Credit facilities under subsidiaries - Sukuk - Share buy-back programme	• Revenue of **RM1.74 billion** • Profit before tax of **RM247.90 million** • Pay dividends • Long-term funding and stable rate • Strengthen investors' confidence
- Mentorship/Succession planning - KPI system - Management trainee development programme - Employee engagement (Koffee Talk) - Regional town halls - Training Needs Identification (TNI) - Directors & Management Retreats - Industry relations management - Recruitment - Employee safety management - Flexi-hours - Workplace diversity	• Lower turnover at **8%** • Employee retention rate at **95%** • More engaged workforce • Increased Employment Satisfaction Survey score
- Digital Transformation Programme - Monitoring and measurement of road conditions	• **Optimisation of procurement** and operational processes • A **reduction** in various types of waste • **Cost savings** and operational efficiencies
- Quarterly financial briefings to the investment community - Non-deal roadshows in Malaysia and overseas - Site visits for institutional investors - Regular meetings with regulators and government - Annual engagement with local community - Sponsorship for sports development programme - Employee volunteerism (CMS Doing Good)	• Attracting a wider foreign investor base • **Increased shareholder base** • **Better community** relations • **Enhanced** investor confidence • Employee volunteerism for 2019: **43,894 man-hours**
- Regular repairs and maintenance of all existing plants and machinery in 2019 - Investments in new plants and machinery	• Increase in **total reliability hours** • Increase in **productivity** • Increase in production capacity in new quarry line resulting in a comparative **increase of 1.3 million MTpa**
- Increased R&D activities for Sustainable Development - Water recycling programme - Usage of LED lights - Initiatives for the reduction of power consumption - Newer plant and machinery that generate greater efficiency - Adherence to ISO 50001 - Diversification of energy-mix within Samalaju - Waste management programme	• Efficient usage of **water** • Efficient usage of **electricity** • Overall **reduction in power** regeneration • **Lower carbon footprint**

CREATING FUTURE VALUE

THE CMS GROWTH STRATEGY

OUR 5-YEAR TARGETS

Grow the Group's profit after tax and non-controlling interests (PATNCI) to RM500 million.

Be the most admired public-listed company in Sarawak.

HOW WE WILL GET THERE? VIA A THREE-PRONGED STRATEGY

1 Reposition and Fortify all Traditional Core Businesses

- This calls for a strengthening of our traditional core businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance and Property Development businesses and making them more efficient.
- Barring unforeseen circumstances, these businesses are expected to generate 50% of our PATNCI or RM250 million per year in 5 years' time.

2 Fully Implement and Grow the Strategic Businesses

- If everything goes as planned, this will see us ramping up efforts on the strategic investment front even as some of these businesses begin to bear fruit and begin to contribute the other 50% of PATNCI or RM250 million per year in 5 years' time.
- Within the Sarawak Corridor of Renewable Energy (SCORE), barring unforeseen circumstances, we are hopeful that unlisted associates:
  - OM Materials (Sarawak) will bring in RM100 million upon realising Phase 2 by 2022;
  - The MPAS project will contribute RM100 million when both Phase 1 and 2 are completed by 2023; and
- SACOFA will capitalise on the State's push to fully embrace the Digital Economic and contribute RM50 million in PATNCI to CMS.
- Meanwhile listed associates, Kenanga and KKB too are expected to provide us with additional upside potential.

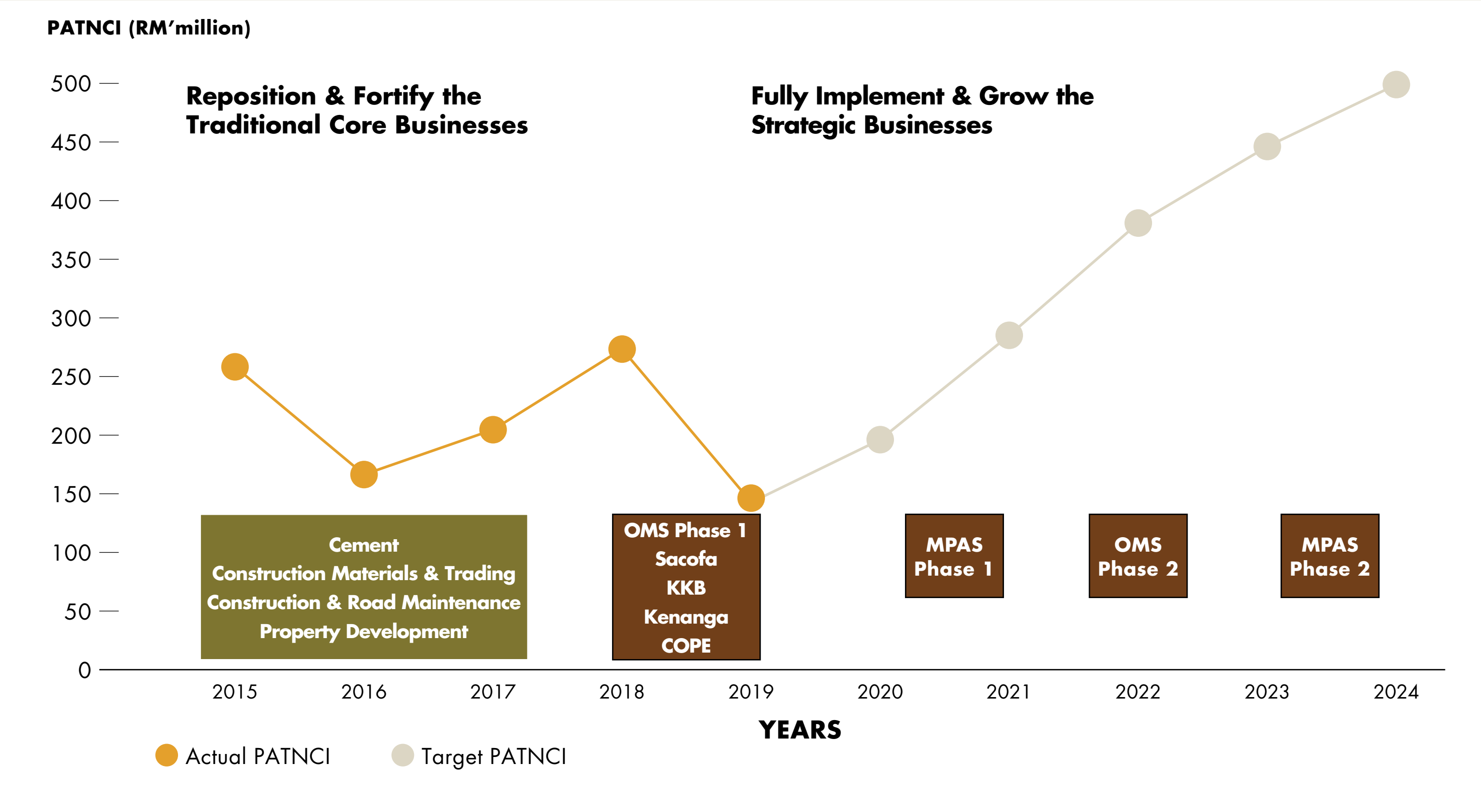
3 Reposition and Strengthen the CMS Brand

- In response to the changing political landscape, we will reposition the CMS brand by strengthening the Group's sustainability practices. This will entail:
  - Rejuvenating CMS' Sustainability Blueprint;
  - Strengthening employee volunteerism and the momentum of the 'CMS Doing Good & Building Sustainable Communities' programme; and
  - Ensuring corporate donations are redirected in a manner which truly impact beneficiaries for the better, while enhancing CMS' reputation.

HOW WILL WE SUPPORT THIS?

Through Laying Down Key Foundation Stones			
Embed sustainability as a culture in CMS emphasising care for the customers, environment, employees and the community.	Ensure a streamlined, visionary, unified and engaging leadership.	Introduce transformational efficiencies into all businesses focusing on innovation, quality, cost and delivery through the employment of digital technology.	Inculcate the values of integrity, passion, grit, teamwork and accountability.

CHARTING THE PATNCI GROWTH TO RM500 MILLION IN 5 YEARS



CREATING FUTURE VALUE

DRILLING DOWN ON THE STRATEGY

Strategy #1: Reposition and Fortify all Traditional Core Businesses

Key Strengths and Opportunities for CMS' Traditional Core Businesses

CEMENT DIVISION

- ✓ The Group's core PBT driver, the Division generated 33% of revenue and 29% of PBT in FY 2019.
- ✓ It is the sole cement and clinker manufacturer in Sarawak and well-positioned to leverage on increased construction activities in the State.
- ✓ It operates 1 Integrated Plant, 2 Cement Grinding Plants and 2 Bulk Terminals to ensure State-wide cement delivery.

Cement Operations

- Sarawak's sole cement manufacturer with a 2.75m MTpa capacity.
- Runs at approximately 60% capacity, thus ensuring a consistent supply of cement and ensuring sufficient capacity to meet the State's growing demand.
- Future plans include exploring the use of slag and silica as alternative raw materials for cement.

Clinker Operations

- Sarawak's sole clinker manufacturer with nameplate capacity of 0.84m MTpa and quarry reserves of 50+ years.
- Future plans include assessing the option of a second clinker line for total self-sufficiency plus marginal exports and expansion of its quarries.

Concrete Products Operations

- The leading manufacturer of pre-cast concrete products and supplier of ready-mix.
- 70k MTpa facility for concrete products running at a 50-60% utilisation rate.
- 70k MTpa IBS plant running at an 82% utilisation rate.
- Provides installation services for Industrialised Building System (IBS) products.
- Future plans entail increasing IBS and concrete products capacity.

CONSTRUCTION MATERIALS & TRADING DIVISION

- ✓ It is one of CMS' core revenue and earnings drivers (generated 32% of revenue, 37% of PBT in FY 2019).
- ✓ It supplies the State Government's construction materials requirements.
- ✓ It is a major beneficiary of the impending spike in infrastructure development in Sarawak through projects such as the Pan Borneo Highway, Coastal Road and Second Trunk Road.

Quarry Operations

- 5 quarries in Kuching with licenses of up to 20 years.
- 4.0m MTpa of combined rated capacity.
- The production capacity at Sibanyis Quarry has increased by 1.30m MTpa since March 2019.

Premix Operations

- 12 plants in Kuching, Betong, Sarikei, Sibu, Miri, Bintulu, Limbang, Saratok and Samalaju to manufacture and deliver Premix (asphaltic concrete), bitumen emulsion and cutback bitumen for use in roads and airport runways.
- Market share of 60% from combined rated capacity of 1,870 MT per hour, as well as a 10 MTpa Bitumen emulsion plant.
- An additional premix batched plant (capacity of 150 tonnes per hour) became operational in February 2019.

Trading & Wires Operations

Trading arm

- Trades as an agent/distributor.
- Offers wide range of water management products, construction materials and systems, road management products, building protection systems, petroleum products and others.

Wires

- One 5,500 MTpa plant manufacturing steel wires and wire mesh at an 80+% utilisation rate and 25% market share.
- Rated capacity of 5,500 MTpa.

CONSTRUCTION & ROAD MAINTENANCE DIVISION

- It undertakes construction work and road maintenance activities. ☑
- It secured a 10-year road maintenance contract to maintain 3,343 km of State roads. ☑
- To date, it has completed major infrastructure projects including the Sarawak River Regulation Scheme (barrage, ship lock and bridge), Miri-Bintulu coastal road, Bakun access road and upgrading of Mulu and Mukah airports. ☑
- It has also 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. ☑
- Secured a RM1.36 billion Pan Borneo Highway package in July 2016 via the PPES Works-Bina Puteri joint venture. ☑
- Secured a RM466.68 million Coastal Road package in March 2019 via the PPES Works-CCCC joint venture. ☑
- Currently participating in tenders for the Coastal Road, Second Trunk Road, Water Grid, Electricity Projects and other major infrastructure projects being rolled out in Sarawak. ☑
- Future plans include continuing to play a dominant role in State road maintenance. ☑

PROPERTY DEVELOPMENT DIVISION

- It owns 3,776 acres of land in Kuching, currently the biggest property market in Sarawak, comprising Bandar Samariang for the development of a new township, The Isthmus for the development of a new CBD and other small parcels. ☑
- Its landbank has an estimated GDV of RM1.34 billion (2017 to 2022) for 128 acres to be developed in Kuching. ☑
- It owns 1,145 acres of land in Samalaju, the future growth area for property market in Sarawak. This development covers a planned new township, service centre, light industrial estate, hotel, workers accommodation and related services. ☑
- There is potential long-term GDV of RM5 billion for the greenfield development in Samalaju. ☑
- There is potential for long-term sustainable growth with ongoing strategic land sales to underpin profits and to catalyse development of remaining parcels. ☑
- Its developments have been recognised for their commitment to excellence (i.e. SHEDA Excellence Awards in 2017 and 2019). ☑

CREATING FUTURE VALUE

DRILLING DOWN ON THE STRATEGY

Strategy #2: Fully Implement and Grow the Strategic Investments

Key Drivers and Opportunities for the Strategic Investments

Today, we are leveraging on our strategic investments in the energy-intensive industries within the Samalaju Industrial Park (SIP) under the SCORE initiative to maintain our growth momentum. Our continued involvement in several unlisted associates within the SIP is expected to serve as a major engine of growth for the Group – in fact, it is one of the components that is envisaged to drive CMS' second wave of growth. On top of this, we also have strategic investments in several listed companies that are also proving fruitful.

UNLISTED ASSOCIATES

OM MATERIALS (SARAWAK) SDN BHD'S FERROSILICON AND MANAGANESE ALLOYS SMELTING PLANT

CMS own 25% and OM Holdings Ltd (ASX-listed and one of the world's largest manganese ore producers) holds the remainder 75% in OM Material (Sarawak) Sdn Bhd (OMS).	☑
The plant has the capacity to produce 170,000-210,000 MTpa Ferrosilicon Alloys and 250,000-300,000 MTpa Manganese Alloys (silicomanganese and high carbon ferromanganese).	☑
The plant has the strategic flexibility to convert its furnaces between silicon and manganese (able to convert to various grades of manganese alloys, plus it has the option of silicon metal production).	☑
The plant is strategically located on a 500 acres land adjacent to the Samalaju Industrial Port.	☑
All its 16 furnaces are operational.	☑
Whilst OMS was amongst the biggest financial contributors to the Group in FY 2018, its FY 2019 performance faced a setback due to external circumstances.	☑

Key Economic Drivers for OM Material (Sarawak)

- A 20-year 300MW Power Purchase Agreement has been signed underpinning the smelter's competitive cost position. Additional power blocks of 50MW and 100 MW have been secured.
- OMS is in the first quartile of the global production cost curve, thus assuring its long-term growth potential.
- Led by strong, experienced technical teams who understand how to optimise competencies and resources.
- Enjoys a 10-year tax holiday and no import and/or export duties, thus strengthening its competitive edge.
- Steel production to grow at a projected CAGR of 4.54% up to 2025 (which will feed through to FA demand), with projected production levels likely to be remain below demand.
- Third largest plant of its kind in the world and is part of the well-established vertically integrated business of OM Holdings Ltd.
- Logistically well-located with the Samalaju Port providing convenient access to growing Asian markets.

MALAYSIAN PHOSPHATE ADDITIVES (SARAWAK) SDN BHD'S INTEGRATED PHOSPATE COMPLEX

- CMS own 60% in Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS) while Malaysian Phosphate Additives (MPA) and Tradewinds Plantation own 27.17% and 12.83% respectively. ✓
- MPA has been a phosphate producer since 2005 and has successfully developed and commercialised its process technology for phosphate products at its manufacturing facility in Lumut. ✓
- It has secured 80 MW of power for Phase 1, Southeast Asia's first integrated phosphate complex. ✓
- The plant has the capacity to produce 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). ✓
- The total investment for Phase 1 is approximately RM898 million and it is being funded via mixture of shareholders' equity and long-term loans with financing in place. ✓
- The plant has secured 60% of long-term commitments for both raw material supply and product offtake. ✓
- The EPC contract for Phase 1 was awarded to SCEGC Equipment Installation Group in May 2018. ✓
- EPC works started in 3Q 2018 and production will kickstart in 4Q 2020 with full production by 1Q 2021. ✓

Key Economic Drivers for MPAS

- Enjoys a 10-year tax holiday and no import and/or export duties, thus strengthening its competitive edge.
- The integrated phosphate products complex enables a variety of phosphate products beyond the primary product to be produced so production can switch between products to maximise margins.
- Logistically well-located directly across from Samalaju Port with conveyor belts and pipelines to transport raw materials and finished goods.
- Access to competitively-priced, reliable and long-term (20 years) power underpins the competitive cost in production for phosphate.
- Potential to attract downstream industries targeting both Malaysian and export markets in the Food, Fertiliser, Feed and Detergent segments which in turn can reduce manufacturing costs by switching to MPA's locally-produced phosphate products. This locks in long-term demand.
- Barring unforeseen circumstances, global demand for phosphate products is projected to grow 2+% per annum reflecting both population growth, higher affluence and lack of alternative products. This will grow demand for animal feed, fertiliser, processed foods/beverages and detergents/cleaning materials.

SACOFA SDN BHD

- CMS has a 50% non-controlling equity stake in Sacofa ✓
- Sacofa is responsible for constructing, maintaining and operating approximately 1,350 towers and more than 10,500 km of fibre optic cable. ✓
- While competitors have emerged in the tower construction business, the Company is confident of maintaining its dominance due to its first mover advantage. ✓
- Sacofa plans to capitalise on the State's push to fully embrace the Digital Economy with an allocation of RM1 billion for the development of telecommunication structures. ✓

CREATING FUTURE VALUE

DRILLING DOWN ON THE STRATEGY

Strategy #2: Fully Implement and Grow the Strategic Investments

Key Drivers and Opportunities for the Strategic Investments

LISTED ASSOCIATES

KENANGA INVESTMENT BANK

- CMS has a 26.25% equity stake in Kenanga Investment Bank (KIB).
- The KIB Group owns one of the top three largest brokerage houses in Malaysia with one of the largest pools of remisiers in the country.
- For FY 2019, KIB reported revenue of RM650.82 million (FY 2018: RM669.37 million) and PBT of RM42.95 million (FY 2018: 28.85).
- KIB is maintaining a continual focus on innovation, digitalisation and productivity, as well as leveraging on its talented workforce to turn in a steadfast performance.

KKB ENGINEERING

- CMS has a 20.05% equity stake in KKB Engineering (KKB).
- For FY 2019, KKB registered revenue of RM559.03 million (FY 2018: RM412.48 million) and PBT of RM77.69 million (FY 2018: RM29.49 million).
- Going forward, we are positive about the prospects of this Company as it has secured:
  - A three-year PETRONAS-approved supplier license to undertake major onshore fabrication for offshore facilities and related works;
  - Phase I of the State Water Grid project;
  - The supply of steel products for State Electricity project;
  - Two water supply contracts for the Sarawak Water Supply Grid Programme;
  - Additional supply orders for pipes from various corporations; and
  - An EPCC job from Petronas Carigali. KKB is maintaining a continual focus on innovation, digitalisation and productivity, as well as leveraging on its talented workforce to turn in a steadfast performance.
- Barring unforeseen circumstances, KKB's healthy order book of RM820 million will keep it occupied through to FY 2021.

Strategy #3: Reposition and Strengthen the CMS Brand

Key Initiatives

In response to the changing political landscape, we are repositioning the CMS brand by strengthening our agenda of sustainability. In line with this, our leadership, under the guidance of PwC, are undertaking a comprehensive review of our Sustainability Blueprint via an exercise that will be implemented in stages between 2020 and 2022.

In response to the changing political landscape, we are repositioning the CMS brand by strengthening our agenda of sustainability. In line with this, our leadership, under the guidance of PwC, are undertaking a comprehensive review of our Sustainability Blueprint via an exercise that will be implemented in stages between 2020 and 2022.

To reinforce the CMS brand, we will solidify employee volunteerism and the momentum of the 'CMS Doing Good & Building Sustainable Communities' programme. Engagement efforts are underway Group-wide to bolster employee volunteerism.

At the same time, we are ensuring corporate donations get redirected in a manner which truly impact beneficiaries for the better while enhancing our reputation.

OTHER SUPPORTING ELEMENTS

Sarawak's Position as a Compelling Business and Investment Destination

- Sarawak is the largest State in Malaysia and immensely resource-rich.
- It offers business-friendly policies, political stability, and competitive prices for land, power and water.
- Its diverse communities of Malays, Ibans, Chinese, Bidayuhs, Melanaus, Orang Ulus, Indians and other indigenous groups all live harmoniously together.
- It is the only State in Malaysia that promotes and recognises the use of English alongside Bahasa Malaysia.
- It is also the only State in Malaysia with credit rating (i.e. Standard & Poor's A- Stable Outlook; Moody's A3 Stable Outlook; RAM Ratings AAA Strong Outlook; and Malaysia Rating Corp. AAA Strong Outlook).
- It possesses solid cash reserves of approximately RM30 billion.
- To achieve the Fourth Industrial Revolution (IR4.0), the State Government will spend RM21.67 billion to develop infrastructure works in Sarawak. This will involve funding for the following projects:
  - RM6 billion Second Trunk Road;
  - RM5 billion upgrading of coastal roads and bridges;
  - RM2.8 billion water supply projects;
  - RM2.37 billion Rural Electrification Scheme;
  - RM4.5 billion for Upper Rajang Development Agency, Highland Development Agency and Northern Region Development Agency developments; and
  - RM1 billion for 300 telecommunication towers to enhance State-wide telecommunications services.
- This will be an addition to the ongoing RM16.48 billion Pan Borneo Highway project funded by the Federal Government.

THE GROUP KEY ACHIEVEMENTS

Recognised for Good Governance Measures

- The only Sarawakian company to qualify as a member of Bursa Malaysia's Green Lane Policy due to our good track record of public disclosure. ✓
- CMS received a Silver award for our achievement in sustainability reporting and a Bronze for annual reporting at the 2019 Annual Australasian Reporting Awards (ARA). ✓

Outstanding Sustainability Record

- The only Sarawakian company to be made a constituent of the FTSE4Good Bursa Malaysia index – currently maintaining our position as a constituent for the fourth consecutive year. ✓
- Our commitment to sustainability is underscored through the publication of our fifth standalone Sustainability Report. ✓
- CMS won the CSR Leadership Gold Award at the Global CSR Awards 2019.

Honoured for Our Commitment to Excellence

- One of 12 elite road industry companies globally to win the International Road Federation 2019 Global Road Achievement Award for 'Quality Management – Long-term Management and Maintenance of State Roads in Sarawak'. ✓
- Ranked as one of Top 4 employers in Sarawak by JobStreet in 2019. ✓
- Awarded the "BrandLaureate – Conglomerate Award 2019" at the BrandLaureate World Best Brands Awards 2019. ✓

CMS' PROSPECTS MOVING FORWARD

Well-primed to Create Future Value

CMS remains one the best proxy investments for Sarawak's accelerating economic growth.

The Group is well-positioned to benefit from the key economic growth drivers within the State including:

- Energy-intensive industries under SCORE
- Impactful infrastructure development projects
- Upcoming water and electricity grid projects
- Rollout of Sarawak's Digital Economy initiative

By leveraging on our three-pronged strategy, continuously reinvesting into our core competencies, and capitalising on the State's key economic growth drivers, we are confident that we will continue to create good value for our stakeholders, as well as establish a long-term, sustainable growth pathway for both CMS and Sarawak.

▲ *For more detailed information on the prospects of the CMS Group, its Divisions and its Strategic Investments, turn to the Strategic Review by the Group Managing Director, as well as Operational Review sections within this Integrated Annual Report.*

TOP BUSINESS RISKS AND MITIGATION STRATEGIES

As CMS moves forward amidst highly challenging market and operating conditions, we may be exposed to major risks and uncertainties that could impact our operational and financial performance if not attended to and managed properly. The Group's risk management process and controls serve to identify and ensure that the appropriate risk mitigation and monitoring measures are in place to address not only these major risks but also all other risks identified in the risk management process. The key risks and their respective risk mitigation strategies are outlined below.

TOP SIX RISKS

EXTERNAL RISK

Adverse changes in the political landscape and government policies

RISK DESCRIPTION

Our world today is facing escalating destabilisation and uncertainty. Where there was once an increasingly stable world with trans-border collaboration and trade leading towards a globally integrated economy, today, economic uncertainty, geopolitical tensions, technological disruption, globalisation and demographic shifts have begun to change the dynamics of international trade and political relationships.

Even within Malaysia, the political and business landscape has changed following the unprecedented results of the 14th General Elections (GE14) and the more recent change of the Federal Government less than two years into the (then) ruling administration's tenure. According to multiple rating agencies, given the leadership changes at the Federal level, Malaysia's long-term economic prospects are likely to be dimmed as a result of political uncertainty and increasing polarisation. While the Group does not expect any major impact arising from recent political and regulatory developments, the Group will take precautionary steps to factor into its strategies the issues that may potentially affect the growth and sustainability of the Group over the short to long-term.

In addition, there may be potential impact from the upcoming Sarawak State elections which must take place latest by 7 September 2021.

KEY CONTROLS AND RISK MITIGATION STRATEGIES

The last few years have seen CMS visibly positioning itself as an ally supporting the State's overall economic development based on our extensive pan-State presence, strong balance sheet and experienced management team. However, upon realising that we were (inaccurately) perceived as having political linkages to the Federal Government (which negatively impacted CMS on several fronts), we had to rethink our positioning and make some adjustments. This was not altogether an uphill task as the Group had already been proactively making a gradual shift from overreliance on government-related business and had been focusing on alternative revenue streams.

Today, a large part of CMS' profits stem from non-government businesses and we continue to make a conscious move to avoid overreliance on government projects through our strategic play in export-oriented playing fields like Samalaju and through casting a wider net to explore other business opportunities.

Moving forward, while the CMS Group remains one of the biggest infrastructure companies in Sarawak and is solidly positioned to take on and deliver State Government projects on spec, on time, and at the right price, we also see that it just makes good business sense to expand our revenue streams or to diversify our businesses as much as possible. Having said that, to capitalise on public-sector opportunities, we will maintain an active and positive rapport with the regulatory authorities and government ministries. In addition, we will also conduct regular multi-tiered engagement with all relevant political, governmental, private sector and community leaders.

On top of this, CMS will continue to play an active role as a socially responsible entity as part of our multi-stakeholder business model. This has helped to improve the Group's image and positioning in the community generally, as well as in corporate and governmental circles where the Group is seen as a valuable partner to the State by helping it achieve its developmental goals.

On the macro level, we will continue to monitor and weigh up the latest developments arising from the new Federal Government's policies. This will enable us to better formulate strategies to address downside risks while taking the opportunity to capitalise on upside potential.

MARKET RISK

Potential threat of new/current competitors entering our market

RISK DESCRIPTION

While Sarawak's growth story continues to create multiple business opportunities, at the same time, it is also unavoidably attracting potential new entrants and intensifying market competition all around. In line with this, CMS faces the threat of competition from existing and new players, as well as from substitute products.

KEY CONTROLS AND RISK MITIGATION STRATEGIES

We remain quietly confident about our competitive edge due to our vast experience in the market segments we play in and also the extensive technologies and capital expenditure (CAPEX) investments that we are able to harness. This makes it harder for others to compete against us. Nonetheless, we acknowledge that we must focus our efforts on bolstering our competitive edge to ensure that we stay ahead of the competition.

To this end, we are today proactively elevating our efforts in these key areas:

- Identifying potential threats and the entry of new competitors;
- Engaging multiple universities, as well as public and private sector organisations in research and development of new products and services;
- Constantly looking for new technologies to improve our businesses; and
- Embarking on a digital transformation programme to improve efficiencies within our existing processes.

STRATEGIC RISK

Flawed strategy including choice of partner and/or packaging of contract scope

RISK DESCRIPTION

As one of the major corporations in a fast-developing State, there is a lot of untapped potential in Sarawak from which CMS could benefit from. Having said that, we also recognise our limitations in terms of the financial resources, technical expertise, human resources and other essential components to undertake these kinds of projects on our own.

With this in mind, we continue to enter into various joint ventures to leverage on our partners' expertise to undertake projects in the State. Whilst we are confident about the feasibility of the projects that we embark on, we continue to be extra vigilant in starting the project on the right foot by selecting the right JV partner and right type of contract packaging.

KEY CONTROLS AND RISK MITIGATION STRATEGIES

To manage this risk, the Group has identified several mitigation actions. These include establishing joint venture/partnership working committees, as well as in-house project management teams to ensure adequate internal project ownership and control.

We also organise regular meetings with joint venture partners, employees and other stakeholders to ensure that these projects can be completed on spec and on time, and that their operations are optimised successfully.

TOP BUSINESS RISKS AND MITIGATION STRATEGIES

TOP SIX RISKS

EXTERNAL RISK

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

RISK DESCRIPTION

We recognise that the Group's operations remain vulnerable to volatile economic and market conditions including fluctuating global commodity prices, as well as overall market supply and demand dynamics.

This was reflected in the Group's FY 2018 financial performance where we recorded a record profit due to favourable world commodity prices that year. In contrast, the Group's FY 2019 financial performance took a significant hit as a result of the decline in world commodity prices over the course of the year.

KEY CONTROLS AND RISK MITIGATION STRATEGIES

The Group acknowledges that very limited mitigation actions can be undertaken to materially downgrade this risk. As such the Group aims to reduce this risk by putting in place initiatives relating to our two industrial plants – that is to carefully evaluate and limit CAPEX to critical items only.

At the same time, we are taking steps to improve the overall efficiency and productivity of our plants to minimise their operating costs and improve their profit margins.

This risk is further mitigated by Sarawak's competitive power prices which are a major cost of production and which ensure the production costs at our two plants are more competitive when measured against their competitors.

OPERATIONAL RISK

Flawed project execution resulting in cost overruns and project delays

RISK DESCRIPTION

Flawed project execution could be caused by multiple reasons such as non-adherence to standard operating procedures, staff incompetency or even negligence, among other things. These issues may potentially lead to project cost overruns and/or delays.

While the Group remains confident about the feasibility of the projects we have entered into, any flaws in executing certain strategies could potentially affect the feasibility of these projects and ultimately their profitability.

KEY CONTROLS AND RISK MITIGATION STRATEGIES

To manage this risk, the Group has undertaken or is undertaking these mitigation actions:

- Formed a project management office (PMO) to oversee projects above a certain threshold;
- Ensuring stringent adherence to the appropriate PMO framework and the implementation of the appropriate follow-through actions;
- Strengthened in-house training measures to improve staff's project management capabilities;
- Ensuring the adequacy of project governance by establishing a steering committee or governance committee; and
- Conducting periodic operation reviews to pinpoint corrective strategies.

ECONOMIC RISK

Operational and financial impact arising from the Covid-19 pandemic

RISK DESCRIPTION

The outbreak of Covid-19 globally has caused devastating disruptions to global supply chains, as well as trade between countries and brought about a world recession. Malaysia too has not been spared the impact of the pandemic. According to Bank Negara Malaysia (BNM), Malaysia is only expected to register economic growth of between -0.2% and 0.5% in 2020 (2019: 4.3%) with output expected to decline across all sectors, except for the services sector.

Following the Malaysian Government's implementation of a Movement Control Order (MCO) on 18 March 2020, the majority of the Group's operations have been shut down with the exception of those operations that fall within the MCO's essential services exemption list. These include the operations of SACOFA Sdn Bhd and CMS Roads Sdn Bhd (where only minimal manpower is in place to carry out road maintenance works).

As we analyse the impact of Covid-19 on the Group, we explore this risk in accordance with the following factors – market outlook, cash flow and operations.

Market outlook

As a result of the growing uncertainty over the duration and overall impact of the Covid-19 pandemic, BNM has lowered Malaysia's GDP and private consumption forecasts. While the Malaysian Government has introduced a variety of multi-billion Ringgit stimulus packages to keep the domestic economy afloat, its reliance on oil revenue leaves the Malaysian economy vulnerable to global oil market movements. Given the recent collapse of global oil prices, the Group is cautious about the possibility of potential budget cuts by the Government in relation to infrastructure projects. As one of the Group's core businesses focuses on construction materials manufacturing, any such cuts in infrastructure spending would affect the Group's potential revenue and order book.

However, at this juncture, it must also be noted that there are limited indications from the Federal Government that a revised budget is on the table. At the time of writing, BNM has announced that it will continue with the rollout of large-scale infrastructure projects to the tune of some RM15 billion to provide a lift to the economy.

Cash flow

In view of the uncertainty over the exact duration of the MCO, the Group remains cautious about the condition of its cash flow. While the Group's revenue streams have been severely reduced during the MCO period, we are still incurring the same amount of cash outflow due to the fixed and recurring costs (i.e. staff salaries, rental, etc.) that we have to bear. Nevertheless, the Group is confident that it is well-positioned to ride out the MCO period. Following prudent spending and effective financial management over the past few years, CMS today has sufficient cash reserves to sustain itself for a minimum of 6-12 months in the unlikely event that it is not able to operate.

Operations

The Group's operations have been impacted mainly by supply chain disruptions and a loss of production during the MCO period. We also recognise that all other industry players in Malaysia are in the same boat. As such, the Group has started to shift its focus to ensuring it is well-positioned to capitalise on the surge in demand once the MCO is lifted. In addition, in view of the unprecedented shutdown of all our plants for 28 days or more, we will remain vigilant for possible technical glitches and any additional time required before we are able to resume full production. Anything short of running at full capacity could affect the Group's chances to capitalise on opportunities post-MCO.

KEY CONTROLS AND RISK MITIGATION STRATEGIES

To mitigate the impact of the Covid-19 pandemic on the Group's operations and finance, we are bringing several risk mitigation strategies into play.

In terms of strategy, we will:
- Revise our management plan accordingly when there is more clarity from the Federal Government on its revised development budget; and
- Continue to enhance our operational efficiencies to achieve cost efficiencies.

In the area of cash flow management, we will:
- Freeze unnecessary (new) talent recruitment to preserve our cash;
- Actively explore how best to take advantage of the current low interest rate regime to refinance our existing loans; and
- Look into potential cost cutting measures to conserve cash

By way of our operations:
- CMS' Management has started to put in place a detailed catch-up and readiness plan to capitalise on the opportunities post-MCO;
- The Group has also taken proactive steps to engage its suppliers to get ready to ramp up production post-MCO;
- Furthermore, our Senior Management team led by our Group Managing Director meet online once every alternate day to strategise and to identify possible operational issues so that we can resume operation seamlessly post-MCO.

In addition to the above, as one of the leading listed corporations within Sarawak, the Group believes that it can play a more significant role in helping the State overcome this unprecedented crisis.

In this regard, we have taken several steps that include:
- A donation of RM1 million to the State Disaster Relief Fund to help Sarawak mitigate the economic impact of the Covid-19 pandemic,
- Donations of food and essential supplies to the gallant doctors, nurses, administrators and support staff who risk their lives everyday by looking out for others, and
- Making an effort to settle all outstanding invoices from the Group's suppliers and contractors to help alleviate the financial challenges they are facing.

The Main Principles of the Code provide the framework for the reporting model which we continue to use. Our approach to:

PRINCIPLE 1

LEADERSHIP

- The Group's current corporate governance structure
- The role of the Board and its Committees
- How the Board operates
- Board activities during the year

*For more information about **LEADERSHIP**, please refer pages 122-123*

PRINCIPLE 2

EFFECTIVENESS

- The Board's composition and independence
- Board induction and development
- Board and Committee performance evaluation
- Nomination & Remuneration Committee report

*For more information about **EFFECTIVENESS**, please refer pages 124-127*

PRINCIPLE 3

ACCOUNTABILITY

- Internal Controls and Risk Management
- Risk Management Committee Report
- Audit Committee Report

*For more information about **ACCOUNTABILITY**, please refer pages 128-135*

PRINCIPLE 4

RELATIONS WITH STAKEHOLDERS

- Dialogue with Shareholders
- Investor Relations Calendar

*For more information about **RELATIONS WITH STAKEHOLDERS**, please refer pages 136-137*

This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report Card which is accessible online through our website at www.cmsb.my.

Tan Sri Abdul Rashid Bin Abdul Manaf
Group Chairman, Independent, Non-Executive Director

GROUP CHAIRMAN'S PERSPECTIVE

Dear Shareholders,

It is clear from conversations with all our stakeholders that board governance, succession planning, corporate behaviour, stakeholder engagement and environmental sustainability are all becoming increasingly important when considering the activities of any company. I would like to address each of these important areas in this review.

DEFINING THE VALUES THAT DRIVE OUR CULTURE

How We Strengthen Our Governance Practices

- Adopted the New Vision Under the MACC Act
- Set Up a Board Digital Transformation Committee
- Reviewed Sustainability Blueprint

BOARD GOVERNANCE

Details of our governance processes and procedures are given on pages 120 and 121. In summary, however, we have a balanced Board with a good mix of skills and experience with effective committees to oversee our financial, sustainability, executive remuneration and board member nomination practices.

We endeavour to monitor and comply with ongoing changes in corporate governance and evolving best practice in this area. I am pleased to report that the Company has within its best capability put in place adequate procedures according to the "Guidelines on Adequate Procedures" issued by the Prime Minister's Office to be in compliance with the Malaysian Anti-Corruption Commission (Amendment) Act 2018 (MACC), which requires a greater commitment towards integrity and anti-corruption practices. Subsequently, the Board delegated authority to the Group Risk Committee to spearhead steps in view of complying with the new Act. Additionally, the Board enlisted PwC Consulting Associates (M) Sdn Bhd (PwC) to assist in the development of anti-corruption policies and frameworks, with the intent of rolling these out in 2020.

In recent years, we have put a tremendous amount of effort into defining the values that drive our culture and our vision for the future. In 2019, those efforts were furthered through the adoption of our transformation initiatives, driven through the setting up of a new ad-hoc Board Committee — the Digital Transformation Committee. This new Committee solidifies our intent to cultivate innovation and efficiencies throughout the organisation and is in line with our strategic directions moving forward.

GROUP CHAIRMAN'S PERSPECTIVE

"—"

I am confident that both Board and Management believe in the values and benefits of frequent and open dialogue with stakeholders.

BOARD CHANGES AND SUCCESSION PLANNING

As announced in October 2019, Y. Bhg Datuk Syed Ahmad Alwee Alsree, who served as Group Executive Director, resigned after more than 15 years of tenure. As part of the Board succession plan, a strategic restructuring commenced following Datuk Syed relinquishing all his roles at CMS. His contributions to the development and growth of CMS are immeasurable, as is our thanks and appreciation to him.

In line with the Board's succession plans, seasoned veteran, Y. Bhg Dato Isaac Lugun took the helm as Group Managing Director. As a Sarawakian, Dato Isaac Lugun is a true CMS advocate, working his way up through the ranks, since joining in 1996. Dato Isaac is well respected for his leadership skills, business acumen and for his ability to continually identify business opportunities and convert them into first-mover pivots.

In November, the Board was pleased to welcome Y. Bhg Datuk Ir. Kamarudin bin Zakaria as a new member. Datuk Ir. Kamarudin brings with him a wealth of experience from the oil and gas industry and having served in various top managerial roles in Petroliam Nasional Berhad (PETRONAS) for over 15 years.

I also take this opportunity to thank Datu Hubert Thian Chong Hui who retired as an Independent Non-Executive Director of CMS in February 2020. Datu Hubert Thian played an active role during his tenure with the CMS Group often challenging management in their decision-making and offered sound guidance and technical knowledge which we will miss.

STAKEHOLDERS ENGAGEMENT

We seek to maintain an open dialogue with all stakeholders including shareholders, key suppliers, customers and our employees.

Our day-to-day shareholder contact is largely conducted by our Investor Relations team and is supplemented by regular meetings with our Group Managing Director, Group Chief Financial Officer and Chief Executives of our various businesses.

Last year, we arranged a separate governance event with major stakeholders. Attended by myself, the Group Managing Director and Senior Management, the meeting allowed us to discuss openly our governance arrangements, corporate culture and our commitment to integrity and anti-corruption practices. The feedback we received was positive and we will consider to continue this practice at regular intervals.

COMMUNITY INVESTMENT AND THE ENVIRONMENT

The Board recognises the importance of leading a company that not only generates value for shareholders but also contributes to the wider society. As a major employer that develops and trains a highly-skilled workforce, we make an important economic contribution to the communities in which we operate. In addition, through our sustainability efforts we build and nurture mutually beneficial relationships between our business, our people and local stakeholders. In furthering our commitment to sustainability, we have looked to review our Sustainability Blueprint in 2020 with the help of PwC, in view of strengthening areas where we believe we can provide greater impact.

I am confident that both Board and management believe in the values and benefits of frequent and open dialogue with stakeholders. We are consistently reviewing how we communicate and engage, including how we use technology to broaden our reach and assess the feedback we obtain, to ensure that our messages are well received, appropriately directed and our responses helpful and valued. As a Board, we are clear that it is not simply how much money the Company makes but how it makes money that is important to all our stakeholders.

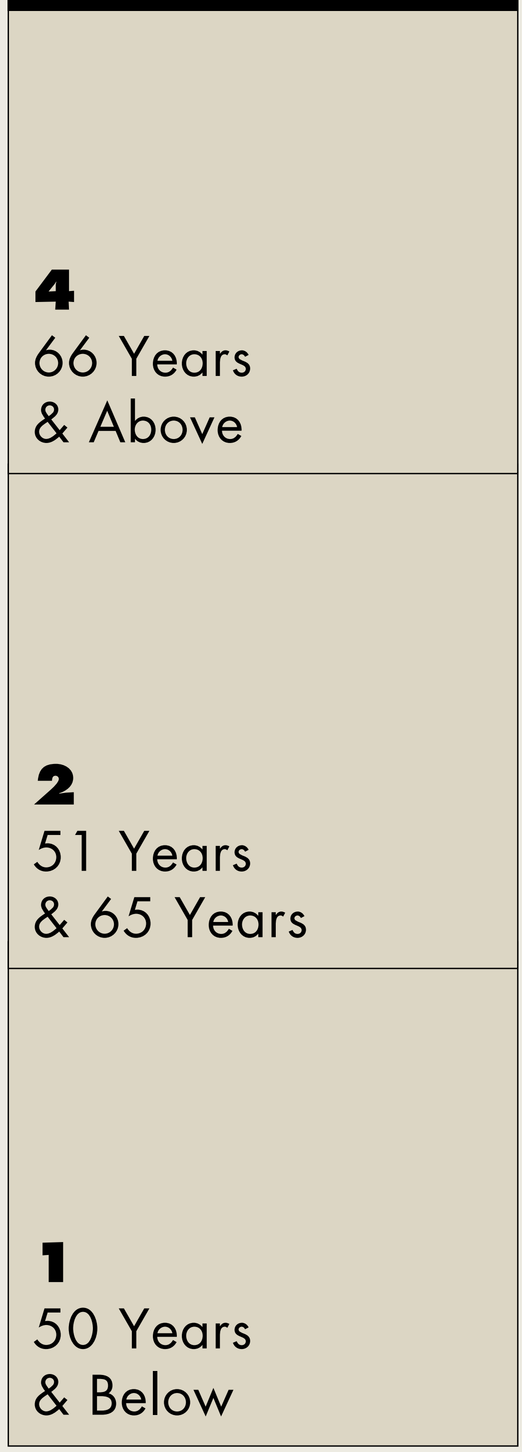
Tan Sri Abdul Rashid Bin Abdul Manaf
Group Chairman, Independent, Non-Executive Director

EXPERIENCED, EFFECTIVE AND DIVERSE LEADERSHIP

Our business is led by our Board of Directors. Biographical details of the Directors and senior management as at 23 April 2020 are as follows (with further information available at www.cmsb.my/about-us/board-of-directors/).

DIVERSITY AND TENURE

AGE



EXPERIENCED, EFFECTIVE AND DIVERSE LEADERSHIP

Y BHG TAN SRI ABDUL RASHID BIN ABDUL MANAF

Group Chairman
Independent,
Non-Executive Director

NR

Gender: Male

Age: 73

Nationality: Malaysian

Date appointed to the Board:
1 October 2018

Number of Board Meetings Attended:
5/7

Shareholding in CMS:
Nil

Academic/Professional Qualifications:
Tan Sri Abdul Rashid bin Abdul Manaf qualified as a Barrister-at-Law (Middle Temple London) in 1970 and is currently a full-time businessman.

Other Current Appointments

- Founder Director of Eco World Development Group Berhad
- Independent Non-Executive Chairman of Salcon Berhad

Skills & Experience

Tan Sri Abdul Rashid started his career in 1970 in the Malaysian Judicial and Legal Service and served as Magistrate, President, Sessions Court and Senior Federal Counsel to the Income Tax Department. He left government service in 1977 to pursue his career as a practicing lawyer and subsequently in business. He became one of the principal legal advisers to the Renong Conglomerate with involvement in various Federal Government transactions, on and off-shore, and in various infrastructure projects throughout the country. He was also a Commissioner for Oaths and Notary Public for many years.

Tan Sri Abdul Rashid has served in several key positions in Malaysian-listed corporations such as Chairman of S P Setia Berhad, Loh & Loh Corporation Berhad, SMIS Corporation Berhad and was also a former Director of Stamford College Berhad. Upon completion of his Chairmanship term with S P Setia Berhad, Tan Sri Abdul Rashid set up Eco World Development Group Berhad, a public company listed on the main market of Bursa Malaysia Securities Berhad, which is principally involved in property development.

Tan Sri Abdul Rashid has no conflict of interest with the CMS Group, does not have any personal interest in any business arrangement involving the CMS Group and has no family relationship with any other director and/or major shareholder of the Company.

Key Committees

A Group Audit Committee Member	R Group Risk Committee Member	NR Nomination & Remuneration Committee Member	DT Digital Transformation Committee	☐ Chair of Committee

Y BHG DATO SRI MAHMUD ABU BEKIR TAIB

Deputy Group Chairman
Non-Independent, Non-Executive Director

NR DT

Gender: Male

Age: 56

Nationality: Malaysian

Date appointed to the Board:
23 January 1995

Number of Board Meetings Attended:
5/7

Shareholding in CMS:
Direct – 1,000,000 ordinary shares
Indirect – 4,407,100 ordinary shares

Academic/Professional Qualifications:
Dato Sri Mahmud Abu Bekir Taib pursued his tertiary education in USA and Canada.

Other Current Appointments
- Chairman of Sarawak Cable Berhad
- Director of CMS subsidiary companies in strategic investments and IT related services, and several other private companies

Skills & Experience

Dato Sri Mahmud was appointed to the Board of CMS as Group Executive Director on 23 January 1995 and was re-designated as Deputy Group Chairman on 22 May 2002. Dato Sri Mahmud served as Interim Group Chairman from 10 May 2018 to 1 October 2018. He has extensive experience in the stock-broking and corporate sectors. He was a founding member of Sarawak Securities Sdn Bhd, Sarawak's first stock-broking company which is now under Kenanga Investment Bank Berhad.

Dato Sri Mahmud is the brother of YB Dato Hajjah Hanifah Hajar Taib-Alsree and Jamilah Hamidah Taib (major shareholders of CMS). He is also the brother-in-law of Datuk Syed Ahmad Alwee Alsree (a major shareholder of CMS). Dato Sri Mahmud is a son of the late Lejla Taib (a major shareholder of CMS) and a director of Majaharta Sdn Bhd (a major shareholder of CMS).

EXPERIENCED, EFFECTIVE AND DIVERSE LEADERSHIP

Y BHG DATO ISAAC LUGUN

Group Managing Director

R

Gender: Male

Age: 62

Nationality: Malaysian

Date appointed to the Board:
18 October 2019

Number of Board Meetings Attended:
1/1

Shareholding in CMS:
Direct – 250,000 ordinary shares

Academic/Professional Qualifications:
Dato Isaac Lugun graduated with a Bachelor of Law (LL.B) (Honours) Degree from the University of Malaya.

Other Current Appointments

- Chairman of CMS Cement Industries Sdn Bhd, CMS Land Sdn Bhd, CMS Property Development Sdn Bhd, CMS Roads Sdn Bhd and Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- Deputy Chairman of SACOFA Sdn Bhd
- Director of several CMS subsidiary companies
- Director of OM Materials (Sarawak) Sdn Bhd and OM Materials (Samalaju) Sdn Bhd

Skills & Experience

Dato Isaac Lugun joined CMS on 8 January 1996 and was appointed as Group Chief Corporate Officer on 1 August 2017 which was re-designated as Group Chief Executive Officer – Corporate on 1 January 2018. Dato Isaac assumed his current position as Group Managing Director on 18 October 2019.

He is responsible for developing and implementing the Group's strategic plans as approved by the Board and managing the entire operations of the Group in line with the strategic plans for the benefit of all stakeholders.

Dato Isaac has held various senior management positions in CMS, including Group General Manager for Corporate Affairs covering Legal, Human Resource, Corporate Communications and Company Secretarial functions. In 2009, he initiated CMS' focus on the development of its businesses at Sarawak Corridor of Renewable Energy (SCORE) and helped to convert CMS' first-mover advantage into a strategic business advantage that the Group has at SCORE today. Prior to joining CMS, he worked in various senior management positions at PETRONAS and EXXON-Mobil.

Dato Isaac Lugun has no conflict of interest with the CMS Group, does not have any personal interest in any business arrangement involving the CMS Group and has no family relationship with any other director and/or major shareholder of the Company.

Key Committees

A Group Audit Committee Member	**R** Group Risk Committee Member	**NR** Nomination & Remuneration Committee Member	**DT** Digital Transformation Committee	☐ Chair of Committee

Y BHG DATUK SERI YAM KONG CHOY

Independent, Non-Executive Director

R NR DT

Gender: Male

Age: 66

Nationality: Malaysian

Date appointed to the Board:
5 May 2015

Number of Board Meetings Attended:
7/7

Shareholding in CMS:
Direct – 60,000 ordinary shares

Academic/Professional Qualifications:
Datuk Seri Yam Kong Choy graduated in Building and Management Studies from the University of Westminster, United Kingdom in 1979. He is a Fellow of the Chartered Institute of Building and the Royal Institution of Chartered Surveyors.

Other Current Appointments

- Chairman of InvestKL Corporation, Malaysia Airports (Niaga) Sdn Bhd, K.L. Airport Hotel Sdn Bhd, Triterra Sdn Bhd and Metropolitan Lake Development Sdn Bhd
- Senior Independent Director of Malaysia Airports Holdings Berhad and Paramount Corporation Berhad
- Independent Non-Executive Director of Standard Chartered Saadiq Berhad, Standard Chartered Foundation and EPF subsidiary, Kwasa Land Sdn Bhd
- Independent Non-Executive Director of several CMS subsidiary companies

Skills & Experience

Datuk Seri Yam had a career spanning more than 35 years in construction, real estate and corporate sectors. He was the former Chief Executive Officer of Country Heights Holdings Berhad in 1996 and Chief Executive Officer/Managing Director of Sunrise Berhad from 1997 to 2008 and was actively involved in the development and management of hotels, resorts, shopping malls, golf courses, international schools, residential and mix-use developments in Malaysia, South Africa, UK and Australia. He is the most recent Past President and Patron of the Real Estate and Housing Developers' Association of Malaysia.

Datuk Seri Yam has no conflict of interest with the CMS Group, does not have any personal interest in any business arrangement involving the CMS Group and has no family relationship with any other director and/or major shareholder of the Company.

EXPERIENCED, EFFECTIVE AND DIVERSE LEADERSHIP

Y BHG DATUK IR. KAMARUDIN BIN ZAKARIA
Non-Independent, Non-Executive Director

Gender: Male

Age: 65

Nationality: Malaysian

Date appointed to the Board:
26 November 2019

Number of Board Meetings Attended:
1/1

Shareholding in CMS:
Direct – 2,900 ordinary shares

Academic/Professional Qualifications:
Datuk Ir. Kamarudin bin Zakaria graduated in Chemical Engineering Degree from the University of Surrey, United Kingdom. He is a Fellow of the Institute of Chemical Engineers, UK and a professional engineer registered with the Board of Engineers Malaysia.

Other Current Appointments
- Director of Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- Director of CMS Cement Industries Sdn Bhd

Skills & Experience
Datuk Ir. Kamarudin has over 35 years of experience in the petrochemical industry where he was involved in operations, asset management, health, safety & environment, technical & commercial services, project & corporate studies, audit and business development. He started his career with ESSO followed by PETRONAS where he served in various senior management roles for more than 15 years. His last appointment at PETRONAS was Vice President, Petchem. Datuk Ir. Kamarudin served as a member of the elite PETRONAS Management Committee and was also a former chairman and member of boards of various subsidiaries and affiliate companies within the PETRONAS Group. He is semi-retired from PETRONAS since May 2017 and currently manages a consulting company providing artificial intelligence and machine learning to the oil and gas industry.

Datuk Ir. Kamarudin has an Advisory Service Agreement with Samalaju Industries Sdn Bhd, a wholly-owned subsidiary company of CMS, via DKZ Management, by virtue of his sole proprietorship. He has no family relationship with any other director and/or major shareholder of the Company.

Key Committees

A Group Audit Committee Member | R Group Risk Committee Member | NR Nomination & Remuneration Committee Member | DT Digital Transformation Committee | ☐ Chair of Committee

CHIN MUI KHIONG

Independent, Non-Executive Director

A DT

Gender: Male

Age: 65

Nationality: Malaysian

Date appointed to the Board:
3 August 2015

Number of Board Meetings Attended:
7/7

Shareholding in CMS:
Nil

Academic/Professional Qualifications:
Mr Chin Mui Khiong is a Fellow of Association of Chartered Certified Accountants and a Member of the Malaysian Institute of Accountants.

Other Current Appointments

- Independent Non-Executive Director of Landmarks Berhad
- Independent Non-Executive Director of Hubline Berhad
- Independent Non-Executive Director of Supreme Consolidated Resources Bhd

Skills & Experience

Mr Chin started his career with Hanafiah Raslan & Mohamad, Kuching which merged with Arthur Andersen which subsequently merged with Ernst & Young. He was a Partner of Ernst & Young from 1997 until his retirement in 2015 and also served as the Partner-in-charge of a number of companies listed on Bursa Malaysia, as well as private and quasi-government corporations, which include industries such as manufacturing, plantation, banking, construction, transportation, hotel, hospital, education, stockbroking, unit trust and government agencies. He has more than 35 years of professional experience in the areas of audit and business advisory services.

Mr Chin has no conflict of interest with the CMS Group, does not have any personal interest in any business arrangement involving the CMS Group and has no family relationship with any other director and/or major shareholder of the Company.

EXPERIENCED, EFFECTIVE AND DIVERSE LEADERSHIP

Key Committees

- **A** Group Audit Committee Member
- **R** Group Risk Committee Member
- **NR** Nomination & Remuneration Committee Member
- **DT** Digital Transformation Committee
- ☐ Chair of Committee

UMANG NANGKU JABU

Non-Independent, Non-Executive Director

A

Gender: Female

Age: 43

Nationality: Malaysian

Date appointed to the Board:
21 September 2017

Number of Board Meetings Attended:
7/7

Shareholding in CMS:
Direct – 200,000 ordinary shares

Academic/Professional Qualifications:
Madam Umang Nangku Jabu holds a Bachelor of Business (Business Information Systems) and a Masters of Finance, both from RMIT University in Melbourne, Australia. Madam Umang also holds a Graduate Diploma in Industrial and Employee Relations and Master of Management in Human Resource in Management, both from Monash University, Melbourne, Australia.

Other Current Appointments

- Member of the Board of Trustees of The Iban Women Charitable Trust

Skills & Experience

Madam Umang has been working in the private sector as a Director of a number of companies.

Madam Umang is a director and major shareholder of Betong Premix Sdn Bhd (a subsidiary company of CMS). She is also a major shareholder of DISA Sdn Bhd, which in turn is a major shareholder of CMS Wires Sdn Bhd (a subsidiary company of CMS). Madam Umang has no family relationship with any other director and/or major shareholder of the Company.

None of the Directors has been convicted of any offence (other than traffic offences) within the past 5 years and any public sanction/penalty imposed by the relevant regulatory bodies during the financial year.

▲ *Details of the Directors' Shareholdings are outlined on page 156 of this Integrated Annual Report.*

DELIVERING OUR STRATEGY, DRIVING PERFORMANCE

Y BHG DATO ISAAC LUGUN

Group Managing Director

Gender: Male
Nationality: Malaysian
Age: 62
Date Joined: 8 January 1996

Responsibilities

- Responsible for developing and implementing the Group's strategic plans as approved by the Board and managing the entire operations of the Group in line with the strategic plans for the benefit of all stakeholders.

Skills & Experience

- Prior to joining CMS, he had held various senior management positions at PETRONAS and EXXON-Mobil
- He initiated CMS' focus on the development of its businesses at the Sarawak Corridor of Renewable Energy (SCORE) and helped to convert CMS' first-mover advantage into a strategic business advantage that the CMS Group has at SCORE today
- He worked in several divisions in CMS, including Group General Manager for Corporate Affairs covering Legal, Human Resources, Corporate Communications and Company Secretarial functions
- He was appointed Group Chief Executive Officer – Corporate on 1 January 2018 and assumed his current position on 18 October 2019

Academic/Professional Qualification

- Bachelor of Law (LL.B) (Honours) Degree, University of Malaya

Other Current Appointments

- Chairman of CMS Cement Industries Sdn Bhd
- Chairman of CMS Land Sdn Bhd
- Chairman of CMS Property Development Sdn Bhd
- Chairman of CMS Roads Sdn Bhd
- Chairman of Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- Deputy Chairman of SACOFA Sdn Bhd
- Director of OM Materials (Sarawak) Sdn Bhd
- Director of OM Materials (Samalaju) Sdn Bhd
- Director of several CMS subsidiary companies

SYED HIZAM ALSAGOFF

Group Chief Financial Officer

Gender: Male
Nationality: Singaporean
Age: 51
Date Joined: 17 January 2005

Responsibilities

- Responsible for all finance and treasury-related matters in CMS which covers overall financial management and planning to support decision-making on operational and strategic issues of the CMS Group

Skills & Experience

- He has more than 25 years of experience in finance management through positions held in various industries in several countries such as education in Queensland University of Technology, Australia, textile business operations in Eclipse Textiles Pty Ltd, Brisbane, semi-conductor components and technology-related industry in Zac International, Inc., California and satellite manufacturing coupled with R&D in Space Systems Loral, USA
- He assumed his current position on 1 September 2009

Academic/Professional Qualifications

- Bachelor of Science Degree, San Jose State University, California, USA
- Recipient of the University's Cum Laude award for Outstanding Scholastic Achievement

Other Current Appointments

- Director of KKB Engineering Berhad
- Director of Al Wasatah Al Maliah Company
- Director of several CMS subsidiary companies and associates

DELIVERING OUR STRATEGY, DRIVING PERFORMANCE

SUHADI SULAIMAN
Head, Cement Division

Gender: Male
Nationality: Malaysian
Age: 50
Date Joined: 1 March 2005

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

Skills & Experience
- He has more than 20 years of experience in various industries in Kuala Lumpur and Sarawak
- He has various experiences in the CMS Group with the unique position of having been in the positions of user/customer, dealer and now manufacturer of cement and concrete
- Since joining CMS, he has also held positions in the Construction & Road Maintenance Division and CMS Infra Trading Sdn Bhd
- He assumed his current position on 1 August 2017

Academic/Professional Qualifications
- Bachelor Degree in Accountancy, Universiti Teknologi MARA (UiTM)
- Council Member of The Cement and Concrete Association of Malaysia
- Member of The Federation of Malaysian Manufacturers

Other Current Appointments
- Director of SACOFA Sdn Bhd

DEREK CHEE HUONG XING
Head, Construction Materials & Trading Division

Gender: Male
Nationality: Malaysian
Age : 32
Date Joined: 1 March 2020

Responsibilities
Responsible for the strategic direction, management and performance of the Division's quarrying, premix, trading, wires and related services businesses.

Skills & Experience
- He established a career in the quarry and construction industry, holding directorial and management positions in companies throughout Sarawak
- Prior to joining CMS, he was a director of RDA Industries Sdn Bhd, a company involved in civil construction work where he oversaw the company's procurement, project management and finance
- He joined CMS as Head, Construction Materials & Trading Division and Chief Executive Officer of CMS Quarries Sdn Bhd on 1 March 2020

Academic/Professional Qualifications
- Bachelor in Engineering (Mechanical), Sheffield Hallam University

Other Current Appointments
- Director of Paku Mining Sdn Bhd
- Director of Rigu Quarry Sdn Bhd
- Director of Innovate Mining Sdn Bhd
- Director of BS Global Mining Sdn Bhd

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Chaired by Dato Isaac Lugun, the Executive Committee focuses on managing CMS' business affairs as a whole, which includes delivering a competitive strategy in fulfilment of our purpose, driving financial performance and ensuring good succession planning and a diverse talent pipeline.

KARIM REDUAN

Head, Construction & Road Maintenance Division

Gender: Male
Nationality: Malaysian
Age: 58
Date Joined: 1 July 2018

Responsibilities

- Overseeing the management and development of the Construction & Road Maintenance Division which includes all support services function (Finance, HR, Administration, Contract Management, Business Development, Commercial, Compliance, Safety & Health, Risk Management and Quality)

Skills & Experience

- He started his career at Standard Chartered Bank Malaysia Berhad for 18 years and has held various managerial positions
- He has held the position of Head of Commercial Department of PPES Works (Sarawak) Sdn Bhd and was engaged as a consultant for Konsultant Timur prior to joining the CMS Group
- He joined CMS as Head of Construction & Road Maintenance Division on 1 July 2018

Academic/Professional Qualification

- Diploma in Public Administration, Institut Teknologi Mara

Other Current Appointments

- Director of CMS subsidiary companies

VINCENT KUEH HOI CHUANG

Head, Property Development Division

Gender: Male
Nationality: Malaysian
Age: 63
Date Joined: 16 August 2012

Responsibilities

- Responsible for the strategic direction, management and performance of the Division's buildings, property development and management and township development businesses

Skills & Experience

- He has more than 30 years of experience in the property management, development and construction sectors
- Prior to joining CMS, he has held various key positions in leading property development and construction companies
- He joined CMS on 16 August 2012 as Head, Property Development Division

Academic/Professional Qualifications

- Bachelor of Arts Degree, University of Guelph, Canada

Other Current Appointments

- Executive Director of CMS Property Development Sdn Bhd
- Director of CMS Land Sdn Bhd
- Director of Projek Bandar Samariang Sdn Bhd
- Director of Samalaju Properties Sdn Bhd

DELIVERING OUR STRATEGY, DRIVING PERFORMANCE

LIM LEE WAN

Managing Director, Malaysian Phosphate Additives (Sarawak) Sdn Bhd

Gender: Male
Nationality: Malaysian
Age: 62
Date Joined: 1 June 2014

Responsibilities

- Responsible for leading the formulation and implementation of the strategic plan for Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS) which includes the on-going construction of the MPAS integrated phosphate complex in Samalaju Industrial Park, Bintulu, Sarawak

Skills & Experience

- Mr Lim has over 39 years of experience in the petrochemical, phosphate processing and bleaching earth manufacturing industries ranging from plant operations, project management, marketing, research and development and corporate management
- He started his career with Shell Singapore Pte Ltd as a Process Technologist and progressed to Section Head, Advanced Process Control and Optimisation Department where he gained a wide range of technical exposure and acquired substantial knowledge in the various process technologies
- He later joined Bolton Berhad to develop new business and was instrumental in developing the liquid bulk terminal businesses for the Bolton Group whereupon he was appointed as the Executive Director of Stolthaven (Westport) Sdn Bhd, a liquid bulk terminal
- He left the Bolton Group and Stolthaven in 2004 to set up Malaysian Phosphate Additives Sdn Bhd, a feed and fertiliser phosphate plant and Hudson-MPA Sdn Bhd, a bleaching earth plant in Malaysia
- Mr Lim was appointed Managing Director of MPAS on 1 June 2014

Academic/Professional Qualifications

- Degree in Chemical Engineering, University of Malaya

Other Current Appointments

- Malaysian Phosphate Additives Sdn Bhd
- Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- Malaysian Phosphate Ventures Sdn Bhd
- Right Earth Sdn Bhd

MOHAMED ZAID ZAINI

Managing Director, SACOFA Sdn Bhd

Gender: Male
Nationality: Singaporean
Age: 46
Date Joined: 17 March 2014

Responsibilities

- Seeking potential ICT opportunities for CMS
- Overseeing and driving CMS' current investment and interest in SACOFA Sdn Bhd

Skills & Experience

- Prior to joining CMS, he was the Regional Director, Asia Pacific of Callbox Inc. based in Sydney, Australia
- He was Chief Executive Officer at Webvisions Australia, for over ten (10) years
- He has held various positions in the areas of Business Development, Sales and Marketing, Accounts and Project Management in companies across Singapore and Australia
- He assumed his current position on 1 January 2016

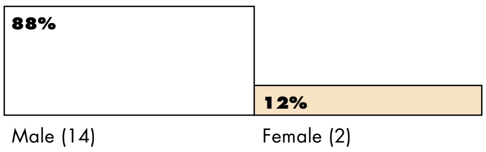
Academic/Professional Qualifications

- Bachelor of Commerce, Finance and Accounting Degree, University of New South Wales, Australia

Other Current Appointments

- Director of Pinnacle Tower Sdn Bhd
- Director of Sacofa Services Sdn Bhd
- Director of Sarawak Gateway Sdn Bhd
- Director of CMS subsidiary/associate companies

GENDER DIVERSITY



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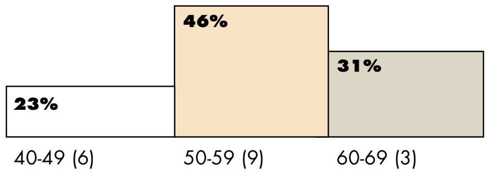
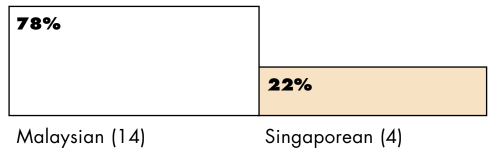


NATIONALITY



KARL VINK
Chief Information Officer

Gender: Male
Nationality: Malaysian
Age: 43
Date Joined: 1 June 2018

Responsibilities
- Responsible for the overall management and operations of CMS I-Systems Sdn Bhd
- Overseeing a team of IT employees, systems, networks/servers, applications and support services throughout the Group

Skills & Experience
- Started his career in companies across South East Asia, North America and Europe mass communications and technology industries
- Prior to joining CMS, he served as the Chief Executive Officer of Silver Lining Systems (SLS) Sdn Bhd/Silver Lining Software Pvt Ltd, which provides cloud solutions in the Asia region
- He joined CMS on 1 June 2018 as Chief Information Officer

Academic/Professional Qualifications
- Nil

Other Current Appointments
- Executive Director of CMS I-Systems Sdn Bhd
- Non-Executive Director of Silver Lining Systems Sdn Bhd

TAN MEI FUNG
General Manager, Group Finance

Gender: Female
Nationality: Malaysian
Age: 60
Date Joined: 1 August 1997

Responsibilities
- Overseeing the planning of financial policies and procedures, budgeting, forecasting, management reporting and financial reporting processes, as well as implementing/maintaining relevant controls
- Creating short to medium financial strategies that support CMS' strategies and expansion

Skills & Experience
- She served as a Senior Audit Manager at Ernst & Young in Kuching
- She has more than 15 years of experience in audits of public-listed companies, limited companies, statutory bodies and financial institutions
- She assumed her current position on 1 January 2010
- She has vast experience in accounting, tax, finance, treasury, corporate exercise and statutory reporting

Academic/Professional Qualification
- The Malaysian Association of Certified Public Accountants
- Chartered Accountant registered with The Malaysian Institute of Accountants
- Member of The Chartered Tax Institute of Malaysia

Other Current Appointments
- Nil

DELIVERING OUR STRATEGY, DRIVING PERFORMANCE

WENDY YONG SAN SAN

Senior General Manager, Group Human Resources

Gender: Female
Nationality: Malaysian
Age: 49
Date Joined: 16 May 1999

Responsibilities

- Overseeing the department's strategic and operational functions which encompass human capital planning, succession planning, recruitment, payroll, employee development, performance management, employee engagement and relations, employee benefits, Industrial Relations, policy development and implementation, as well as employee safety and health
- Supporting the risk management, corporate governance and digitalisation process of the HR function
- Overseeing Tunku Putra-HELP School

Skills & Experience

- She had held various human resources roles at RHB Bank Berhad in Kuching and Kuala Lumpur
- She assumed her current position on 1 January 2014

Academic/Professional Qualifications

- Bachelor Degree of Science, University of Melbourne, Australia
- Master of Science Degree, University of Leicester, UK

Other Current Appointments

- Director of HELP IBRACO CMS Sdn Bhd
- Director of CMS Education Sdn Bhd

DAVID LING KOAH WI

Group General Counsel

Gender: Male
Nationality: Malaysian
Age: 50
Date Joined: 1 August 2007

Responsibilities

- Responsible for CMS' Legal Services Department
- Overseeing the risk management functions of the CMS Group
- Corruption risk owner of CMS Group

Skills & Experience

- Prior to joining CMS, he was with ZICOlaw Malaysia
- He practised law in Australia
- He joined CMS on 1 August 2007 as Group General Counsel

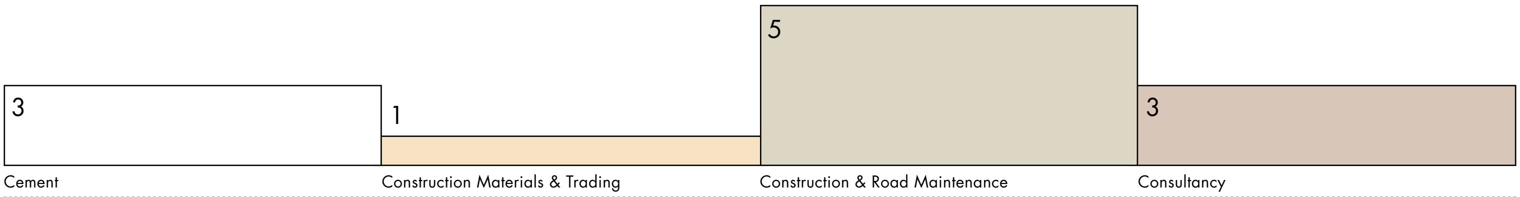
Academic/Professional Qualifications

- Degree in Bachelor of Laws (Honours), University of Sydney
- Degree in Bachelor of Economics (majoring in Accounting and Economics), University of Sydney
- Post Graduate Diploma in Legal Practice, College of Law, Sydney
- Solicitor, New South Wales, Australia
- Advocate of the High Court, Sabah and Sarawak, Malaysia

Other Current Appointments

- Director, Samalaju Industries Sdn Bhd

EXPERIENCES



DANNY SIM WEI MIN
Senior General Manager, Group Procurement

Gender: Male
Nationality: Malaysian
Age: 54
Date Joined: 1 March 2001

Responsibilities
- Overseeing the procurement department
- Continuously enhancing the efficiency of the procurement system and plays a key role in the efficient centralisation of procurement throughout the CMS Group

Skills & Experience
- He has more than 27 years of experience in the fields of quantity surveying
- Prior to joining CMS, he worked as a Researcher to 'Royal Commission Into The Building and Construction Industry, Australia'
- He worked as a Quantity Surveyor at Kumpulan Ukor Bahan Sarawak, responsible for preparing tender/contract documents and acting as a Contract Administrator for various infrastructure projects
- He assumed his current position on 1 January 2015

Academic/Professional Qualifications
- Bachelor Degree in Building, The University of New South Wales, Australia

Other Current Appointments
- Nil

FRANCIS LOU CHEE NGEE
Group Internal Auditor

Gender: Male
Nationality: Malaysian
Age: 52
Date Joined: 1 September 2012

Responsibilities
- Overseeing the department which provides independent and objective investigating, audit and consulting activities
- Responsible for ensuring that the internal audit activities of the CMS Group are carried out in a systematic and disciplined manner to evaluate and improve the effectiveness of risk management, control and governance processes in line with the Board's direction and regulatory and legal requirements

Skills & Experience
- He has more than 28 years of experience in the fields of auditing, investment banking, treasury and collective investment schemes
- Prior to joining CMS, he was the Head of Finance at Kenanga Investors Berhad where he was responsible for the financial management of the company including its financial accounts and those of the funds under management
- He assumed his current position on 1 July 2014

Academic/Professional Qualification
- Bachelor of Management Studies Degree, University of Waikato, New Zealand
- Certified Internal Auditor (IIA)
- Certification in Risk Management Assurance (CRMA)
- Chartered Member of the Institute of Internal Auditors Malaysia (IIAM)
- Committee Member of the IIAM Sarawak District Society

Other Current Appointments
- Nil

None of the other Senior Management team has any family relationship with any Director/Major Shareholder and has no conflict of interest with the Company. None of the Senior Management team has been convicted of any offence (other than traffic offences within the past five (5) years and any sanction/penalty imposed by the relevant regulatory bodies during the financial year.

OUR GOVERNANCE FRAMEWORK

RISK/OPPORTUNITY

CONTROL/ASSURANCE

CMS BOARD

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

- **Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf**
- **Y Bhg Dato Sri Mahmud Abu Bekir Taib**
- **Y Bhg Dato Isaac Lugun [1]**
- **Y Bhg Datu Hubert Thian Chong Hui [4]**
- **Y Bhg Datuk Seri Yam Kong Choy**
- **Y Bhg Datuk Ir. Kamarudin bin Zakaria [2]**

GROUP AUDIT COMMITTEE ("GAC")

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

Independent Non-Executive Directors

Chin Mui Khiong (Chairman)
Umang Nangku Jabu
Y Bhg Datu Hubert Thian Chong Hui [4]

NOMINATION & REMUNERATION COMMITTEE ("NRC")

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

Independent Non-Executive Directors

Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf (Chairman)
Y Bhg Datuk Seri Yam Kong Choy
Y Bhg Datu Hubert Thian Chong Hui [4]

Non-Independent Non-Executive Director

Y Bhg Dato Sri Mahmud Abu Bekir Taib

GROUP RISK COMMITTEE ("GRC")

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

Independent Non-Executive Directors

Y Bhg Datuk Seri Yam Kong Choy (Chairman)
Y Bhg Datu Hubert Thian Chong Hui [4]

Executive Directors

Y Bhg Datuk Syed Ahmad Alwee Alsree [3]
Y Bhg Dato Isaac Lugun [1]

GROUP MANAGING DIRECTOR

- Has day-to-day responsibility for managing the Group's operations
- Makes decisions on matters affecting operations, performance and strategy
- Provides leadership and direction to senior management
- Coordinates all activities to implement strategy for managing the business in accordance with the Group's risk appetite and business plan set by the Board

[1] Appointed as Group Managing Director on 18 October 2019
[2] Appointed on 26 November 2019
[3] Resigned on 18 October 2019
[4] Retired on 01 February 2020

STAKEHOLDERS

▲ *The roles and responsibilities of the Board is available on our website at www.cmsb.my*

Y Bhg Datuk Syed Ahmad Alwee Alsree [3]

Umang Nangku Jabu

Chin Mui Khiong

DIGITAL TRANFORMATION COMMITTEE ("DTC")

The DTC assists and supports the Board's 5-year Digital Transformation initiative for the Group from 2019-2023 for the Group.

Independent Non-Executive Directors

Y Bhg Datuk Seri Yam Kong Choy
Chin Mui Khiong

Non-Independent Non-Executive Director

Y Bhg Dato Sri Mahmud Abu Bekir Taib (Chairman)

- Promotes the Company's culture and standards

DISCLOSURES

COMPOSITION OF THE BOARD

1 Chairman (Independent Non-Executive Director)

1 Executive Director

3 Non-Independent Non-Executive Directors

2 Independent Non-Executive Directors

149 Board Hours

90% Attendance

MATTERS RESERVED FOR THE BOARD

a. Group strategy, plans and budgets
b. Approval of audited and quarterly financial statements
c. Constitution of the Company including amendments
d. Terms of Reference of Board and Board Committees
e. Appointment and/or removal of external auditors and auditors' remuneration
f. Corporate exercise including new business activities and/or ventures
g. Key policies of the Group
h. Group organisational structure

ROLES AND RESPONSIBILITIES

GROUP CHAIRMAN

- Leadership of the Board
- Leads the Board in establishing and monitoring good corporate governance practices in the Company
- Oversees the effective discharge of the Board's fiduciary duties
- Sets the Board agenda and ensure Board members receive complete, clear and accurate information in a timely manner
- Leads in discussions at meetings and ensures effective and efficient conduct of Board meetings
- Manages Boardroom dynamics and encourages active participation, promoting open debate and allowing dissenting views to be freely expressed thus facilitating the effective contribution of all Directors
- Schedules regular and effective evaluation of the Board's performance
- Promotes constructive and respectful relations between Board members and between the Board and Senior Management
- Ensures the Directors have access to necessary training programmes or materials that match up with the identified development areas
- Ensures steps are taken for effective communications with stakeholders

INDEPENDENT NON-EXECUTIVE DIRECTORS

- Independent of management and free from any business or other relationships which could materially interfere with the exercise of their independent judgement
- Provide unbiased and independent views in their deliberations
- Provide an objective, independent and balanced view in the Board's deliberations

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

- Review and challenge Management's strategic proposals taking into consideration the risks involved, merits of the transactions and/or business arrangements
- Monitor Management's implementation of the approved strategies

GROUP MANAGING DIRECTOR

- Implementation of broad policies and strategic investments approved by the Board
- Acts as a conduit between the Board and Senior Management
- Formulates and oversees implementation of major corporate policies and strategies adopted by the Board
- Ensures the CMS Group has an effective management team including an active succession plan and development

LEADERSHIP

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The Board met formally seven (7) times during the year. Attendance at all Board and Committee meetings by Directors are shown in the table below:

	Attendance				
		Committees			
Name of Board Members	Board	GAC	NRC	GRC	DTC
Group Chairman					
Independent Non-Executive Director					
Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf	5/7	-	3/5	-	-
Independent Non-Executive Directors					
Y Bhg Datuk Seri Yam Kong Choy	7/7	-	5/6	3/4	3/4
Mr Chin Mui Khiong	7/7	5/5	-	-	4/4
Y Bhg Datu Hubert Thian Chong Hui *(Retired on 01 February 2020)*	7/7	5/5	6/6	4/4	-
Non-Independent Non-Executive Directors					
Y Bhg Dato Sri Mahmud Abu Bekir Taib	5/7	-	6/6	-	4/4
Y Bhg Datuk Ir. Kamarudin bin Zakaria *(Appointed on 26 November 2019)*	1/1	-	-	-	-
Madam Umang Nangku Jabu	7/7	5/5	-	-	-
Group Managing Director					
Y Bhg Dato Isaac Lugun *(Appointed on 18 October 2019)*	1/1	-	-	1/1	-
Group Executive Director					
Y Bhg Datuk Syed Ahmad Alwee Alsree *(Resigned on 18 October 2019)*	6/6	-	-	3/3	-

“ — ”

The Company is led by an effective Board which is responsible collectively for the long-term success of the Company.

ROLE OF BOARD AND COMMITTEES

The Board is responsible for setting the Group’s strategy and ensuring the necessary resources and capabilities are in place to deliver its strategic aims and objectives. It determines the Group’s key policies and reviews management and financial performance.The Group’s governance framework is designed to facilitate a combination of effective, entrepreneurial and prudent management, both to safeguard stakeholders’ interests and to sustain the success of CMS over the longer term. This is achieved through a control framework which enables risk to be assessed and managed effectively. The Board sets the Group’s core values and standards and ensures that these, together with the Group’s obligations to its stakeholders, are understood throughout the Group.

Board Activities in 2019

"The principal activities of the Board are conducted at regular scheduled meetings of the Board and its committees. The Board normally meets five (5) times a year."

The Chair and GMD maintain regular contact with the other directors to discuss matters relating to the Group and the Board receives regular reports and briefings to ensure the directors are suitably briefed to fulfil their roles. The Non-Executive Directors (including the chair) meet as and when required in the absence of the executive directors to discuss and appraise the performance of the Board as a whole and the performance of the executive directors.

FOCUS AREAS OF BOARD ACTIVITY DURING THE YEAR:

- Governance
- Internal Control and Risk Management
- Leadership and People
- Financial Performance
- Strategy

LEADERSHIP AND PEOPLE

- Board and Senior Management Succession Planning and appointments
- Board strategic restructuring
- Remuneration policy and guidelines for Board, Senior Management and employees
- Employee volunteerism
- Digital transformation programme

STRATEGY

- Review of core businesses and strategic investments
- Branding and investor relations
- Acquisition of strategic investments
- Share Buy-Back programme
- Sustainability agenda
- Digital Transformation

INTERNAL CONTROL AND RISK MANAGEMENT

- Planned, regular and systematic audit of significant operations
- Audit investigation
- Reporting audit findings and recommendations
- Identification, review and reporting top risks on major/ significant projects
- Planned risk reports rolled out to apex subsidiary boards

GOVERNANCE

- Review of Group policies and procedures
- Review of Board Charter and Board Committees' Terms of Reference
- Electronic poll voting at AGM
- Re-appointment of external auditor
- Related Party Transactions
- Approval of CMS Anti-Bribery Anti-Corruption Policy
- Board and Board Committees Effectiveness Evaluation

FINANCIAL PERFORMANCE

- Quarterly financial performance
- Audited financial statements
- Recommendation to shareholders for dividend payment
- Group financial and capital expenditure budget
- Group cash flow and SUKUK programme

EFFECTIVENESS

NOMINATION & REMUNERATION COMMITTEE REPORT

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We remain responsible for reviewing the structure and composition of the Board and its Committees and ensuring that they have the right balance of skills, knowledge and experience. Additionally, we look to create long-term sustainable value for shareholders whilst upholding our strong cultural identity and expected standards of behaviour.

COMMITTEE MEMBERS

Chairman
Y Bhg Tan Sri Abdul Rashid Bin Abdul Manaf
(Independent, Non-Executive Director)

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

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

Y Bhg Datu Hubert Thian Chong Hui
(Independent, Non-Executive Director)
(Retired on 01 February 2020)

▲
More detailed information on the role and responsibilities of the Committee can be found in the Committee's Terms of Reference which can be accessed on the Company's website at **www.cmsb.my**

KEY OBJECTIVES

The primary objectives of the NRC are:

- to review the size and composition of the Board and Board Committees and to plan for the Board's progressive refreshing, with regard to balance and structure
- to oversee the remuneration framework for the Board and employees in the Group

KEY RESPONSIBILITIES

- responsible for size, structure and composition of the Board and Board Committees
- reviewing and recommending appointments to the Board
- responsible for succession planning to ensure that the Board is refreshed progressively and systematically such that the balance of skills and experience available to the Board remains appropriate to the needs of the business
- makes recommendations on the membership of the Board Committees and Boards of subsidiary/associate companies in the Group
- recommends the remuneration for the Non-Executive Directors
- recommends guidelines for staff performance contract payments and salary increment
- recommends appointment of key officers and remuneration packages of senior management

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer are distinct and separate and their roles and responsibilities are clearly established. The Chairman leads the Board and has particular responsibility for the effectiveness of the Group's governance. In promoting a culture of openness, he ensures the effective engagement and contribution of all Executive and Non-Executive Directors.

NOMINATION AND RECRUITMENT

The NRC plays a key role in the Board recruitment process. The NRC and Board had considered and approved the strategic restructuring of the Board in 2019 wherein Datuk Syed Ahmad Alwee Aslree stepped down as Group Executive Director of the Company after serving for more than 15 years. As part of the robust succession plan the NRC and Board also approved the appointment of Dato Isaac Lugun as Group Managing Director of the Company.

In November the NRC and Board identified Datuk Ir. Kamarudin bin Zakaria as a suitable candidate to join the Board of CMS as a Non-Independent Non-Executive Director. Datuk Ir. Kamarudin was engaged as an Advisor to the Group's new investment project, Malaysian Phosphate Additives (Sarawak) Sdn Bhd. The appointment of Datuk Ir. Kamarudin was effected in November.

Subsequent to the year ended 31 December 2019, Y Bhg Datu Hubert Thian Chong Hui retired as an Independent Non-Executive Director on 1 February 2020. Datu Thian also relinquished his role as a member on the Group Audit Committee, NRC and GRC, as well as all his roles in the Group. On 26 February 2020 the NRC and Board agreed to take steps to actively recruit a new independent director to fill this vacancy, as well as the membership on the Board Committees. The NRC and Board agreed to engage an independent search firm to assist with the recruitment exercise.

ASSESSMENT OF THE INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Chairman is committed to ensuring the Board comprises a balance of Independent Non-Executive Directors who objectively challenge management, balanced against the need to ensure continuity in the Board. On an annual basis, the Board reviews the independence of its Non-Executive Directors. All four (4) independent directors on the Board have completed an independence assessment form/checklist for 2019. The Independent Non-Executive Directors are responsible for bringing independent and objective judgement and scrutiny to matters before the Board and its Committees. The Board considers that all of the Independent Non-Executive Directors bring considerable expertise, strong independent oversight to the Group's businesses.

TIME COMMITMENT AND CONFLICTS

The Board is satisfied that the Chairman and each of the Non-Executive Directors committed sufficient time during the year to enable them to fulfil their duties as Directors of the Company.

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

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

DIRECTORS' RE-ELECTION

The NRC ensures that the Directors retire and are re-elected in accordance with the relevant regulations and laws, as well as the Company's Constitution. Pursuant to Article 111 of the Company's Constitution, all Directors are subject to election by shareholders at the first AGM after their appointment. One-third (1/3) of the Directors, or if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum number of one (1), shall retire from office at each AGM and they may offer themselves for re-election. All Directors must submit themselves for re-election at least once in every three (3) years.

Pursuant to Article 113 of the Company's Constitution, any Director appointed by the Board shall hold office until the next AGM at which Directors are due to retire under the Constitution, when he shall retire but shall then be eligible for re-election.

The NRC is responsible to recommend the Directors who are eligible to stand for re-election based on the schedule of retirement by rotation. In assessing the suitability of candidates, the NRC takes into account the competencies, contribution, commitment, tenure and other attributes, as well as the self/peer assessment based on the Board Effectiveness Evaluation ("BEE") exercise. The NRC also assesses the Board structure and balance including independence criteria. Directors are requested to give their written consent on their intention to seek re-election at an AGM. The NRC's recommendations are then submitted to the Board and Shareholders respectively for approval.

The Board recommends the re-election of the following Directors who will be retiring pursuant to Articles 111 and 113 at the forthcoming AGM and are standing for re-election:

Y Bhg Dato Sri Mahmud Abu Bekir Taib ("Dato Sri Mahmud")

Dato Sri Mahmud, age 56, joined the Board on 23 January 1995 as a Non-Independent Non-Executive Director and is a representative of the major shareholders. He has served for more than 25 years as at March 2020. The recommendation to re-elect Dato Sri Mahmud is supported by his role as the Deputy Group Chairman and Chairman of the DTC. Dato Sri Mahmud is also a member of the NRC. As Chairman of the DTC, Dato Sri Mahmud plays a key pivotal role in the decision making and strategies for the Group DT initiatives.

EFFECTIVENESS

Datuk Seri Yam Kong Choy ("Datuk Seri Yam")
Datuk Seri Yam, age 66, was appointed on the Board as an Independent Non-Executive Director on 5 May 2015 and has served for over 4 years as at March 2020. Datuk Seri Yam is Chairman of Group Risk Committee and a member of the NRC. He is also a nominated representative of CMS on a number of major operating subsidiaries in the Group.

The recommendation to re-elect Datuk Seri Yam is supported by his vast experience and knowledge particularly in property development and construction matters. Datuk Seri Yam has and continues to provide high level judgement and ensures robust discussions are held at all Board and Board Committee meetings of which he is a member. As a nominee director on a number of major operating subsidiary companies in the CMS Group, he has and continues to provide strong guidance to Management where he challenges Management in critical quantitative analysis and decision making.

Dato Isaac Lugun ("Dato Isaac")
Dato Isaac was appointed on the Board as Group Managing Director on 18 October 2019. Dato Isaac is a member of the GRC and a nominated representative of CMS on all the major operating subsidiaries in the Group. Pursuant to Article 113, he is required to submit himself for election at his first AGM which is the 45th AGM to be held at a later date.

Y Bhg Datuk Ir. Kamarudin Bin Zakaria ("Datuk Ir. Kamarudin")
Datuk Ir. Kamarudin was appointed on the Board as a Non Independent Non-Executive Director on 26 November 2019. Pursuant to Article 113, he is required to submit himself for election at his first AGM which is the 45th AGM to be held at a later date.

Note: Notice of 45th AGM will be despatched to the shareholders of the Company in due course.

BOARD REMUNERATION FRAMEWORK

There is no change to the Board remuneration framework in 2019. The disclosure of the remuneration of the Board on named basis and in bands, is set out in Note 10 of the audited financial statements for the year ended 31 December 2019 whilst the top 5 Senior Management in bands is set out in the Corporate Governance (CG) report.

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

In November 2019, the Board approved the BEE for 2019 to be conducted in-house and facilitated by the Group Company Secretary. In February 2020, the Board resolved to adopt the BEE 2019 results which included the key areas for enhancement as recommended by the NRC. Further details of the BEE are set out in the CG report. The results of the BEE 2019 assessments form the basis of the NRC's recommendations to the Board for the re-election of Directors at the forthcoming AGM in 2020.

BOARD EFFECTIVENESS EVALUATION

The Board recognises that it continually needs to monitor and improve its performance. In line with the effective governance requirements of the Code, the Board reviews its own performance and that of the Directors and of its Committees annually.

THIS YEAR'S PROCESS

The Board evaluation exercise for 2019 was facilitated by the Group Company Secretary. The three (3) key areas of assessment are:

- Board Structure
- Board Responsibilities
- Board Operations

The Board and Board Committees were self-assessed. For individual directors, peer assessments were performed.

CONCLUSION OF 2019 REVIEW

The conclusion from this year's evaluation was that the Board and its Committees continued to operate to a high standard and continued to provide effective leadership and exert the required levels of governance and control.

FOCUS FOR 2020

- Strengthen the Board's mix of skills
- Recruitment of new independent director

REMUNERATION

1. Recommended the retirement gratuity for Group Executive Director
2. Recommended the Strategic Performance Management ("SPM") for key officers
3. Performance Indicators for Head of Divisions/Head of Departments for 2019/2020
4. Carried out a half-year review of 2019 SPM/KPI
5. Recommended the guidelines for staff performance contract payment for 2019 and staff annual salary increment proposals for 2020
6. Recommended the extension/offer of contract of employment and remuneration package for members of Senior Management

NOMINATION

1. Recommended the strategic Board restructuring and succession plan
2. Recommended the recruitment and appointment of Group Managing Director and new non independent director
3. Reviewed and recommended the changes in Board Committees composition
4. Recommended the appointment of nominated representatives on the boards of subsidiary and/or associate companies of CMS
5. Reviewed the outcome of Board effectiveness evaluation exercise
6. Evaluated and recommended the re-election of retiring directors at the AGM
7. Reviewed the Senior Management Succession Planning Development 2019

OTHERS

1. Recommended the training programme for the Board of Directors for 2019

As a result of the evaluation, the Board considers the performance of each Director to be effective and concluded that both the Board and its Committees continue to provide effective leadership and exert the required levels of governance and control. Shareholders would therefore be recommended to re-elect Board Members at the AGM.

Board Development

To ensure a full understanding of CMS and its businesses, following their appointment to the Board, each Director undergoes a comprehensive and tailored induction programme which introduces the Director to the Group's businesses, its operations, strategic plans and key risks. New Directors are also provided with information on relevant share dealing policies, Directors' duties, Company policies and governance.

The Board has an induction programme for new Directors that is facilitated by the Group Company Secretary. During the year, a three (3) day induction was conducted for the new Non-Independent Non-Executive Director, Datuk Ir. Kamarudin bin Zakaria. The programme included briefing by Management and site visits to the Integrated Plant in Mambong, Bandar Samariang and The Isthmus, in Kuching.

In addition to the Mandatory Accreditation Programme as required by Bursa Securities, all Directors are provided with the opportunity and are encouraged to attend regular training to ensure they are kept up-to-date on relevant legal developments or changes, best practice and changes to commercial and financial risks. Typical training experience for Directors includes attendance at seminars, forums, conferences and working groups. In order to fulfil their duties, procedures are in place for Directors to seek both independent advice and the advice and services of the Group Company Secretary.

ACCOUNTABILITY

COMMITTEES OF THE BOARD

The Board has three (3) Committees – Group Audit, Nomination & Remuneration and Group Risk. The composition, responsibilities and activities of each of these Committees are described in separate reports. The Group Company Secretary acts as Secretary to all of these Committees.

▲ The Terms of Reference of the Committees are available on the Company's website at **www.cmsb.my**

In 2019 the Board set up an ad-hoc Digital Transformation Committee to oversee the DT programme which will be implemented over five (5) years from 2019 to 2023.

FINANCIAL AND BUSINESS REPORTING

The respective responsibilities of the Directors and auditor in connection with the Financial Statements are explained in the Statement of Directors' Responsibility on page 145 and the Independent Auditor's Report on **http://www.cmsb.my/investor-relations/reports/annual-reports/**.

▲ More information can be found on the page 130, **Audit Committee Report**

FAIR, BALANCED AND UNDERSTANDABLE

The Directors consider that the Integrated Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

INTERNAL CONTROL AND RISK MANAGEMENT

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

The Board and the Group Audit Committee have reviewed the effectiveness of the Group's risk management and internal control systems in accordance with the MCCG for the year ended 31 December 2019, and up to the date of approving the Integrated Annual Report and Financial Statements. The risk management and internal control system is designed to manage, rather than eliminate, the risk of failing to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. The assessment and control of risk are considered by the Board to be fundamental to achieving corporate objectives.

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

The process has been in place throughout 2019, and up to the date of approving the Integrated Annual Report and Financial Statements, the key elements of this process are:

1. **A comprehensive system of monthly reporting from key executives, identifying performance against budgets and forecasts.**
2. **Analysis of variances, major business issues, key performance indicators and regular forecasting.**
3. **Well-defined policies governing appraisal and approval of capital expenditure and treasury operations.**
4. **Regular meetings to identify and discuss key risks and mitigations with a broad sample of the senior management team and the Executive Director.**
5. **Review of the corporate risk register in terms of completeness and accuracy with the senior management team and the Executive Director.**
6. **Group Risk Committee discussion of the corporate risk register and the risk management system with subsequent reports to the Board.**
7. **The use of the internal audit function to monitor, validate and report on the Group-wide risk assessment process.**
8. **Our process for identifying, evaluating and managing the significant risks faced by the Group and assessing the effectiveness of related controls routinely identifies areas for improvement.**

GROUP AUDIT COMMITTEE REPORT

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The Committee continues to focus on the effectiveness of the Group's internal controls and principal risks, to ensure the alignment of these with the Company's strategic objectives.

COMMITTEE MEMBERS

Chairman
Mr Chin Mui Khiong
(Independent, Non-Executive Director)

Members
Y Bhg Datu Hubert Thian Chong Hui
(Independent, Non-Executive Director)
(Retired on 1 February 2020)

Madam Umang Nangku Jabu
(Non-Independent, Non-Executive Director)

▲
More detailed information on the role and responsibilities of the Committee can be found in the Committee's Terms of Reference which can be accessed on the Company's website at **www.cmsb.my**

KEY OBJECTIVES

The Committee objectives are to ensure the integrity of the Group's financial statements, and adequacy and effectiveness of the system of internal controls, governance and risk management processes. The Committee also has a role in representing the interests of shareholders by monitoring the activities and conduct of management and the auditors.

KEY RESPONSIBILITIES

The Committee's key role is to assist the Board in discharging its oversight duties and responsibilities for financial reporting, internal control, governance and risk management process and in making recommendations to the Board on the appointment of the External Auditor.

The Committee is responsible for the scope and results of the External Audit work, its cost effectiveness and for ensuring the independence and objectivity of the External Auditor. The Committee is also responsible for reviewing the Group's whistle-blowing arrangements as they relate to matters of financial integrity, including ensuring that appropriate arrangements are in place for employees and external parties to be able to raise, in confidence, matters of alleged financial and/or other improprieties and for ensuring that appropriate follow-up actions are taken.

COMPOSITION

The Committee is a fundamental element of the Company's governance framework. The Committee is chaired by Mr Chin Mui Khiong. Y Bhg Datu Hubert Thian Chong Hui and Mdm Umang Nangku Jabu are the other members of the Committee. Members of the Committee are appointed by the Board following recommendations by the Nomination and Remuneration Committee ("NRC") and membership is reviewed annually by the NRC as part of the annual Board evaluation exercise. As at 31 December 2019, the Committee comprised a majority of Independent Non-Executive Directors. The Committee members collectively have a broad range of financial and commercial experiences that enables them to provide oversight of both financial and risk matters, and to advise the Board accordingly. Subsequent to the financial year ended 31 December 2019, Y Bhg Datu Hubert Thian Chong Hui retired as an Independent Non-Executive Director of the Company on 1 February 2020. The NRC and the Board have reviewed the composition of the Committee at their respective meetings held on 26 February 2020 and are taking steps to bring on board suitable candidates to fill this vacancy.

ACCOUNTABILITY

ACTIVITIES OF THE COMMITTEE

To enable the Committee to carry out its duties and responsibilities effectively it works to a structured programme of activities and meetings aligned with the annual financial reporting cycle. This includes items that the Committee considers regularly in accordance with its Terms of Reference. In addition to its core work, the Committee undertakes additional work in response to the evolving audit and external reporting landscape.

The Committee relies on information and support from Management across the business, receiving reports and presentations from business management, the Heads of Key Group functions, Internal Audit and the external auditor, which it challenges as appropriate. Following each meeting, the Committee Chairman reports on the main discussion points and any actions and recommendations arising from these to the Board.

FINANCIAL REPORTING

In overseeing financial reporting, the Committee:

a. Reviewed, with the appropriate officers of the Group, the quarterly results and annual financial statements of the Company and the Group, focusing particularly on significant changes in or implementation of accounting policies and practices, accounting treatments, significant judgements made by Management, adjustments arising from the audits, compliance with accounting standards (MFRS) used and disclosure requirements, comments and responses to audit issues and other legal requirements to ensure that the financial statements present a true and fair view of the Company's financial performance prior to making a recommendation to the Board for approval and public release thereof;

b. Deliberated significant accounting/audit issues and unusual events or transactions and reasonableness of accounting standards application highlighted by the external auditor and/or Management to derive the Company's financial statements, and ensured that appropriate action was taken;

c. Assessed the effectiveness of the Company's internal control system over financial reporting by both internal and external auditors, including information security and control for effective and efficient financial reporting.

INTERNAL AUDIT

During the year, the Committee carried out the following activities to ensure the internal audit function is adequately resourced and competent in carrying out the planned activities for the next three (3) years.

The Committee in discharging its duties,

a. Reviewed and approved the adequacy of the risk-based internal audit plan, scope of examination and internal audit reports for the Company and its subsidiaries issued by Group Internal Audit Department on the effectiveness and adequacy of governance, risk management, operational and compliance processes.

b. Reviewed the adequacy and effectiveness of appropriate actions taken by Management in respect of the audit findings and the Committee's recommendations through review of the status of implementation reports tabled by Group Internal Auditor at each meeting.

c. Reviewed the effectiveness of the internal audit function through the following ways:

- ensured the Internal Audit function is in conformance with The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing in achieving an acceptable level of auditing performance
- appraised the annual performance of the internal audit staff and set and/or review the Key Performance Indicators and Management Performance Appraisal of the Group Internal Auditor to ensure that the quality of team members' performances are maintained and/or improved
- reviewed and approved the remuneration package including performance contract payment for the Group Internal Auditor
- reviewed results of internal self-assessment performed by the internal audit function and Management's feedback on the quality of internal audit services rendered to ensure quality of internal audit work
- assessed the competency of the internal audit staff and adequacy of resources to achieve the scope as outlined in the annual audit plan
- reviewed and approved annual training budget to equip the internal audit team with an appropriate level of skills and knowledge to carry out the function effectively

INTERNAL AUDIT (CONT'D.)

- reviewed the quality assessment and improvement program to ensure that the internal audit function is effective and carries out constant improvement to provide quality and value added services
- reviewed and approved the revision of the charter and policies and procedures manual of the Group Internal Audit Department

d. Discussed problems and reservations arising from internal audits and any matters in the absence of Management or the Executive Directors of the Company.

The Committee held two meetings with the Group Internal Auditor on 25 February 2019 and 27 August 2019 without the presence of Management to discuss issues and/or any other observations that he may have during the internal audit and the extent of cooperation provided by the Group and its officers.

EXTERNAL AUDIT

In ensuring the credibility and reliability of the Company's financial statements, the Committee,

a. Conducted a formal assessment of the external auditor's performance, independence and objectivity to assess the suitability and independence of the external auditors before recommending to the Board their reappointment as external auditor of the Group. The assessment covered:
   - Suitability of the firm
   - Quality process/performance (audit judgement, risks including fraud risk assessment, reporting process, understanding of key issues and transparency in communication)
   - Audit team competency (Senior personnel involvement and staff expertise)
   - Independence and objectivity (compliance to By-Laws on professional independence of Malaysian Institute of Accountants, partner rotation and non-audit services rendered)
   - Audit scope and planning
   - Fees (compared to organisations of similar size, fees in relation to overall external audit firm's income and limit of non-audit fee size)
   - Communications (timeliness and transparency)

b. Based on the satisfactory assessment of the suitability of services rendered by the external auditor and the review of the reasonableness of the proposed audit fee (benchmarked to audit fees incurred by other organisations of similar size), recommended to the Board the audit fee payable and their re-appointment as external auditors for the financial year ended 31 December 2019. The reviewed fee is also deemed sufficient to enable a quality audit to be conducted.

c. Ensured full compliance with the policy where the cumulative non-audit fee incurred in excess of 50% of the preceding year's approved audit fee for the Group would require the Committee's prior approval. In this regard, the Committee ensured the appointments of the affiliates to external auditors are in full compliance with established policies and procedures which include among others the consideration of:
   - the competence and resource capacity
   - the nature and extent of the non-audit services rendered
   - the appropriateness of the level of fees

d. Reviewed the audit engagement letter on the audit scope, timelines and how key risks (e.g. fraud risk) are factored into their plan including written assurance of independence and objectivity to give assurance that the financial statements are free of material misstatement, whether caused by fraud or error.

e. Reviewed the audit plan with the external auditor and their evaluation of the system of internal control.

f. Reviewed and deliberated on the external auditor's report with regard to the relevant disclosures in the annual financial statement.

g. Reviewed and deliberated on the external auditor's findings arising from audits including the comments and responses in management letters.

h. Reviewed the assistance given by the Company's and Group's officers to the external auditor.

i. Noted new and revised Auditing Standards on external auditor reporting.

j. Held three (3) private meetings with the external auditors without the presence of Management to reinforce the independence of the external audit function.

ACCOUNTABILITY

RISK MANAGEMENT

a. Reviewed and recommended the Statement on Risk Management and Internal Control for Board approval for inclusion in the Company's Integrated Annual Report; (Refer to Statement of Risk Management and Internal Control on Pages 138 to 143.

b. One (1) of the Committee members is also a member of the Group Risk Committee ("GRC"). He along with the Group Internal Auditor have attended all four (4) meetings of the GRC in 2019 and reviewed quarterly status reports on Enterprise Risk Management focusing on key risks reporting. Post mortem of risk events were also deliberated in the same meetings.

RELATED PARTY TRANSACTIONS

a. Reviewed the Statement of Related Party Transactions and Procedures taking note of any possible conflict of interest transactions, ensuring all related party transactions are taken on arm's length basis and on normal commercial terms and consistent with the Company's procedures.

b. Reviewed the estimated recurrent related party transactions mandate for the year and recommended to the Board to seek renewal of shareholders' mandate and new shareholders' mandate at the forthcoming Annual General Meeting of the Company.

OTHERS

a. Reviewed its Terms of Reference to ensure all the mandatory requirements under the MACC (Amendment) Act 2018 and other relevant statutory regulations, as well as other corporate governance best practices are met.

b. Ensured succession planning for the Committee in consultation with the Board and the NRC.

c. Reviewed major litigation, claims and/or issues that may have substantial financial impact.

d. Reviewed disclosure statements on the Corporate Governance Overview Statement and Group Audit Committee Report for the financial year ended 31 December 2019 for inclusion in the Integrated Annual Report 2019 and recommended their adoption by the Board.

e. Reviewed the recommendation to the Board on proposed first and final dividend for the year ended 31 December 2019.

SUMMARY OF WORK OF INTERNAL AUDIT FUNCTION

It is the policy of the Board to maintain and support an internal audit function for the provision of independent and objective assurance and consulting activities that is guided by a philosophy of adding value to improve the operations of the CMS group of companies.

The internal audit reports functionally to the Committee to ensure independence and objectivity, and administratively to the Group Managing Director.

The Internal Audit Department's primary responsibility is to conduct regular and systematic audits of the significant operations of the Group based on assessed risks so as to provide objective, reasonable and independent assurance to the Committee of the adequacy and effectiveness of the systems of internal control within the Group. The internal audit function undertakes its duties in accordance with the IIA's International Standards for the Professional Practice of Internal Auditing (ISPPIA).

The purpose, authority and responsibility of the internal audit function are articulated in an Internal Audit Charter approved by the Committee and the Board. The risk-based audit plan is built on a structured risk assessment framework to allow the plan to be more focused, concentrating limited resources on the areas of higher concerns to ensure the best use of resources. The annual Group internal audit plan is approved by the Committee each year in November.

The role of the Head of Internal Audit for the Group is fulfilled by the Group Internal Auditor who has twenty-eight (28) years of working experience. He is a Certified member of the Institute of Internal Auditors and has relevant experience to execute the roles and responsibilities of the internal audit function.

The Internal Audit function, which is independent of the activities they audit, has carried out thirty-one (31) planned audits, two (2) ad-hoc audits and all related audit follow-up activities during the year. Areas reviewed include:

- Group-wide Related Party Transactions Review
- Plant Maintenance Audit
- Store Management Audit
- Inventory Management Audit
- Quality Assurance Audits (2)
- Fleet Management Audit
- Project Management Audits (2)
- Claims Processing & Subcontractor Payment Audit
- Compensation Administration Controls & Recruitment Process
- Procurement Function Audit
- MACC (Amendment) Act 2018 adequate procedures implementation (on-going)
- Telecommunications Infrastructure Audits (4 – outsourcing)
- Physical stocktakes – Cement Industries, Quarries and Premix operations
- Occupational permits tracking (up to Q2 2019)

Reports on the adequacy of controls and extent of compliance with internal financial policies and operational procedures in respect of the areas audited and recommendations to improve the existing systems of internal controls and operational efficiency and effectiveness have been provided to both operations Management and the Committee.

All significant audit findings and Committee recommendations pertaining to the Company's subsidiaries are tabled by the Group Internal Auditor to their respective subsidiary companies' Board of directors. In 2019, nine (9) such reports were tabled by the Group Internal Auditor. Fieldwork for two audits commenced in 2019 i.e. Group Human Resources and Group Procurement Audits and were tabled subsequently in 2020 when completed.

The quality of performance, sufficiency and competency of its staff including objectivity is evaluated through a formal assessment of the Internal Audit Function.

The Group Internal Audit Department is staffed by a team of nine (9) and the cost of maintaining the function in 2019 amounted to RM1,467,741 (2018: RM1,330,745).

The Board is satisfied that the Committee has effectively discharged its roles and responsibilities as set out under its Term of Reference ("TOR"). The TOR is available on the Company's website at www.cmsb.my

ACCOUNTABILITY

GROUP RISK COMMITTEE REPORT

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This report provides details of the composition of the Group Risk Committee ("the Committee"), a summary of the work of the Committee and how it has met its responsibilities, and a summary of the business risks during the year ended 31 December 2019.

COMMITTEE MEMBERS

Chairman
Datuk Seri Yam Kong Choy
(Independent, Non-Executive Director)

Members
Datu Hubert Thian Chong Hui
(Independent, Non-Executive Director)
(Retired on 1 February 2020)

Datuk Syed Ahmad Alwee Alsree
(Group Executive Director)
(Resigned on 18 October 2019)

Dato Isaac Lugun
(Group Managing Director)
(Appointed on 29 October 2019)

▲
More detailed information on the role and responsibilities of the Committee can be found in the Committee's Terms of Reference which can be accessed on the Company's website at **www.cmsb.my**

COMPOSITION

The Committee was established by the Board's resolution passed on 27 March 2009 and is guided by the Committee's Terms of Reference.

MEETINGS IN 2019

In 2019, there were four (4) meetings held with a full attendance rate by the Committee members, as table below:

Name of Directors	Total Meetings Attended
Datuk Seri Yam Kong Choy	3/4
Datu Hubert Thian Chong Hui *(Retired on 1 February 2020)*	4/4
Datuk Syed Ahmad Alwee Alsree *(Resigned on 18 October 2019)*	3/3
Dato Isaac Lugun *(Appointed on 29 October 2019)*	1/1

The Group Chairman, Group Internal Auditor, Representative of Group CFO and Group Risk Coordinators attended the Committee meetings by invitation.

SUMMARY OF THE WORK OF THE COMMITTEE IN 2019

1. Discussed and noted on the quarterly Risk Management reports
2. Discussed and deliberated on the risks arising from major/significant projects and business operations
3. Reviewed and recommended to the Board to approve the revisions to the GRC Committee's Terms of Reference
4. Discussed and deliberated on corruption risk and MACC (Amendment) Act 2018
5. Reviewed and advised on subsidiary operations risk and provide input on mitigation of key business risks
6. Deliberated on any cases that warrants a risk demerit to be imposed on any business divisions or individuals for failing to report material risks
7. Conducted a survey to determine the effectiveness of the Group Risk Committee, Group Risk Unit and Enterprise-wide Risk Management Framework
8. Appointed Group General Counsel as the Group Corruption Risk Owner to provide oversight on all anti-bribery and anti-corruption matters within the Group
9. Appointed the Group Risk Unit to work with an external consultant to implement "Adequate Procedures" in relation to anti-bribery and anti-corruption for the Group

TERMS OF REFERENCE

The Committee operates in accordance with its Terms of Reference. In 2019, as part of the Group's initiative to be more vigilant in managing corruption risks, the Committee has reviewed and recommended to the Board the revision to the Terms of Reference to incorporate its duties on anti-bribery and anti-corruption.

The complete and detailed Terms of Reference is accessible to the public on the Company's official website at www.cmsb.my.

DUTIES

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

The duties of the Committee are:

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

The duties of the Committee under Anti-Corruption practices are:

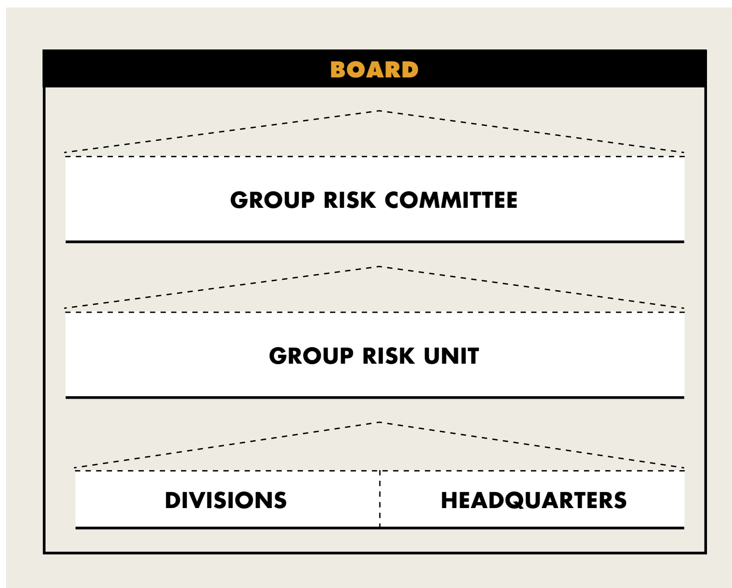
- To ensure that the Management has put in place controls to identify areas prone to corruption risks and steps to mitigate/minimise these risks including their anti-corruption compliance programmes;
- To receive assurance from Group Managing Director on a quarterly basis that the Company is operating in compliance with its corruption risk mitigation strategy;
- To receive feedback from Group Internal Audit on areas that may be vulnerable to corruption risks based on their review/audit and on any non-compliances issues based on their review/audit; and
- To ensure that a comprehensive corruption risk assessment is conducted by the relevant Division/Department within the Group once every three (3) years or whenever there is a change in law or circumstance of the business to identify, analyse, assess and prioritise the internal and external corruption risks of the organisation.

OTHER RESPONSIBILITIES

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

RISK MANAGEMENT STRUCTURE

Risk management is regarded by the Board as an integral part of the business operations. Management at all levels have a collective responsibility for creating a risk-aware culture and ensuring that business risk assessment becomes an explicit part of both Headquarters and the Divisions decision-making process.



CONCLUSION

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

RELATIONS WITH SHAREHOLDERS

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We engage actively with analysts and investors and are open and transparent in our communications. This enables us to understand what analysts and investors think about our strategy and performance as we drive the business forward.

DIALOGUE WITH SHAREHOLDERS

The Board is updated regularly on the views of shareholders through briefings and reports from those who have had interaction with shareholders including the directors and the Company's brokers. Regular dialogue is maintained with analysts and investors through telephone calls, meetings, presentations, conferences and ad hoc events.

During the year, senior management conducted over 100 meetings, calls and conferences, with the investors community from Malaysia, USA, Hong Kong, Japan and Singapore. The Chair and the GMD are available to meet institutional shareholders to discuss any issues or concerns in relation to the Group's governance and strategy.

The Group's results and other news releases are published via Bursa Malaysia's Regulatory News Service. In addition, these news releases are published in the Investor Relations section of the Group's website at www.cmsb.my/investor-relations.

	Results Announcement and Briefing	General Meeting of Shareholders	Dividend Payment
APR MAY JUN	Results Announcement and Briefing First Quarter Results Announcement	Annual General Meeting of shareholders Year-end Dividend Payment	
JUL AUG SEP	Second Quarter Results Announcement		
OCT NOV DEC	Third Quarter Results Announcement		
JAN FEB MAR	Fourth Quarter Results Announcement		

▲
The contact information is available on the Company's website at **www.cmsb.my**

STAKEHOLDERS ENGAGEMENT AT CMS

Stakeholder	Method(s) of Engagement	Frequency
Shareholders	• AGM presentation (by the Group Managing Director) • Quarterly result briefings • Media statements • Investor presentations • Meetings/telephone calls with (potential) investors • Comprehensive investor relations portal • CMS website • CMS Facebook page	• Annually • Quarterly • Regularly • Regularly • Regularly • 24/7 • Regularly • Regularly
Employees	• Koffee Talk sessions • Town Hall sessions • Management/Senior Management retreats • Employee Satisfaction Surveys • Departmental meetings • *OurCMS* Magazine • CMS intranet • E-blasts • Annual dinners • CMS Friendly Games • Safety Month • Family Day • Birthdays • Festive open houses • Employee engagement initiatives • Trainings	• Biennially • Annually • Annually • Biennially • Regularly • Tri-annually • Daily • Regularly • Annually • Biennially • Annually • Annually • Ad hoc • Annually • Ad hoc • Regularly
Customers/ Suppliers	• Customer surveys • Customer training (within the respective Divisions) • Code of Ethics and Business Conduct • Dialogues with customers/dealers • Incentive trips • Vendor Engagement Event	• Regularly • Ad hoc • Regularly • Regularly • Regularly • Ad hoc
Media	• Press releases • Meet & Greet sessions • Get-togethers	• Ad hoc • Regularly • Ad hoc
Department of Environment	• Meetings • Progress updates • Compliance reports	• Regularly • Regularly • Quarterly
Government Agencies	• Meetings • Project progress updates • CMS Friendly Games • Sharing Session on Risk Management	• Regularly • Regularly • Regularly • Ad hoc
Community	• Sponsorships and donations • Employee volunteerism • CMS Friendly Games • Corporate Social Responsibility activities • Dialogue sessions • CMS Doing Good Facebook page	• Regularly • Regularly • Regularly • Regularly • Regularly • Regularly

ANNUAL GENERAL MEETING

We value meeting with our private shareholders at the Company's AGM. All resolutions at the AGM will be put to a vote on an e-poll, rather than being decided on a show of hands. The Board believes that this results in a more accurate reflection of the views of shareholders and ensures that their votes are recognised whether or not they are able to attend the meeting. The results of the voting on the resolutions will be announced to Bursa Malaysia and published on our website as soon as possible after the conclusion of the meeting. Notice of the AGM will be sent to shareholders at least 28 working days before the meeting.

This Corporate Governance Overview Statement was approved by the Board of CMS on 13 March 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BACKGROUND

The Board of Directors of the Company ("Board") is committed towards maintaining a sound system of risk management and internal control, and is pleased to provide this Statement on Risk Management and Internal Control (the "Statement") which outlines the scope and nature of risk management and internal control of Cahya Mata Sarawak Berhad ("CMS or the Group") for the financial year ended 31 December 2019.

For the purpose of disclosure, this Statement is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad, Principle B of the Malaysian Code of Corporate Governance and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines").

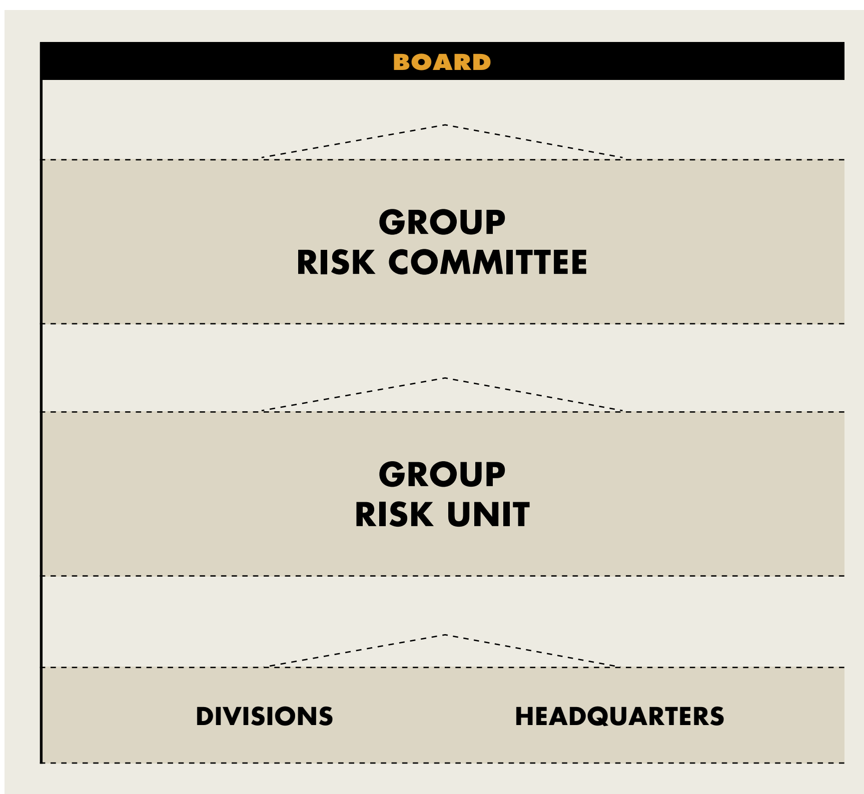
ROLES & RESPONSIBILITIES

The Board recognises its responsibilities and the importance of sound risk management practices and internal control, and reviewing the adequacy and integrity of those systems. In discharging its stewardship responsibilities, the Board has established a sound risk management and internal control framework – Enterprise-Wide Risk Management Framework ("the ERM Framework") based on the MS ISO 31000:2010 Risk Management – Principles and Guidelines on Implementation which is also consistent with the guidance provided to Directors as set out in the Guidelines. The ERM Framework, which is embedded into the culture, processes and structure of the Group, and is subject to review by the Board, provides an ongoing process for identifying, evaluating and managing major risks faced by the Group that may affect the achievement of its business objectives and strategies. However, the Board also recognises that the systems and the ERM Framework is a continuing process, designed to manage and reduce, rather than eliminate, the risks identified to acceptable levels. Therefore, the system of risk management and internal control implemented can only provide reasonable and not absolute assurance against the occurrence of any material misstatement or loss.

Summarised below is a description of the key elements of the Group's risk management and internal control system.

1. Risk Management Structure

Risk management is regarded by the Board as an integral part of the business operations. Management at all levels have a collective responsibility for creating a risk-aware culture and ensuring that business risk assessment becomes an important part of both Headquarters and the Business Divisions' ("Divisions") decision making process.



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

2. The Group Risk Committee

A Group Risk Committee ("GRC") was established by the Board in 2009. The GRC comprises three (3) members, namely the Group Managing Director ("GMD") and any two (2) Independent Directors.

The primary responsibility of the GRC is to ensure the effectiveness of the risk management function at the CMS Group level. GRC also has the responsibility of ensuring appropriate control measures are in place or being developed to mitigate significant risks identified and at the same time, ensuring compliance with applicable laws and regulations.

The GRC meets at least once every quarter, reporting to the Board on risk related issues for the Board's information, guidance and approval, as appropriate.

3. The Group Risk Unit Function

The Group Risk Unit ("GRU") facilitates the implementation of the ERM Framework and processes at Headquarters and the respective Divisions. GRU is also responsible to work closely with Management to continuously review the risks on an ongoing basis so that these risks can be adequately identified, analysed, treated and reported by Management on a timely basis.

Additionally, GRU conducts risk meetings on a quarterly basis with the respective Divisions' risk coordinators and prepares a quarterly report detailing these reported risks together with the likelihood, impact, status of controls and mitigating measures which will then be submitted to the GRC for its review.

GRU also conducts regular risk awareness and coaching sessions to ensure that the Group's employees have a good understanding and application of risk management principles.

4. Risk Management Framework & Policy

The Group's ERM Framework is constantly monitored and reviewed to ensure that risks and controls are updated to reflect the current situation and ensure continued relevance. Management views risk management seriously and will take necessary actions to ensure that the Group is always alert to the changing business environment and any situation that might affect the Group's assets, operations, income and reputation.

The Group's policy is to create a consistent consideration between risks and opportunities in the business planning, execution and daily operations in order to achieve the Group's goals.

5. Risk Appetite Statement

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

The main underlying principles of the risk policy are:

1. Risk management is an essential element of a corporate strategy.
2. Effective risk management provides greater assurance that the Group's strategy and business objectives will be achieved without major surprises.
3. Each Business Division is responsible for managing risks that can impact the achievement of their business objectives.
4. Integrate risk management into business activities and decision-making processes at all levels.
5. All significant risks are to be identified, analysed, prioritised, mitigated, monitored, and reported on a timely basis.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

6. Risk Management Process

The Group's risk management process is a systematic procedure and practice which consists of risk identification, analysis, treatment, monitoring and reporting as summarised in the diagram below:

E. REPORTING

The major risks are consolidated and risk ratings reviewed by the GRU and both GMD (previously Group Chief Executive Officer – Corporate) and Group Chief Operating Officer ("GCOO") (previously Group Chief Executive Officer – Operations) before presentation to the GRC and the Board.

Subsequent to the financial year ended 31 December 2019, risk reporting from GRU is reviewed by GMD following the resignation of GCOO on 20 February 2020.

Each Division is also required to present the risk reports to their respective Boards periodically to assist them to discharge their governance and fiduciary duties.

A. IDENTIFICATION

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

On a quarterly basis, the respective risk owners will review and update their risk profile during their management meeting. The risk owners will also use this platform to review the control and management actions for each of the identified risks.

Notwithstanding the quarterly risk reporting framework, as and when necessary each risk owner shall report any material risks that may be arising or have arisen on a timely basis.

D. MONITORING

Risk coordinators have been appointed in the respective Divisions to coordinate the risk review process.

The risk coordinators and owners will continuously monitor the internal and external environment for potential changes to risks and ensure that risk treatments continue to operate effectively and risk related matters are highlighted and reported on a timely basis.

In addition, the monthly operations performance reviews which focuses on monitoring the achievement of financial objectives and other key performance indicators is also being used as an effective forum to identify and deliberate on risks and risk management issues. This has further enhanced the Group's risk management and monitoring process making it more robust and more relevant.

B. ANALYSIS

Risk is measured in terms of probability and impact depending on the possibility of occurrence and relative significance of the impact.

The Group adopts a 5 x 5 matrix in measuring the risks, and hence responds appropriately to mitigate / protect the Group from loss, uncertainty and loss of business opportunities.

Risk Rating Heat Map 5x5 Matrix

POSSIBILITY	Insignificant	Minor	Moderate	Major	Very Significant
Very High	6	7	8	9	10
High	5	6	7	8	9
Medium	4	5	6	7	8
Unlikely	3	4	5	6	7
Very Low	2	3	4	5	6

IMPACT

Very Significant
High
Medium
Low

C. TREATMENT

Risk treatment in CMS entails three types of control namely:
(i) Preventive;
(ii) Detective; and
(iii) Corrective.

For any "Significant" risks after relevant risk treatments, appropriate management action plans may be developed, where applicable, to manage these risks to an acceptable level. This is done through detailed internal discussions and consultation with the respective risk owners.

7. Corruption Risk Management

The Group is practising a zero-tolerance policy to any form of bribery and corruption. In order to be more aligned with the Government's commitment to combat corruption, the Group has engaged an external global consulting firm with international and local experience to conduct an anti-corruption risk assessment and gap analysis for the Group. The objective is to ensure the Group's practices and conducts are in-line with the MACC (Amendment) Act 2018, as well as the guidelines issued by the Prime Minister's Department entitled "Guidelines on Adequate Procedures". In this regard, the Group had also formulated its own Anti-Bribery and Anti-Corruption (ABAC) Policy which was approved by the Board in November 2019. Three more related policies were also approved by the Board in February 2020, i.e. (1) Gifts & Hospitality Policy, (2) Sponsorship, Donation & Community Investment Policy, and (3) Third-Party Corruption Risk Due Diligence Policy. In addition, the Group also conducted a Vendor Engagement Event in December 2019 in the presence of a senior representative from Sarawak State MACC Office to communicate to its third-party vendors and suppliers on the Group's stance and expectations in relation to this subject matter.

In relation to the above, the Group has formalised its own MACC steering committee which is chaired by the Group General Counsel to provide direction, oversight and advice pertaining to this subject matter as and when required.

Other works done on corruption risk management are as below (non-exhaustive):

a. Reviewed and improved the existing whistleblowing process
b. Conducted training on ABAC related topics to staff
c. Conducted focus group exercise to non-managerial staff

8. Project Risk Management

As part of the Group's commitment to be a more vigilant organisation, Management has utilised the Project Risk Scorecard ("PRS") to manage the Group's project risks. A PRS is used for all strategic investments, as well as certain "High threshold" contracts in the ordinary course of business undertaken by the Group.

Under this PRS, the relevant project owners/managers are required to identify the project risks to evaluate the feasibility of the project and present them to GRC and/or their respective Board before the project is formally approved. Subsequently, the project manager will need to monitor the risks and provide periodic updates from time-to-time.

9. Business Continuity Management

Business continuity management is regarded as an integral part of the Group's risk management process. As such, the Group has formulated a business continuity plan ("BCP") to minimise potential disruptions to business and operations due to, inter alia, business supply chain disruption, inaccessibility to the workplace, unavailability of key personnel and failure of critical systems and applications.

The business continuity plan documents the strategies and/or actions to be undertaken during a crisis so that critical business functions are able to resume within a critical timeframe to fulfil business continuity, statutory and regulatory requirements.

Additionally, in order to ensure that the Group's business continuity plan initiatives remained relevant, these plans will continue to be reviewed and updated periodically.

10. Limits of Authority

The Group has an established Group Limits of Authority ("GLOA") manual which sets out the authorisation limits for the Group's management and staff, and also those matters requiring Board approval to ensure accountability, segregation of duties and control over the Group's financial commitments. The GLOA manual is reviewed and updated from time to time to be aligned with business, operational and structural needs and changes.

11. Key Risk Management Activities

a. Risk Review for the Financial Year

A review on the adequacy and effectiveness of the risk management and internal control system has been undertaken for the financial year under review. The selected Divisions, comprising their senior management, as well as their executives, carried out the following areas of work:

- Conducted reviews and updates of risk profiles including emerging risks and re-rated identified risks;
- Evaluated the adequacy of key processes, systems and internal controls in relation to the rated principal risks, and established strategic responses and management actions to manage the aforementioned and/or eliminate any gaps; and
- Reviewed implementation progress of management actions and evaluated post-implementation effectiveness.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

b. Review on the Adequacy of Risk Management Process

During the financial year, GRU has carried out a self-assessment survey on the effectiveness of the GRC, Risk Management Framework and GRU. The survey was distributed to the members of GRC, GMD and GCOO. The survey results indicated that all respondents are generally satisfied with the effectiveness of GRC, Risk Management Framework and GRU.

c. Automation of Risk Management Reporting Process

By leveraging on the current technological advancements, the Group has, since 2014, utilised an electronic-based risk management system, with the aim to enhance the efficiency of the risk management process. This system provides an online platform for top management and users to review, update and monitor the risks at all times.

The system has been successfully implemented at the Headquarters and all major Divisions in 2019.

d. Bottom-up Risk Management

As part of the aim to make risk management relevant at all levels across the Group, GRU has expanded the reporting framework such that risk reporting and risk management will not be confined to only the management level but also to all executive and non-executive levels to further ensure and enhance the adequacy of our risk management framework, especially in relation to operational risk related matters.

As reported in the previous financial year, the Group has successfully rolled out the bottom-up risk management approach to selected Divisions and, given the positive feedback gathered, the Group will continue to fine-tune the approach from time-to-time.

e. Risk Demerit System

During the financial year, the Group has reviewed and enhanced the process for the risk demerit system. The GRC has deliberated and is in the opinion that there was no incident during the financial year that warranted a demerit to be imposed to an individual/business divisions.

12. Internal Control System

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

- Clearly defined delegation of responsibilities to Committees of the Board and management, including authorisation levels for all aspects of the businesses. Such delegation is subject to periodic review throughout the year as to their implementation and suitability.

- Clearly documented internal procedures set out in the Group Financial Policies and Procedures Manual.

- A detailed Group Procurement Policies and Procedures Manual to regulate procurement of goods and services in the Group. This includes the centralisation of competitive sourcing and evaluation of major purchases to leverage on the Group's buying power and the establishment of a Central Tender Committee which has the responsibility to review and endorse all high value purchases in the Group.

- A detailed Group Human Resource ("HR") Policies and Procedures Manual to regulate all aspects of employee engagement from conduct and discipline to benefits and entitlements. It provides a common and clear understanding and consistent practice of HR policies and procedures across the Group to effectively support the Group's operations.

- Where parts of the Group's operations have received ISO certification for their products and/or work processes, these operating units are committed to maintaining their certification by ensuring strict compliance with their respective ISO requirements which include periodic reviews from ISO.

- A detailed strategic planning and budgeting process where operating units prepare business plans and detailed capital and operating budgets for the coming year. These plans are subject to robust challenges by the management before they are put forward for approval by the Board.

- All major business commitments or investments will be subject to review in accordance with the procedures set out in the GLOA Manual so as to ensure that all such investments meet the risk appetite and investment criteria determined by the Board and that Division's budget.

- A performance management system has been implemented wherein individual performance of key executives will be monitored against agreed targets (Key Performance Indicators) to strengthen accountability control and to instill a stronger performance culture.

- Monitoring of monthly results against budget through the monthly operations review meetings with subsidiaries with major variances being followed up and management actions taken, where necessary.

- An independent Audit Committee comprising non-executive members of the Board, the majority being independent directors who collectively oversee the financial reporting process, internal controls, risk management and governance to provide assurance to the Board.

- Regular internal audit activities to assess the adequacy of internal control, integrity of financial information provided and the extent of compliance with established procedures.

- An emphasis on the quality and ability of employees with continuing education, training and development being actively encouraged through a wide variety of programmes.

- All significant contracts and legally enforceable agreements are vetted by the Group's Legal Department.

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM EFFECTIVENESS

The Board has received assurances from the GMD and Group Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects.

The Board maintains oversight of its interests in associate companies through representations on the respective Boards of the associate companies and the receipt of quarterly financial reports thereon. This allows the Group's interests to be served. While the Board does not regularly review the risk management and internal control system of its associate companies as it does not have direct control over their operations, these representations also provide the Board with information to assess the performance of the Group's investments.

The Board is not aware of any significant weaknesses in risk management and internal control that resulted in material financial losses during the current financial year and is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this Statement for inclusion into the annual report, is adequate and effective to safeguard the shareholders' investment and the Group's assets.

REVIEW OF THIS STATEMENT

As required by Para 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3") issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects: has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon. The report from the external auditors was made solely for, and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purposes or parties. The external auditors do not assume responsibility to any person other than the Board of Directors in respect of any aspect of this report.

This Statement was approved by the Board on 13 March 2020.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

There were no proceeds raised by the Company from any corporate proposals during the financial year.

2. AUDIT AND NON-AUDIT FEES

The fees paid/payable to the external auditors, Messrs Ernst & Young PLT for the financial year ended 31 December 2019 are set out below:

	Company RM'000	Group RM'000
Fees paid/payable to Messrs Ernst & Young PLT and its affiliates		
• Statutory Audit	175	978
• Non-audit services including tax services	285	1,050
Total	**460**	**2,028**

3. MATERIAL CONTRACTS

There was no material contract entered into by the Company and its subsidiary companies involving interests of Directors, Chief Executives who are not a Director or major shareholder either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE NATURE

At the 44th Annual General Meeting held on 30 April 2019, the Company obtained Shareholders' Mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature.

Details of recurrent related party transactions conducted during the financial year ended 2019 pursuant to the Shareholders' Mandate are disclosed in Note 39 to the Audited Financial Statements 2019.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and their results and cash flows for the financial year ended 31 December 2019.

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

The Directors consider that in preparing the financial statements for the year ended 31 December 2019, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates.

The Directors have responsibility for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Act and MMLR.

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

This Statement was approved by the Board of CMS on 13 March 2020.

LIST OF PROPERTIES

As at 31 December 2019

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'000)
Lot 4747, Block 18, Salak Land District, Kuching.	2009	Mixed zone land	Vacant land	Leasehold	37 years (2056)	0.23/ N/A	-	331
Lot 449, Block 15, Salak Land District, Kuching.	2007	Mixed zone land	Land & school	Leasehold	49 years (2068)	7.49/ 5,322	12 years	23,500
Lot 678, Section 66, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	19 years (2038)	3.20/ N/A	-	7,678
Lot 5895, Section 64, Sungai Tabuan, Pending Industrial Estate, Kuching.	1996	Land & cement mill	Office & factory	Leasehold	17 years (2036)	6.25/ 15,223	42 years	36,004
Lot 766, Block 20, Kemena Land District, Bintulu.	1997	Land & cement mill	Office & factory	Leasehold	43 years (2062)	6.88/ 68,797	23 years	5,724
Lot 1240, Block 20, Kemena Land District, Bintulu.	1997	Mixed zone land	Office & factory	Leasehold	43 years (2062)	7.37/ N/A	-	17,342
Lot 11332-11334, Block 59, Muara Tuang Land District, Samarahan, Sarawak	2017	Land	Vacant land	Leasehold	58 years (2077)	4.44/ N/A	-	3,649
Lot 571, Block 4, Sentah Segu Land District, Kuching.	1992/2002	Land & clinker mill	Office & factory	Leasehold	23 years (2042)	18.27/ 58,595	22 years	118,969
Lot 528, Block 4, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	53 years (2072)	0.11/ N/A	-	0
Lot 872, Block 4, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	52 years (2071)	0.22/ N/A	-	0
Lot 70, Block 9, Sentah Segu Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	5 years (2024)	1.30/ N/A	-	128
Lot 73, Block 9, Sentah Segu Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	7 years (2026)	0.75/ N/A	-	88
Lot 145, Block 8, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	94 years (2113)	3.77/ N/A	-	1,113
Lot 151, Block 8, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	51 years (2070)	1.66/ N/A	-	468

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'000)
Lot 71, 74 & 79, Block 9, Sentah Segu Land District, Kuching.	2014	Mixed zone land	Vacant land	Leasehold	94 years (2113)	6.46/ N/A	-	1,911
Lot 727, Sentah Segu Land District, Kuching.	2018	Land	Vacant land	Leasehold	44years (2063)	2.77/ 1.9441/	-	886
Lot 482 Block 4 Miri Concession Land District, Miri.	2018	Land	Vacant land	Leasehold	17 years (2036)	1.9441/ 0	-	26,322
Lot 56, Block 5 Seduan Land District, Sibu.	2019	Land	Vacant land	Leasehold	91 years (2110)	1.9441/ N/A	-	7,710
Lot 57 & 58, Block 5 Seduan Land District, Sibu.	2019	Land	Vacant land	Leasehold	95 years (2114)	1.9441/ N/A	-	8,954
Lot 415, Block 32, Kemena Land District, Bintulu.	1996	Industrial land	Held for rental income	Leasehold	25 years (2044)	2.23/ 712	20 years	1,982
Lot 34 & 35, Section 15, Kuching Town Land District, Kuching.	1994	4-storey shophouse	Held for rental Income	Leasehold	796 years (2815)	0.41/ 1,400	23 years	3,469
Lot 1241, Block 20, Kemena Land District, Bintulu.	1997	Industrial land	Vacant land	Leasehold	43 years (2062)	2.76/ N/A	-	1,570
Lot 9882, Section 64, Kuching Town Land District, Kuching.	2010	Mixed zone land	Vacant land	Leasehold	79 years (2098)	3.19/ N/A	-	22,374
Lot 4717-4718, Block 18, Salak Land District, Kuching.	2013	Mixed zone land	Vacant land	Leasehold	38 years (2057)	0.43/ N/A	-	1,519
Lot 4719-4720, Block 18, Salak Land District, Kuching.	2013	Mixed zone land	Vacant land	Freehold	In perpetuity	0.28/ N/A	-	1,372
Lot 294, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	37 years (2056)	2.75/ N/A	-	371
Lot 302-304, 354-357, 362 & 363, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	805 years (2824)	4.27/ N/A	-	3,409
Lot 342-343, Block 17, Kuching Central Land District, Kuching.	1999	Mixed zone land	Quarry operation	Leasehold	5 years (2024)	0.74/ N/A	-	55

LIST OF PROPERTIES

As at 31 December 2019

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'000)
Lot 358, Block 17, Kuching Central Land District, Kuching.	2012	Mixed zone land	Quarry operation	Leasehold	805 years (2824)	0.44/ N/A	-	792
Lot 355, Block 17, Kuching Central Land District, Kuching.	2012	Mixed zone land	Quarry operation	Leasehold	805 years (2824)	0.16/ N/A	-	149
Lot 1567, Block 36, Muara Tuang Land District, Kuching.	2019	Mixed zone land	Quarry operation	Leasehold	16 years (2035)	2.43/ N/A	-	3,612
Lot 71, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	37 years (2056)	18.94/ N/A	-	1,725
Lot 338, 340-345, Block 10, Sentah Segu Land District, Kuching.	1996	Mixed zone land	Quarry operation	Leasehold	19 years (2038)	3.07/ N/A	-	204
Lot 134, Section 64, Kuching Town Land District, Kuching.	1998	Mixed zone land	Jetty and land	Leasehold	39 years (2058)	0.43/ N/A	-	766
Lot 444, Block 11, 8th Mile Sibu Ulu Oya Road, Seduan Land District, Sibu.	1994	Mixed zone land	Premix operation	Leasehold	36 years (2055)	2.76/ 1,265	27 years	292
Lot 353, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Premix operation	Leasehold	37 years (2056)	2.24/ 1,877	11 years	493
Lot 280, Block 11, KM11, Miri-Bintulu Road, Lambir Land District, Miri.	1994	Mixed zone land	Premix operation	Leasehold	35 years (2054)	2.15/ 650	26 years	41
Lot 212, Block 17, Kuching Central Land District, Kuching.	1996	Mixed zone land	Office & factory	Leasehold	37 years (2056)	5.04/ 1,700	22 years	3,082
Lot 970, Block 1, Kuala Balam Land District, Miri.	2016	Industrial land	Premix operation	Leasehold	57 years (2076)	4.07/ N/A	-	4,675
Lot 2221, Block 17, Menuku Land District, Kuching.	2008	Mixed zone land	Quarry operation	Freehold	In perpetuity	0.82/ N/A	-	161
Lot 1325, Block 9, Batu Api Land District, Betong.	2017	Mixed zone land	Office	Leasehold	51 years (2070)	0.04/ 241	12 years	110
Lot 2128, Sublot 2, Kuching Town Land District, Kuching.	1998	3-storey shophouse	Office	Leasehold	41 years (2060)	0.01/ 334	21 years	295

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'000)
Lot 2116, Sublot 2, Kuching Town Land District, Kuching.	2003	3-storey shophouse	Office	Leasehold	41 years (2060)	0.01/ 328	21 years	377
Lot 493, Block 5, Muara Tebas Land District, Kuching.	1996	Mixed zone land	Vacant land	Freehold	In perpetuity	1.22/ N/A	-	255
Lot 494, Block 5, Muara Tebas Land District, Kuching.	1998	Mixed zone land	Vacant land	Leasehold	18 years (2037)	0.53/ N/A	-	52
Lot 488, Block 5, Muara Tebas Land District, Kuching.	1996	Mixed zone land	Vacant land	Leasehold	7 years (2026)	2.70/ N/A	-	126
Lot 220-222, Section 63, Kuching Land District, Kuching.	2007	4-storey shophouses	Office	Leasehold	778 years (2797)	0.04/ 1,560	11 years	2,826
Lot 3169-3171 & 2985-2986, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	98 years (2117)	25.18/ N/A	-	25,653
Lot 3241-3247, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	77 years (2096)	23.67/ N/A	-	24,119
Lot 2839, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	90 years (2109)	1.67/ N/A	-	1,699
Lot 2850, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	90 years (2109)	3.49/ N/A	-	3,558
Lot 2852, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	90 years (2109)	2.59/ N/A	-	2,643
Lot 2855, Block 7, Muara Tebas Land District, Kuching.	1997	Mixed zone land	Land held for development	Leasehold	90 years (2109)	13.03/ N/A	-	13,272
Lot 622, Section 66, Kuching Town Land District, Kuching.	1998	Mixed zone land	Land held for development	Leasehold	39 years (2058)	3.14/ N/A	-	3,671
Lot 2520, Section 66, Kuching Town Land District, Kuching.	1998	Mixed zone land	Land held for development	Leasehold	54 years (2073)	1.71/ N/A	-	2,148
Lot 2521, Section 66, Kuching Town Land District, Kuching.	1998	Mixed zone land	Land held for development	Leasehold	39 years (2058)	11.66/ N/A	-	14,657

LIST OF PROPERTIES

As at 31 December 2019

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'000)
Lot 195, Block 207, Kuching North Land District, Kuching.	2019	Mixed zone land	Land held for development	Leasehold	18 years (2037)	3.15/ N/A	-	15,556
Lot 7450, 8580 & 9613, Block 9, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	79 years (2098)	238.18/ N/A	-	1,834
Lot 6989 & Lot 7450, Block 14, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	81 years (2100)	7.02/ N/A	-	54
Lot 8582, Block 9, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	95 years (2114)	858.00/ N/A	-	6,608
Lot 3712, 3989 & 6059, Block 9, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	79 years (2098)	31.61/ N/A	-	198
Lot 1, Block 13, Salak Land District, Kuching.	1999	Mixed zone land	Land held for township development	Leasehold	79 years (2098)	349.70/ N/A	-	2,711
Sublot 14, Survey Lot 7648, Block 9, Salak Land District, Kuching.	2017	3-storey intermediate shophouse	Held for rental income	Leasehold	79 years (2098)	0.11/ 328	4 years	392
Lot 2082, Section 66, Kuching Town Land District, Kuching.	1996	Land & factory	Office & factory	Leasehold	26 years (2045)	0.85/ 3,936	36 years	2,043
Samalaju Industrial Park, Lot 117, Block 1, Kemena Land District, Bintulu.	2013	Industrial land	Vacant land	Leasehold	54 years (2073)	123.02/ N/A	-	26,561
Samalaju Industrial Park, Lot 108 & 109, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	95 years (2114)	32.95/ N/A	-	4,654
Samalaju Industrial Park, Lot 29 & 33, Block 54, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	95 years (2114)	860.60/ N/A	-	68,043
Samalaju Industrial Park, Lot 143, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	95 years (2114)	22.68/ N/A	-	4,049
Samalaju Industrial Park, Lot 293, Block 1, Kemena Land District, Bintulu.	2015	Mixed zone land	Land held for development	Leasehold	95 years (2114)	83.40/ N/A	-	12,914

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'000)
Samalaju Industrial Park, Lot 148, Block 1, Kemena Land District, Bintulu.	2015	Industrial land	Office & factory	Leasehold	54 years (2073)	350 acres N/A	-	453,886
Samalaju Industrial Park, Lot 132, Block 1, Kemena Land District, Bintulu.	2014	Mixed zone land	Hotel	Leasehold	94 years (2113)	9.35/ 14,460	5 years	46,792
Lot 9764, Block 59, Muara Tuang Land District, Kota Samarahan Division, Kuching.	-	**	Jetty	-	-	-	-	956
G.N. No.100 Sebuyau, Kota Semarahan Division, Kuching.	-	**	Jetty	-	-	-	-	868
Lot 246, Block 5, Sentah Segu Land District, Kuching.	-	**	Quarry operation	-	-	N/A /994	9 years	4,095
Sibanyis Quarry, Mile 15, Kuching-Serian Road, Kuching.	-	**	Quarry operation	-	-	-	-	16,623
Sebuyau Quarry, Bukit Mambai, Sebuyau, Simunjan.	-	**	Quarry operation	-	-	0.96/ N/A	-	2,143
Jalan Bintulu-Miri (Coastal Road), Samalaju Industrial Park, Bintulu.	-	**	Quarters, office, lodge	-	-	N/A /49,498	9 years	1,702
Lot 2586, Block 19, Seduan Land District, Sibu.	-	**	Bulk terminal	-	-	N/A /6,049	9 years	6,709
Lot 3494 & Lot 3043, Block 5, Miri Concession Land District, Miri.	-	**	Bulk terminal	-	-	N/A /5,507	9 years	6,473
Lot 2173, Block 6, Lawas Land District, Lawas.	-	**	Lawas Depot	-	-	-	-	888

** Land owned by third party

CMS GROUP DIRECTORY

CAHYA MATA SARAWAK BERHAD Registration No:197401003655 (21076-T)

Head Office
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KL Office
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Cement Division

CMS Cement Sdn Bhd
Registration No: 199401036232 (321916-K)

CMS Cement Industries Sdn Bhd
Registration No: 197901004987 (49256-V)

Pending Plant
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Pending Industrial Estate
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93740 Kuching
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F +60 82 332 178
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Mambong Plant
Lot 571, Block 4
Sentah Segu Land District
Jalan Mambong
Off Jalan Puncak Borneo
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P. O. Box A 599
93810 Kuching
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F +60 82 610 227

Bintulu Plant
Lot 766, Block 20
Kemena Land District
Kidurong Industrial Estate
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97007 Bintulu
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F +60 86 254 753

Sibu Bulk Terminal
Lot 2586,
Block 19 Seduan Land District
Upper Lanang Road
96000 Sibu
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Miri Bulk Terminal
Lot 3494, Block 5
Shin Yang Wharf
Jalan Mackaya
Krokop Utama
98000 Miri
T +60 85 434 621/434 622
F +60 85 434 623

Lawas Distribution Terminal
Lot 2173, Block 6
Jalan Pulau Salam
98850 Lawas
T +60 19 582 5491

CMS Concrete Products Sdn Bhd
Registration No: 199501037682 (366884-X)

PPES Concrete Product Sdn Bhd
Registration No: 198601003123 (152276-P)

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Kenyalang Park
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Kidurong Industrial Estate
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Sarikei
Lot 607, Block 91
Sarikei Land District
Jalan Repok
96100 Sarikei
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Construction Materials & Trading Division

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CMS Quarries Sdn Bhd
Registration No: 198401009225 (121767-D)
7th Mile, Old Airport Road
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Kenyalang Park
93818 Kuching
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F +60 82 615 598
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CMS Premix Sdn Bhd
Registration No: 198401005182 (117700-W)
Lot 353, Block 17
7th Mile Penrissen Road
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Kenyalang Park
93816 Kuching
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CMS Premix (Miri) Sdn Bhd
Registration No: 199101008229 (218541-T)
Mile 11, Miri-Bintulu Road
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CMS Wires Sdn Bhd
Registration No: 197501001360 (23092-U)
Lot 87, Lorong Tenaga II
Off Jalan Tenaga,
Bintawa Industrial Estate
Locked Bag 3039
93450 Kuching
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CMS Infra Trading Sdn Bhd
Registration No: 199001005068 (196635-M)
No 2128, Sublot 2
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/348 951/344 676
F +60 82 348 952/345 941
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Betong Premix Sdn Bhd
Registration No: 200301020839 (623259-P)
Lot 563, KM5
Jalan Betong
95700 Betong
T +60 83 472 137
F +60 83 472 163
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Borneo Granite Sdn Bhd
Registration No: 199501029885 (359091-H)
Lot 71, Block 17
Kuching Central Land District 290
Pekan Batu 7 (Kota Sentosa)
93250 Kuching
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F +60 82 615 598

Samalaju Development Division

Samalaju Industries Sdn Bhd
Registration No: 200701025409 (783430-V)
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CMS GROUP DIRECTORY

Construction & Road Maintenance Division

CMS Works Sdn Bhd
Registration No: 199401031370 (317052-H)
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Jalan Ang Cheng Ho
93100 Kuching
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PPES Works (Sarawak) Sdn Bhd
Registration No: 199001018223 (209892-K)
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CMS Roads Sdn Bhd
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CMS Pavement Tech Sdn Bhd
Registration No: 199501011732 (340934-W)
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PPESW BPSB JV Sdn Bhd
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PPES Works CCCC JV Sdn Bhd
Registration No: 201901007167 (1316494-T)
Level 4, Wisma Mahmud
Jalan Sungai Sarawak
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Property Development Division

Projek Bandar Samariang Sdn Bhd
Registration No: 199701028330 (443828-P)

CMS Property Development Sdn Bhd
Registration No: 199401036233 (321917-U)

CMS Property Management Sdn Bhd
Registration No: 199401040929 (326616-U)

CMS Land Sdn Bhd
Registration No: 199601038444 (410797-H)
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E sales@cmsp.cmsb.my
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Samalaju Properties Sdn Bhd
Registration No: 200601032936 (752695-D)
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Jalan Tanjung Kidurong
97000 Bintulu
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E samalaju@cmsb.my
W samalajuproperties.com.my

Samalaju Hotel Management Sdn Bhd
Registration No: 201101037308 (965442-M)
Lot 1332, Block 1, Kemena Land District
Samalaju Industrial Park
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W samalajuresorthotel.com

Information & Communication Technology Division

SACOFA Sdn Bhd
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Others

Cahya Mata Sarawak Management Services Sdn Bhd
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CMS I-Systems Sdn Bhd
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CMS Capital Sdn Bhd
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COPE Private Equity Sdn Bhd
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Malaysian Phosphate Additives (Sarawak) Sdn Bhd
Registration No: 201201027805 (1012291-T)
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Parkcity Commerce Square
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CMS Education Sdn Bhd
Registration No: 199601020203 (392555-A)
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Associate Companies

Kenanga Investment Bank Berhad
Registration No: 197301002193 (15678-H)
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F +60 3 2172 2999
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KKB Engineering Berhad
Registration No: 197601000528 (26495-D)
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OM Materials (Sarawak) Sdn Bhd
Registration No: 201001031381 (915304-H)

OM Materials (Samalaju) Sdn Bhd
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Jalan Tun Ahmad Zaidi
97000 Bintulu
T +60 86 334 690
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ANALYSIS OF SHAREHOLDINGS

As at 31 March 2020

TOTAL NUMBER OF ISSUED SHARES	**:**	**1,074,375,720 ORDINARY SHARES**
VOTING RIGHTS	**:**	**ONE VOTE PER ORDINARY SHARE**

SHAREHOLDINGS OF DIRECTORS

In Cahya Mata Sarawak Berhad

	Name of Directors	Direct Shareholding	% of Issued Capital*	Indirect Shareholding	% of Issued Capital*
1.	Dato Sri Mahmud Abu Bekir Taib	1,000,000	0.09	4,407,100[1]	0.41
2.	Dato Isaac Lugun	250,000	0.02	-	-
3.	Datuk Seri Yam Kong Choy	60,000	0.01	-	-
4.	Datuk Ir. Kamarudin bin Zakaria	2,900	0.00[#]	-	-
5.	Umang Nangku Jabu	200,000	0.02	-	-

In Betong Premix Sdn Bhd

	Name of Director	Direct Shareholding	% of Issued Capital	Indirect Shareholding	% of Issued Capital
1.	Umang Nangku Jabu	150,000	20.00	-	-

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held*	% of Issued Capital*
Less than 100 shares	43	0.53	1,677	0.00[#]
100 to 1,000 shares	1,125	13.88	836,907	0.08
1,001 to 10,000 shares	4,598	56.75	22,396,919	2.09
10,001 to 100,000 shares	1,940	23.94	59,579,690	5.55
100,001 to less than 5% of issued shares	392	4.84	441,555,114	41.16
5% and above of issued shares	5	0.06	548,254,313	51.12
Total	**8,103**	**100.00**	**1,072,624,620**	**100.00**

ANALYSIS OF EQUITY STRUCTURE

Category of Shareholders	No. of Shareholders	% of Shareholders	No. of Ordinary Shares Held*	% of Issued Capital*
Individual	5,751	70.98	202,742,555	18.90
Body Corporate				
Banks/Finance Companies	22	0.27	169,344,800	15.79
Investment Trusts/Foundation/Charities	1	0.01	6,300	0.00#
Other type of companies	99	1.22	146,075,309	13.62
Government Agencies/Institutions	4	0.05	62,623,180	5.84
Nominees	2,226	27.47	491,832,476	45.85
Total	**8,103**	**100.00**	**1,072,624,620**	**100.00**

Thirty Largest Securities Account Holders as per Record of Depositors

	Name of Shareholders	No. of Ordinary Shares Held	% of Issued Capital*
1.	Majaharta Sdn Bhd	134,775,306	12.57
2.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	116,909,927	10.90
3.	Lejla Taib	111,000,000	10.35
4.	Lembaga Tabung Haji	97,642,700	9.10
5.	Sarawak Economic Development Corporation	60,896,080	5.68
6.	DB (Malaysia) Nominee (Asing) Sdn Bhd *Exempt AN for Deutsche Bank AG Singapore (Asing WM CLT)*	35,457,300	3.31
7.	Kumpulan Wang Persaraan (Diperbadankan)	31,057,400	2.90
8.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Citibank New York (Norges Bank 14)*	25,717,469	2.40
9.	Maybank Securities Nominees (Tempatan) Sdn Bhd *Pledged securities account for Sulaiman Abdul Rahman B Abdul Taib (Margin)*	16,512,800	1.54
10.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *Deutsche Trustees Malaysia Berhad for Hong Leong Value Fund*	15,500,000	1.45
11.	Pertubuhan Keselamatan Sosial	11,663,100	1.09
12.	AmanahRaya Trustees Berhad *Public Ittikal Sequel Fund*	11,559,500	1.08
13.	Citigroup Nominees (Asing) Sdn Bhd *Pershing LLC for Shield Capital Fund SPC*	11,481,600	1.07
14.	Citigroup Nominees (Tempatan) Sdn Bhd *Great Eastern Life Assurance (Malaysia) Berhad (LPF)*	8,804,400	0.82
15.	Citigroup Nominees (Tempatan) Sdn Bhd *Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)*	7,841,900	0.73

ANALYSIS OF SHAREHOLDINGS

As at 31 March 2020

Thirty Largest Securities Account Holders as per Record of Depositors (Cont'd.)

	Name of Shareholders	No. of Ordinary Shares Held	% of Issued Capital*
16.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Total International Stock Index Fund*	7,493,570	0.70
17.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA for Vanguard Emerging Markets Stock Index Fund*	7,274,600	0.68
18.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (CIMB PRIN)*	7,060,900	0.66
19.	AmanahRaya Trustees Berhad *Public Islamic Select Treasures Fund*	6,568,400	0.61
20.	Maybank Nominees (Tempatan) Sdn Bhd *MTrustee Berhad for Principal Dali Equity Growth Fund (UT-CIMB-DALI) (419455)*	6,503,300	0.61
21.	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (Principal EQITS)*	6,336,000	0.59
22.	Permodalan Nasional Berhad	6,326,000	0.59
23.	Cartaban Nominees (Asing) Sdn Bhd *Exempt AN for State Street Bank & Trust Company (West CLT OD67)*	6,265,300	0.58
24.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (PHEIM)*	6,039,700	0.56
25.	Maybank Nominees (Tempatan) Sdn Bhd *National Trust Fund (IFM Eastspring) (410140)*	5,940,600	0.55
26.	Citigroup Nominees (Asing) Sdn Bhd *Exempt AN for Citibank New York (Norges Bank 1)*	5,546,735	0.52
27.	Cartaban Nominees (Tempatan) Sdn Bhd *PBTB for Takafulink Dana Ekuiti*	4,815,200	0.45
28.	Cartaban Nominees (Tempatan) Sdn Bhd *PAMB for Prulink Equity Fund*	4,706,300	0.44
29.	Citigroup Nominees (Tempatan) Sdn Bhd *Great Eastern Life Assurance (Malaysia) Berhad (Leef)*	4,557,200	0.42
30.	Citigroup Nominees (Asing) Sdn Bhd *CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc*	4,142,900	0.39
	Total	**786,396,187**	**73.34**

Substantial Shareholders as per Register of Substantial Shareholders

	Name of Substantial Shareholders	Direct Shareholding	Indirect Shareholding	% of Issued Capital*
1.	Employees Provident Fund Board	142,158,127	-	13.25
2.	YB Dato Hajjah Hanifah Hajar Taib-Alsree	2,780,500	135,775,306[2]	12.92
3.	Datuk Syed Ahmad Alwee Alsree	1,000,000	137,555,806[1]	12.92
4.	Majaharta Sdn Bhd	134,775,306	-	12.57
5.	Jamilah Hamidah Taib	-	134,775,306[2]	12.57
6.	Lejla Taib @ Datuk Patinggi Dr. Hajjah Lejla Taib (deceased)	111,000,000	-	10.35
7.	Lembaga Tabung Haji	99,424,800	-	9.27
8.	Sarawak Economic Development Corporation	60,896,080	-	5.68

* Excludes 1,751,100 ordinary shares retained as Treasury Shares
\# negligible

[1] Deem interest pursuant to Section 59 (11) (c) of the Companies Act 2016
[2] Deem interest pursuant to Section 8 of the Companies Act 2016

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